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USAID/GOVERNMENT OF MOROCCO

MOROCCO AGRIBUSINESS PROMOTION PROJECT

QUARTERLY REPORT 2

For the period:
April -- June 1993

by

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August 5, 1993

Report MAPP-QR2

MOROCCO AGRIBUSINESS PROMOTION PROJECT

SECOND QUARTERLY REPORT

EXECUTIVE SUMMARY

OVERVIEW

Development Alternatives, Inc. (DAI) and it subcontractors pushed forward on all task areas in this quarter. AMI (Agribusiness-Marketing-Investment) was recognized by Moroccan industry and supporting institutions as an entity which responds to private sector agribusiness priorities. Subsector studies were used by the team and by industries to plot marketing, technology transfer, and investment promotion strategy. Trade promotion efforts reached out to six European countries and North America. Industry awareness trips began to the USA. Technology transfer work began with fresh and processed products. The AMI team provided leadership on joint public and private sector work to upgrade processed food production and its regulation to meet U.S.FDA requirements for export to the USA. The legal review of the Promotion and Investment Fund was completed. Long-term participant training programs began. Preliminary work was started on privatization, financial sector assistance, and industrial internships.

MAJOR ACCOMPLISHMENTS

Major accomplishments for the period April through June 1993, were:

- Presentation of the Olive Sub-Sector Study to industry and supporting institutions to develop an initial action plan; execution of field and marketing work for the Fresh Vegetables and Cut-Flower Sub-Sectors; and initiation of the Spice, Essential Oils, and Medicinal Plants Sub-Sector study;

- Finalization of the legal review of the Promotion and Investment Fund and preparation of a back-log of projects with promoters;

- Identification of Eastern European and Northern European market opportunities for Moroccan products;

- Start-up of the U.S. trade show activities with Moroccan participants at the Chicago Restaurant and Food Trade Show in May and the Floral Marketing International Show in June;

- Initiation of promotional travel by potential U.S. investors, buyers, and suppliers to Morocco;

- Completion of the promotional video entitled "Morocco: An Oasis of Opportunity";

- Finalization of a two-year plan to bring EACCE and processors of low acid and acidified foods into compliance with FDA regulations and to help institute a Better Processing School (FDA-approved short-course);

- Initiation of technology transfer of packaging and production technologies from the USA;

- Selection of the first long-term degree candidates for U.S. training;

- Start-up of the Transport Sector Study;

- Building of linkages between Moroccan agribusinesses and U.S. industry associations in conjunction with AID's MTAPP project.

MAJOR ACTIVITIES FOR JULY-SEPTEMBER 1993

Major activities for the July-September 1993 period will be:

- The wine subsector study field and market investigations;

- A report on the status of the Moroccan agribusiness sector;

- Completion of the subsector studies of early vegetables, cut flowers, essential oils, spices and medicinal plants;

- Initiation of the transport study;

- Preparation of regional agribusiness workshops for Northeastern Morocco and the Tadla

- Approval of PIF mechanisms;

- Preparation for the Produce Marketing Association trade show and the Fresh Produce Industry study tour;

- Moving AMI into new offices

INTRODUCTION

This quarterly report covers the period from April through the end of June 1993. It is divided into five sections:

I. Tasks and Level of Effort. A very brief section showing which of the contract tasks were worked upon, and the percentage allocation of team and individual effort allocated to them.

II. Activities. A recap of the principal activities of the quarter and progress to meeting the outputs, objectives, and goals of MAPP.

III. Problems and Solutions. Identification of problems and suggested solutions.

IV. Activities for the Next Quarter. A brief schedule of major activities for the following period.

V. Financial Report. A summary of expenditures made during the period, and cumulative costs to the last monthly closing of accounts. This section includes any financial issues raised.

APRIL- JUNE 1993: GEARING UP FOR BUSINESS

I. Tasks and Level of Effort.

A. Percent LTTA Labor by Task

Figure 1. shows actual LTTA labor use during the April-June 1993 quarter and compares it to the average levels projected in our proposal. Compared with the winter period, spring and early summer 1993 shows:

- Continued strong emphasis on Trade and Investment, a level of effort which will be maintained throughout the year to identify prospects, products, and markets;

- A shifting of effort to Technology Transfer activities as staff identified initial opportunities;

- Maintained work with Supporting Institutions, notably intensive support of USFDA and EACCE activities in registration of processed foods for export to the USA;

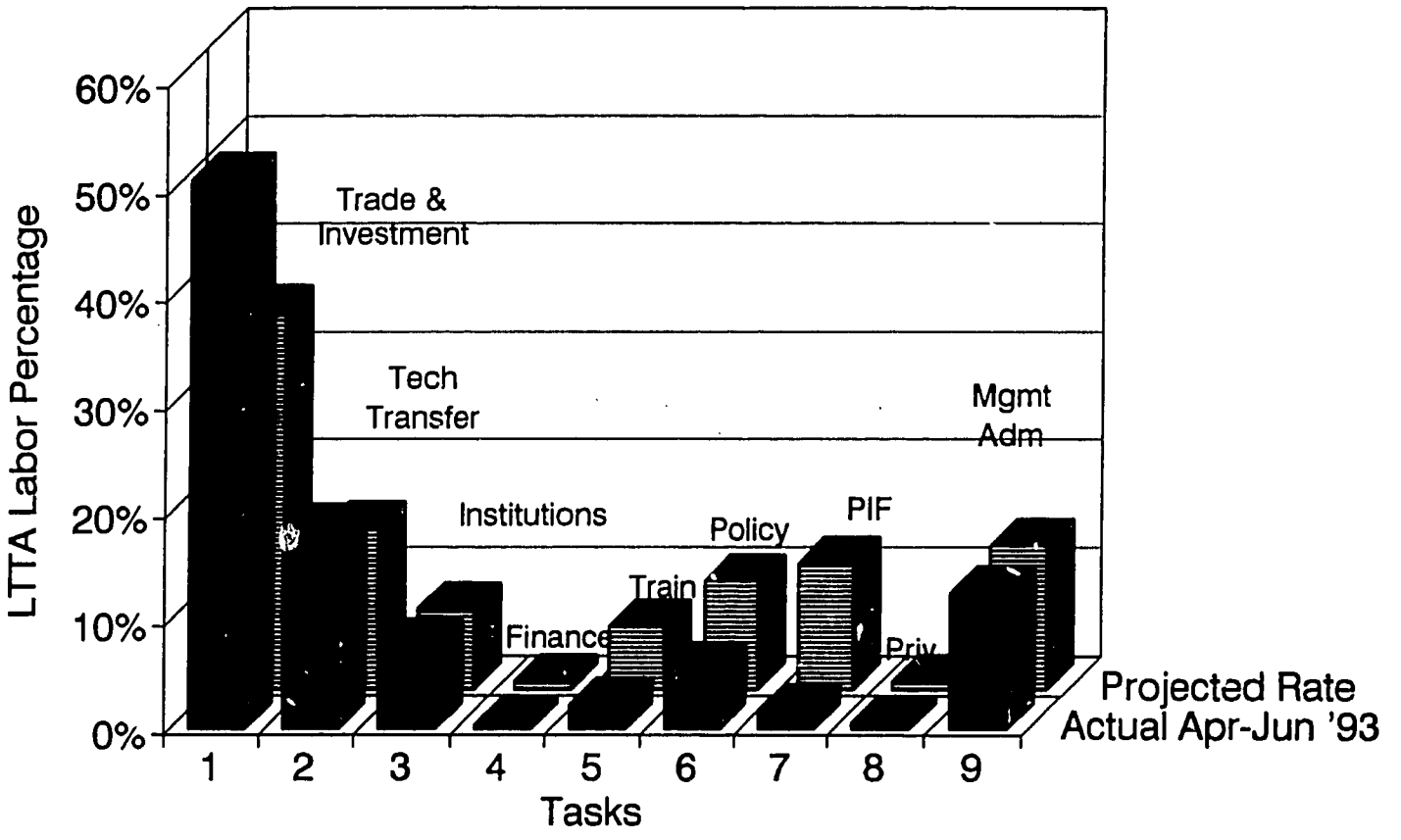
- Management and Administration effort at target level; and

- Continued effort on The Policy and Regulatory Environment led by the subsector studies and the follow-up of regulatory issues raised by Moroccan and U.S. firms;

- A drop in Promotion and Investment Fund work pending legal and AID review of revised cost-sharing agreements and procedures;

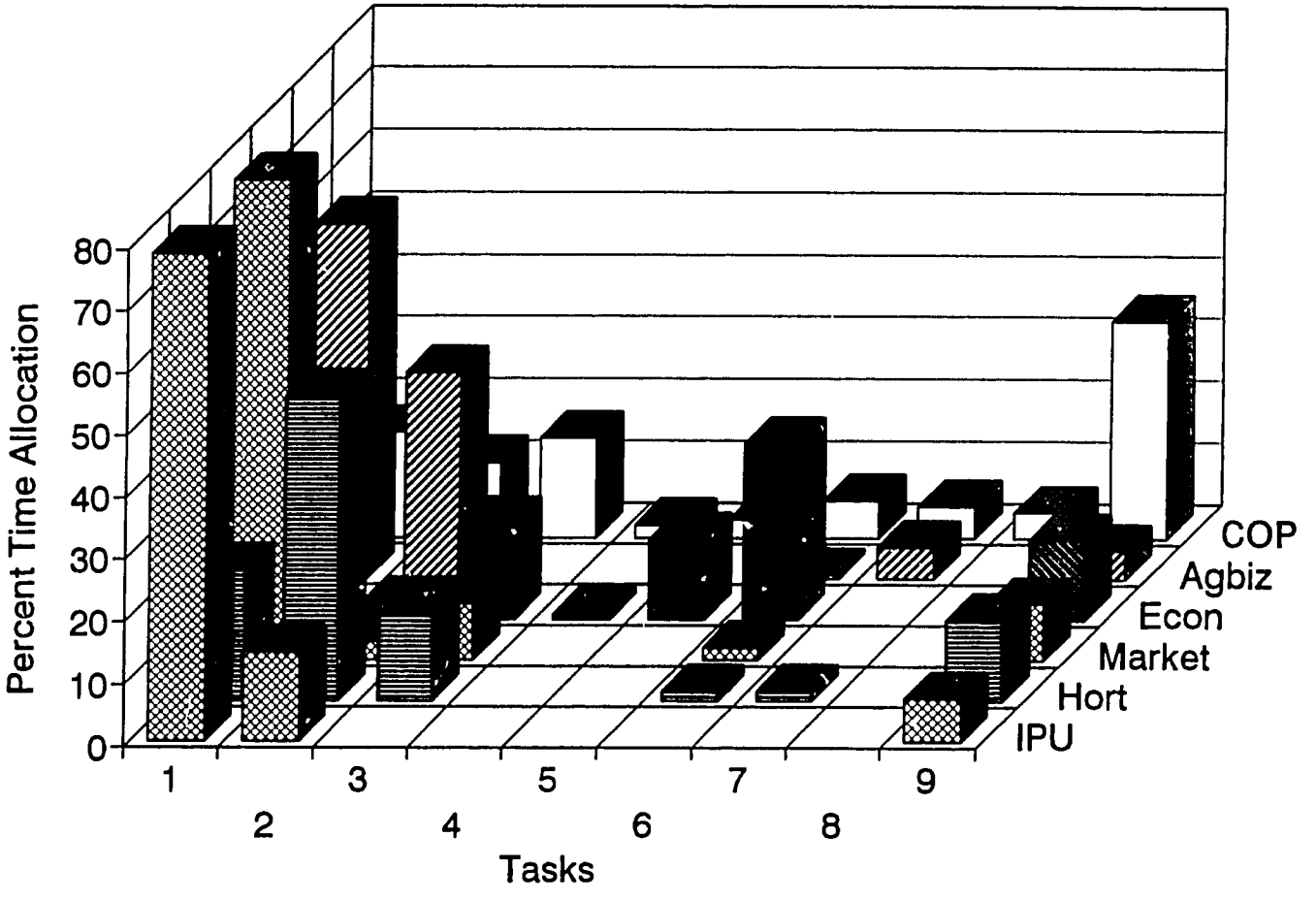
Long-term training activities were continued at about the same rate as during the winter. The conversion of longer-run programs to short-term training for the private sector required formal agreement between MARA and USAID. Work began in this period on new financing approaches through discussions with bankers, participation in a financial workshop for small and medium-scale enterprises, and referrals of SME's to the New Enterprise Development Project. Privatization strategies and options are part of subsector studies, policy work, and investment promotion, but no privatization targets have been identified.

1.Task Allocation Apr-Jun vs. Projected
Morocco Agribusiness Promotion Project



2. LTTA Task Allocation Apr-June 1993

By Team Member



B. Individual Work on Tasks

Figure 2. shows individual allocation of effort of the LTTA team by task. The April-June 1993 period shows a spread of effort across promotion, technology transfer, and supporting institutions similar to that of the January-March 1993 period. All staff worked on promotional efforts and technology transfer, three individuals worked on the Promotion and Investment Fund, and four on supporting institutions. The importance and complexity of the regulatory picture on both the Moroccan and U.S. scenes led to five staffers working on regulatory issues.

During the April-June quarter eight of nine task areas met the management criterion that at least two LT team members work on a given task area. Privatization (Task 8) work has begun with examination of indirect privatization through leasing of SOGETA and SODEA land.

II. Activities

A. Activities

Figure 3. provides the calendar of major activities during the spring quarter. Four main activities dominated the period: subsector studies and their follow-up with industry groups; processed food product registration for the U.S. marketplace done in cooperation with USFDA and EACCE; investment and trade promotion; and technology transfer. Substantial work was also done on the Promotion and Investment Fund and long-term training programs.

1. Subsector and Issue Studies

Bill Grant (Ag Economist) and Abdel Aboulkassimi (Horticultural Specialist) carried on their work on subsector studies. As the field work and presentations to industry groups were completed, the team began review and refinement of follow-on activities.

The olive study conclusions and recommendations were presented by Bill and Tri-Valley Grower's Ed Parker in a regional workshop at the Marrakech Chamber of Commerce in May. Morocco has the potential to greatly increase its presence on world markets, particularly for Spanish style green olives. It can do so by improving tree productivity on about 40,000 hectares of irrigated orchards, a small fraction of the national surface area. Specialization in table olive production in irrigated areas needs to be accompanied by exchanging the Baldi dual-purpose olive for higher quality table olive varieties. MARA could assist this effort by shifting part of its national olive nursery program to Manzanilla-type varieties. Improvement in two key factors would permit the olive industry to capture more value from olive production and improve producer prices. Commercial contract law needs to be strengthened with enforcement provisions so that production contracts can be made to ensure more reliable and higher quality raw material

Figure 3. MAPP-Major Contract Activities
April - June 1993

Date/Period	Activity
April 5 - 17	Visit by Dr. Bedroosian, President of Natural Pak modified atmosphere packaging
April 7	AMPEXFLEURS: Presentation of major findings of the Cut-Flower Subsector Study
April	Field work completed on Cut-Flower study
April - May	Market Investigation of France, Germany, Hungary, Czech Republic, Poland and U.K. (International Food Exhibition)
May 11	Rencontres Interprofessionelles Maraicheres: Primeurs: Production & Marchés - "North American Markets" presented by Bill Grant
May 15	FICOPAM & Chambre de Commerce et Industrie de Marrakech. Second regional presentation of major findings of the Olive Subsector Study.
May 21 & 24	Presentation to MARA of the video: "Morocco: An Oasis of Opportunity"
May 20-26	Moroccan Company and ASPEM Tour to the National Restaurant Show, Chicago
May 26	Legal review of Promotion and Investment Fund completed
May	Essential Oils, Spices, Medicinal Plants Subsector Study Field Work
June 7	Lindy's Delight: Production contract options and transportation cost presentation for David Feldman at IESC request
June 19- July 4	AMPEXFLEURS/MARA/IAV HASSAN II Cut-Flower Industry Tour
June 21	Acceptance of Mr. Azzouzi, DPAE, for M.S. Ag Economics program at Purdue University
May-June	Transport Subsector Study Field Work
April-June	Organization of Annual Artichoke, "Imperial Star", trials with SASMA and ORVMAM
June 28-July 2	MTAPP Trade Association Visit by Food Processing Machinery and Services Association; International Association of Refrigerated Warehouses; National Pizza and Pasta Association; and the U.S. Arab Chamber of Commerce

delivery to processing plants. Processing plants must upgrade general plant hygiene and improve their process controls if they are to become a regular supplier of table olives packaged for retail sale.

The findings of the early vegetable subsector study were presented by Bill Grant to a national two-day conference in early May organized by the Moroccan vegetable producers association (ASPEM) and the Export Control and Coordination Agency (EACCE). Using data gathered by Melissa Graham and Carla Henry of DAI headquarters, Bill presented the US market for tomatoes and other fresh vegetables and Morocco's potential to reach it successfully. Mexico's fresh market tomatoes outcompete producing countries much closer to the USA than Morocco. Morocco is currently allowed to ship only mature, green tomatoes that are subject to a continuous cold treatment during transit to the USA. Even if Morocco met these phytosanitary restrictions on exports to the USA, it is doubtful that Morocco could export substantial quantities of tomatoes to the USA.

The overall early vegetable subsector study findings recommended that Morocco diversify its winter season vegetables beyond tomatoes and potatoes to include higher volumes of a broader range of specialty products which cannot be easily mechanized. Choice of these products and markets should be guided by Morocco's current comparative advantages in seasonality, proximity to Greater Europe, and relatively low production costs. Greater production of bell peppers, zucchini squash, white asparagus, and the introduction of new crops such as snow peas and sweet corn, combined with the reintroduction and expansion of berry and bush crops would give Moroccan companies a greater ability to better position themselves with major importer/distributors. Exporters of fresh products should reduce their concentration on France in the EEC, and they should reach beyond the EEC membership for future growth.

Government requirements mandating cold storage facilities at packing houses are creating a healthy trend to packing house modernization. Parallel investment in multi-product packing lines provides the opportunity for Moroccan exporters to deliver consistently higher quality product more likely to match the differing requirements of consumers in different countries. One of the corollary investments needed is in pre-cooling equipment to quickly remove field heat from produce before or as it goes into cool storage or refrigerated transport. Modification of export coordination practice, particularly regarding product grade restrictions, will be needed to permit exporters to meet the demands of the U.K. and German markets. For example, consumers prefer tomatoes of grades both larger and smaller than those currently permitted for export to Europe, which have traditionally been grown to French market specifications.

Bill, Abdel, Ed Parker of Tri-Valley Grower's, Ray Graham of the Post-Harvest Institute for Perishables (PIP), Omar Aloui of Agro-Concept, and Hassan Essadki, President of Laboratoires Biomicol kicked off the spices, essential oils, and medicinal plants study in May. They discovered that the face of the industry is rapidly changing. A few years ago it was dominated by herbs and essential oils produced from plants gathered from forest reserves. Now, the largest segment of the subsector is paprika and paprika oleoresin extraction from raw material grown on the country's major irrigation schemes. Morocco

supplies nearly 50% of the U.S. imports of paprika oleoresin and about 15% of U.S. imports of dried paprika. Growth is attributed to the displacement of paprika production from Spain to Morocco, stimulated by the McCormick-Lukor co-venture, which has built new plants in Larache and in the Tadla. Product quality in older plants is mediocre because they lack washers and driers and because of poor raw material handling. Major lots have been rejected by U.S. and European buyers because of mold, mildew, and aflatoxin contamination. Carob gum exports are expanding because more food grade gum is being produced. The national carob tree nursery program promises to further build supply. However, the status of dried herbs and spices segment of the industry leaves much to be desired. Drought, poor business practices, mediocre quality control, and increased production by competitor nations have reduced Morocco's role as a supplier of many dried spices and essential oils.

Our work on the cut flower subsector resulted in the organization with AMPEXFLEURS, the national flower producer association, of an 11-person fioriculture delegation from Morocco to the USA on June 19. The delegation included industry and association leaders, floriculture specialists from the Ministry of Agriculture (MARA) and the Institut Agronomique et Vétérinaire Hassan II, along with the head of freight operations for Royal Air Maroc. They were following our recommendations to drastically upgrade the level of greenhouse productivity, to diversify their product offerings, and to study vertical integration of cutflower marketing and distribution through the establishment of wholly-owned or joint-venture importer/wholesaler operations in major markets. The University of Minnesota organized the stateside itinerary from New York to Tampa to San Diego and Monterrey, providing industry consultants, translators, and business and regulatory agency contacts at each stop. We have been asked to participate in the organization of EXIFLORE '94 in Marrakech as organizers and presenters at this showcase for the Moroccan export flower trade.

The subsector studies and our work in sales and investment promotion have highlighted the importance of transport costs and regulation as a major issue. Agro-Concept began a study of the sector to detail the current costs and operating issues associated with moving major products from packing sheds, ports, airports, and truck terminals to existing and targeted marketplaces in Europe, North America, and the Mid-East. Bill Grant supervises the study with the help of Patrick Fachot (Marketing Specialist).

2. Processed Food Product Registration

Mr. Tom Bennett, the Agribusiness Specialist and Mr. Humpal, the COP, worked with USAID/ANR, the MARA/DPV/Cellule de Partenariat, USDA, the Moroccan Export Control and Coordination Authority (EACCE) and the FDA to put together an 18-month program to transpose US low-acid and acidified food regulations into Moroccan code along with a supporting program of training and work with individual firms to implement thermal processing controls and container integrity programs. These changes are expected to stimulate Moroccan demand for both processing and container handling equipment and their

supporting services. The EACCE began implementation of the plan immediately, starting with translation of US Federal Codes into French. They also organized low acid food canners and their inspectors to provide support to FDA supplied thermal processing specialists expected to begin work to upgrade process controls in mid-July.

3. Trade and Investment Promotion

In early May, MAPP released the video, "Morocco: An Oasis of Opportunity". Produced entirely in Morocco with Tom Bennett (Agribusiness Specialist) as Executive Producer and Maclain Ramsey, a media consultant, as Producer, the video has played to enthusiastic reviews in Morocco.

The video targets the U.S. agribusiness decisionmaker, providing a visual synopsis of the country's culture along with its agricultural and business climate. The Ministry of Agriculture's Extension and Agrarian Reform Department, the National Center for Rural Education and Extension at the Ecole Nationale d'Agriculture in Meknes, and a series of private companies provided footage for the video, produced in the state-of-the-art, computerized cinematography studio of Sigma Technologies in Casablanca. Project staff will use it as they make presentations to companies on the trade, investment, and technology transfer opportunities in Moroccan agribusiness.

Patrick Fachot launched a major campaign in mid-May to link Moroccan exporters with importers and distributors in six countries in Europe. Over 170 targets in France, Germany, Poland, Hungary, the Czech Republic and the UK were found. Over 260 Moroccan producers and exporters of the identified horticultural products received the trade leads. When a match is found, Mr. Fachot serves as a sales liaison office, working with the buyer to identify their requirements and with the seller to prepare offers. Mr. Fachot and Don Humpal also worked with Moroccan wineries to improve their labels and their sales materials for the English-language marketplaces in Europe and North America.

IMCC's Rick Koskella, Christine Kjolbornsen, and Joe Welsh organized the participation by Moroccan trading companies and a trade association to the National Restaurant Show in Chicago. Besides working the show, the group was introduced to the national food service distributer industry, the National Restaurant Association, and to industry executives. Contacts made in Chicago were followed up during the visit of the National Pizza and Pasta Association under MTAPP.

IMCC's John Secondari, under AID's MTAPP project, used the background work done for the National Restaurant show to help set up a June visit to Morocco of four trade associations. In late June, Mr. Secondari led the associations to Morocco to look at business prospects and association twinning opportunities. Ms. Lyn Christensen, Director of International Programs of the Food Processing Machinery and Services Association (FPMS&A) explored the technology transfer opportunities in the packaging and processing arena. Ms. Teresa Cole, President of the Pasta and Pizza Association, came to Morocco looking for a single coordinator to source and deliver a wide range of products to her association's 25,000 members. She succeeded in identifying the coordinator. Mr. Mike Shaw, President of the International Association of Refrigerated Warehouses, linked with the Moroccan National Association of Refrigeration and Cold Storage (ANAF) and researched sales and technology transfer activities. Ms. Sarah Crawford, of the U.S. Arab-Chamber of Commerce pursued trade leads for U.S. and Moroccan members, some of which were initiated with AMI assistance during the National Association of State Development Agencies in October of 1992.

The Investment Promotion Unit in DAI/Bethesda continued its work in qualifying potential investment partners, performing market research, identifying U.S. companies matching the operating partner requirements of Moroccan firms, and locating firms supplying goods and services sought in Morocco. As subsector studies and investment leads point up promising product segments, the IPU staff are making direct contacts with groups of companies to generate interest in exploratory to Morocco. For example, when the flower subsector study identified the need for Moroccan rose growers to switch to controlled environment greenhouses, Richard Abbott canvassed U.S. greenhouse manufacturers and suppliers in the Western U.S. When a Moroccan company came to us looking for help in developing an extruded grain legume food product, Doyle Peterson drew on a range of Mid-Western companies and R&D organizations to set up sample exchange, test processing, and to begin preparing a promotional trip to machinery manufacturers, processors, and researchers. Inquiries about dried and processed apricot markets led Melissa Graham to target contact with seven specialty food import firms. Ms. Graham, working with Patrick Fachot and Abdel Aboulkassimi, have also developed a color brochure on Moroccan horticultural product availability to be used at trade shows and with importers. Ms. Graham, Mr. Fachot, and Mr. Abbott began preparations for a Morocco stand at the Produce Marketing Association (PMA) meetings to be held in the fall. The IPU is currently coordinating the PMA work with IMCC to prepare a fresh product industry awareness tour for Moroccan associations and regulatory organizations.

4. Technology Transfer

Tom Bennett, Abdel Aboulkassimi, and Don Humpal worked with a wide variety of Moroccan firms to develop project profiles, identify product development needs, locate sources of technology, and initiate product diversification activities.

Mr. Aboulkassimi initiated a trial program using a new artichoke variety which can be grown as an annual crop from seed. Trials are being carried out in cooperation with SASMA, IAV Hassan II in Agadir, and the Moulouya ORMVA. Mr. Bennett and Mr. Aboulkassimi worked with exporters and plastics suppliers to set up a commercial testing approach for the Natural Pak modified atmosphere technology introduced to Morocco with AMI/DAI assistance. Successful testing at the single carton level has led to substantial demand among exporters to run pallet-sized pilot tests for the 1993/94 production year.

Mr. Bennett worked with Moroccan producers to identify the harvest practice changes needed to improve the quality of dried and canned apricot products. He found that the most widely grown apricot varieties have inherently low sugar content, even when fully ripe. Once-over tree harvesting practices, little attention to fruit maturity and poor sorting also lead to a highly variable raw product. This variability is carried through processing and frequently results in a wide spread in product quality within a single product lot.

Mr. Humpal investigated the problem of plant propagation for vegetable and fruit producers. Despite the sophistication of many production technologies in use in Morocco, many growers use plant nurseries or buy nursery plants of mediocre quality, reducing the efficiency of use

of subsequent high yield production inputs and practices. Mr. Humpal is exploring introduction of high-quality transplant production systems with Moroccan producers and U.S. suppliers.

5. The Promotion and Investment Fund

In the winter quarter, DAI submitted the package of PIF guidelines and cost-sharing agreement by USAID. After revision, it was submitted for commercial legal review in Morocco and the USA. Lawyers in both locations raised jurisdictional and liability issues which required commercial code research and rewriting. It was finally decided in late May that all agreements could be written from the basis of U.S. law in a manner enforceable both in Morocco and USA. DAI submitted the revised package to USAID Rabat for review and transmission to AID/Washington for final review at the end of the quarter.

6. Training

The DPAE candidate was selected for long-term degree training and admitted to Purdue University to study for a M.S. in agricultural economics. No other MARA candidate had an English test score which would permit admission in 1993. Two other candidates may be able to qualify by January 1994, if they follow an intensive English program. No private sector candidates qualified for long-term training. The recommendation made by the Steering Committee to turn long-term training into short-term training for the private sector needs to be formalized in an agreement between USAID and MARA.

B. Progress

The period from April through June has been used to gear up our operations for business. This section describes the status of subcontracting and outputs.

1. Subcontracting

The DAI group consists of nine subcontractors. Subcontracting has been scheduled in order of anticipated major project expenditure. Subcontracts status at the end of June is summarized below:

- Postharvest Institute for Perishables (PIP) - Subcontract signed and approved by USAID RCO;
- American Manufacturers Export Group (AMEG) - Procurement subcontract negotiated, approved by USAID and signed. Services subcontract negotiated, submitted to USAID RCO, and signed.
- Tri-Valley Growers (TVG) - Subcontract finalized and negotiated, awaiting final review and TVG signature to permit shipment to USAID;
- University of Minnesota (UMinn) - Subcontract terms finalized but may require modification if the training program shifts to a predominantly short-term training approach;

- Land O'Lakes (LOL) - Subcontract finalized, awaiting signature to permit shipment to USAID;
- Agro-Concept (Agro-C) - Subcontract awaiting final DAI/Bethesda review;
- ICEA Enterprises - Waiver for 935 geographic code approved by USAID Mission Director, subcontract terms under review by COP;
- IMCC - Subcontract terms under review by COP;
- Purdue University - Draft terms under review by COP.

2. Outputs

Figure 4. shows progress against output measures by task up through the April-June quarter. It is emphasized here that these measures are constructed to show results. Some activities will not start until prerequisite actions are completed. For example, under Task 2. Diversification of Agribusiness Trade, U.S. firms have to be contacted before they will visit Morocco. So U.S. firms visiting will always lag behind the number of firms contacted in terms of generating percent completion. Only one firm from the USA has made an trip to Morocco. We expected this output to lag about three to six months behind first contact with a company. So, we anticipate that this output should be significantly higher by the end of the next quarter. Moroccan firm visits to the USA are about on target. Technology transfer (Task 3) and management methods transfer depend upon careful problem and opportunity identification, so we do not expect output achievement here for another two to three quarters. Industry association plans (Task 4) will not be started until the subsector study for a given commodity group is completed, and it is determined by the team that investment of project resources in an association will help increase exports, expand investment opportunities, or facilitate the transfer of technology or management methods. We have been surprised by the level of Moroccan demand to visit the USA and to participate in workshops. Industry awareness tours have had more participants per trip than we anticipated. Workshops and seminars generate substantial interest when they deal with market entry and technology topics, however the public sector is the heaviest user of these workshops. Government staff feel the greatest need to get up to date or reorient their activities to fit the trend to privatization.

Purpose measures (Figure 5.) have been developed to monitor achievement of results and are reported on here for the second time. Continued expansion of the opening in the Polish market begun in the early spring was halted by the short supply of spring potatoes in Morocco caused by this year's drought. However, the Polish buyers have indicated that they will travel to Morocco before the next export season to follow up fruit and vegetable leads. The first U.S. to Morocco industry association link has been kicked off. The visit sponsored by MTAPP has helped us bring together the International Association of Refrigerated Warehouses headquartered in the USA with the Moroccan National Association of Cold Storage (ANAF).

Figure 4. Development Alternatives, Inc. MAPP

PROGRESS TO OUTPUTS — PERCENT CONTRACT — 18%

TASK	LOP OUTPUT MEASURE	LOC TARGET	PERIOD PROGRESS	AMT	PERCENT ACHIEVEMENT
1. AUGMENT FOREIGN INVESTMENT	Subsector Studies	8	Olives/primeurs/flowers/spices	2.5	31%
	Prefeasibility Studies	8		0	0%
	Investor Briefings	200		20	10%
	U.S.	150	Briefings at U.S. companies	19	13%
	Other	50	Czech firm	1	2%
2. DIVERSIFY AGBIZ TRADE	U.S. Firms Contacted	1500	Mail+phone with some meetings	214	14%
	U.S. Firms Visiting	150	Several await cost-share	1	1%
	Moroccan Firms to USA	50	Organized meetings/plant visits	7	14%
	Study Observation Tours	30	NASDA Delegation, NRS Trade Sh AMPEX, MTAPP Trade Associations	4	13%
3. IMPROVED APPLIED TECHNOLOGY	Production/Pkg/Processing	4	Tomato shrink-wrap, fruit leather, I	0	0%
	Firms Adopting	20	Modified atmos. pilot tests 93/94	0	0%
	Product Marketing Strategies	6	Pizza Component Clearing House	0	0%
	Firms New Market/Biz Plans	10		0	0%
4. REINFORCE INDUSTRY ORGS AND SUPPORT INSTITUTIONS	Association/Group Plans	6	Preliminary meetings	0	0%
	Membership Info Services	4	Market Information Key Need	0	0%
	DPAE Industry Info Study	1	Hort'l Mrkt Data Sources ID'ed	0	0%
	DPVCTRF Improved Cert Plan	1	USDA APHIS Visit	0	0%
	DPV Agbiz Database	1	AMI Data Base Initiated	0	0%
5. IMPROVEMENTS IN FINANCIAL SERVICES	Financial Studies/Consultancy	NYA		0	
	Client Referrals MAPP-NED etc	NYA	Client Referrals Made	4	
6. ENHANCING HUMAN RESOURCES	LT Degree Programs	4	7 Candidates/ 1 Selected for '93	0	0%
	ST Advanced Training Progra	18	Need GOM/USAID modification/Inf	0	0%
	ST Industrial Interns	19	One identified in Biotechnology	0	0%
	Moroccans on Study/IA Tours	90	Trade Show IA Show Organization	16	18%
	Workshops	20	Kick-Off Conference, 3 FDA, 2 Tab	9	45%
7. IMPROVING THE POLICY/ REGULATORY ENVIRONMENT	Policy/Regulatory Reports	11	Transport Study Begun	0.25	2%
	Dissemination Seminars/Works	11	Regional Seminar Program Planne	0	0%
8. ADMINISTER THE PROMOTION AND INVESTMENT FUND	Cost Sharing Applications	100	Several companies have projects r	0	0%
	Acceptable Applications	75		0	0%
	Amount Awarded	2000000		0	0%
	Cost/Services Leveraged	2000000		0	0%
	Pre-Investment Activities	50		0	0%
9. ASSIST PRIVATIZATION	Parastatal Privatizations	5	HOLDAGRO wine acreage leases	0	0%
	U.S.Privatization Partners	5	One potential wine investor	0	0%
10. MANAGEMENT AND ADMINISTRATION	LT Staffing Completed (FTE)	6		6	100%
	Communication Systems	1	Completion awaits LAN in new offi	0.5	50%
	Timely Reports				
	Workplans	5		1	20%
	Qtrly Reports	15		1	7%
	Annual Reports	5		0	0%
	Late Reports				
	Workplans	5		0	0%
	Qtrly	15		1	7%
	Annual	5		0	0%

Figure 5. Development Alternatives, Inc. MAPP

PROGRESS TOWARDS OBJECTIVES

	TASKS	TASK1	INVEST	TASK 2	TRADE	TASK 8	PIF			TASK 3	APPLIED TECH	
		1.1	1.2	2.1	2.2	8.1	8.2	8.3	8.4	3.1	3.2	3.3
	MEASUR	JOINT	DOLLARS	MARKET	ASSOCIA	NUMBER	DOLLARS	TRADE	DOLLAR	SALES/	COST/	PROFIT
	PERIOD	VENTURE	INVESTE	PENETRA	PARTNER	INVESTM	INVESTE	LINKAGE	VALUE	COST	UNIT	
1992	AUG	0	0	0	0	0	0	0	0	0	0	0
	SEP	0	0	0	0	0	0	0	0	0	0	0
	OCT	0	0	0	0	0	0	0	0	0	0	0
	NOV	0	0	0	0	0	0	0	0	0	0	0
	DEC	0	0	0	0	0	0	0	0	0	0	0
.R TOTAL 1992		0	0	0	0	0	0	0	0	0	0	0
1993	JAN	0	0	0	0	0	0	0	0	0	0	0
	FEB	0	0	0	0	0	0	0	0	0	0	0
	MAR	0	0	1	0	0	0	0	0	0	0	0
	APR	0	0	0	0	0	0	0	0	0	0	0
	MAY	0	0	0	0	0	0	0	0	0	0	0
	JUNE	0	0	0	1	0	0	0	0	0	0	0
	JULY											
	AUG											

III. Problems and Solutions

Problems and solutions are grouped in four categories:

- Administrative Problems and Solutions
- Personnel Problems and Solutions
- Technical Problems and Solutions

A. Administrative Problems and Solutions

AMI is still in temporary office space. The search for appropriate space at reasonable cost has been continuous and done directly, through networking, through commission rental agencies, and through public organizations. Casablanca does not have a business-friendly approach to office space. We are closing in on final options, all of which present negotiating challenges because they do not offer simple rental or lease-hold contracts. This problem will be resolved in the next quarter, which will permit us to put in place communication services and an office lay-out which meets our needs. Our search and the frustrations of other new companies trying to set up shop in Casablanca indicate that the office real estate marketplace is a constraint to new business start-up by external investors. We know of two companies which abandoned start-up operations in Casablanca because of the excessive costs and difficulties associated with renting office space and the related problem of obtaining telephone lines.

AMI continues to uncover a string of small, nagging administrative requirements of local authorities which, while they are a standard part of doing business in Morocco, are certain to irritate U.S. businessmen. Almost every administrative matter carries with it a pile of paperwork and requirements for certification and notarization of very minor documents. While the cash costs of minor stamp duties are low, the time required for paper pushing and repeat visits for what in many countries are one stop formalities means that Moroccan administrative codes at all levels are a drag on administrative staff productivity. The solution requires forming multiple networks of personal contacts with all the administrative offices with which one works frequently.

Obtaining quality technical translation services continues to be a problem. We have identified a set of interpreters to work with during conferences and are training them in the technical terminology and jargon used in production, processing, and agribusiness management. Written translation services are improving with the identification of at translators who can provide English to French and French to English technical language translations on WordPerfect diskettes. However, turn-around times are slow and accuracy levels are not yet good. We will have to undertake the same type of training of text translators as we have begun with conference and work-shop interpreters.

B. Personnel Problems and Solutions

The pressures of trying to work from temporary offices and insufficient phone and fax lines has worn on AMI staff members. These problems, while extremely frustrating, have provided us with some useful insights on how to advise U.S. firms to do business here. Moving into new

offices will enable us to reduce the level of frustration felt by our staff. DAI management in Bethesda has asked the COP to ensure that this move takes place as soon as possible under the circumstances.

The personal strain generated by the illness of the spouse of one of our staffers resulted in job performance shortfalls. DAI management asked the COP to put the staffer on probation with clearly defined tasks and performance standards. The COP developed the program and monitored staff performance during the quarter as requested. A performance assessment will be made early in the next quarter.

C. Technical Problems and Solutions

AMI and MAPP/USDA and FDA investment in food safety and quality control training have led to the acceptance by public authorities of programs to bring Moroccan products into compliance with U.S. federal codes. However, the nature and extent of the changes that will have to take place at the regulatory agency level and at the farm, packing shed, and processing plant are still not fully understood by either the regulatory agencies or the private sector. U.S. regulatory approaches and U.S. industry practice is much more heavily weighted to prevention of food safety and quality problems than it is to ex-post control and exclusion or recall of products found to be unsafe or below standard. Moroccan regulatory and industrial practice is weighted to ex-post control using sampling and inspection techniques abandoned in the U.S.A. during the early 1970's, and being abandoned in Europe now. It will take substantial time and effort to educate all levels of Moroccan industry and government about the differences in approach.

Delays in contracting for the IAV Hassan II activities to be supported under the Program for Support to Agribusiness (PSA) have led IAV faculty to approach AMI for support of conferences, faculty training, regional research networking activities, and research projects which fall outside of the DAI contract tasks. We have had to turn down these requests, recommend their modification to meet our assigned objectives, or suggest that they delay activities until PSA or other resources are available. IAV faculty have been understandably frustrated by our responses. We have no way to supply the cash needed to implement some of the IAV programs which were identified and designed two years ago. The implementation of the PSA component is the only way to support them. If substantial delays are foreseen by USAID, it may make sense to inform IAV and MARA that alternative resources should be sought to execute programs scheduled for the rest of 1993 and early 1994.

IV. Activities for the Next Period.

Major activities for the period July 1993 through September 1993 will include:

- The wine subsector study field and market investigations to begin in July before the wine grape crush in Morocco and southern France, Bill Grant will supervise this study to be done with consulting assistance from ICEA Enterprises;

- A report on the status of the Moroccan agribusiness sector focusing on the horticultural industry to be written by the COP with staff assistance;

- Completion of the subsector studies of early vegetables, cut flowers, essential oils, spices and medicinal plants. Some require additional information from target markets. Each of them requires review and discussion with MARA and industry staff before final drafts can be prepared. It generally takes about 6 weeks to obtain MARA comments on first drafts of the subsector studies;

- Initiation of the transport study to permit completion ahead of the peak period of exports in early 1994. This study will be done with consultants provided by Agro-Concept. Agro-Concept performed transport studies for producer associations and for the World Bank in the later 1980's;

- Preparation of regional agribusiness workshops for Northeastern Morocco and the Tadla, both of which will be used to publicize MAPP and AMI and focus on crop, processed product, and market diversification.

- Approval of PIF mechanisms by USAID to enable the backlog of PIF proposals to move forward;

- Preparation for the Produce Marketing Association trade show and the Fresh Produce Industry study tour drawing on professional association assistance to organize representative Moroccan participation;

- Moving AMI into new offices in down-town Casablanca with better space, communication, and supporting services;

V. Financial Report.

Project expenditures recorded from through June 1993 totaled $1,437,113. This amount represents 10.5 percent of the total contract budget expended over 18 percent of the contract. Figure 6. provides the expended and remaining amounts of the contract budget. It should be noted that training expenditures and procurement are primarily in the subcontracts line item of the budget. Training expenditures began during the quarter. Project support costs ran at about 19% of the estimated budget, once the $2 million Promotion and Investment Fund is deducted.

Most subcontractors who have worked on the project to date have submitted bills by this quarter. The University of Minnesota is the only subcontractor who has performed work under a letter of authorization to expend without billing DAI.

USAID continues to provide timely payment on all submitted vouchers.

FIGURE 6. FINANCIAL REPORT

NAME OF CONTRACTOR: DEVELOPMENT ALTERNATIVES, INC.
PROJECT NO. 3707
MOROCCO AGRIBUSINESS PROMOTION PROJECT

SUBMISSION DATE: 23 JULY 1993
REPORTING PERIOD: 1-30 JUNE 1993
SUBMISSION NO: 15

CONTRACT NO.: 608-0210-C-00-2044

CATEGORY	BUDGET AMOUNT	INCEPTION TO LAST REPORTED PERIOD	THIS PERIOD	CUMULATIVE AMOUNT	REMAINING AMOUNT	PERCENT OF BUDGET EXPENDED
SALARIES/WAGES	$1,543,140.00	$258,953.10	$34,680.97	$293,634.07	$1,249,505.93	19.03%
INDIRECT COSTS	$1,395,717.00	$241,212.38	$30,950.05	$272,162.43	$1,123,554.57	19.50%
TRAVEL/TRANSP/PER DIEM	$380,384.00	$92,045.87	$2,878.67	$94,924.54	$285,459.46	24.95%
ALLOWANCES	$477,706.00	$116,807.13	$12,697.60	$129,504.73	$348,201.27	27.11%
PROMOTIONAL TRAVEL	$951,873.00	$71,087.20	$5,430.32	$76,517.52	$875,355.48	8.04%
TRAINING	$130,388.00	$0.00	$0.00	$0.00	$130,388.00	0.00%
WRKSHPS/CONFS/TOURS	$326,289.00	$22,525.52	$631.87	$23,157.39	$303,131.61	7.10%
OTHER DIRECT COSTS	$160,473.00	$24,632.56	$2,940.03	$27,572.59	$132,900.41	17.18%
PROJECT SUPPORT COSTS	$2,599,664.00	$106,003.77	$9,196.57	$115,200.34	$2,484,463.66	4.43%
SUBCONTRACTS	$5,073,830.00	$326,381.15	$14,859.01	$341,240.16	$4,732,589.84	6.73%
SUBTOTAL	$13,039,464.00	$1,259,648.68	$114,265.09	$1,373,913.77	$11,665,550.23	10.54%
FEE	$600,000.00	$57,943.84	$5,256.19	$63,200.03	$536,799.97	10.53%
TOTAL COSTS	$13,639,464.00	$1,317,592.52	$119,521.28	$1,437,113.80	$12,202,350.20	10.54%

ANNEX A1

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Major MAPP Reports

MAPP-1 MAPP Annual Work Plan, Casablanca, December 18, 1992. (In English and French)

MAPP-2 (DRAFT) William Grant, Abdel Aboulkassimi, Ed Parker, Tom Birchall, Hassan Benabderrazik, Omar Aloui. "Olive Subsector Study and Recommendations for Project Activities," Casablanca, September, 1992. (In English and French)

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MAPP Quarterly Reports

MAPP-QR1 Donald S. Humpal, "The Morocco Agribusiness Promotion Project: Quarterly Report 1," Casablanca, April, 1993. (In English with French translation pending)

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MAPP-WP3 William A. Grant, "U.S. Market for Early Season Vegetables and Perspectives for the Future."

MAPP-WP4 Donald S. Humpal, "Note De Présentation du Projet de Promotion de l'Agribusiness au Maroc," Casablanca, June, 1993.

Videos

MAPP-CASS1	Thomas A. Bennett, Executive Producer; Maclain Ramsey, Producer and Narrator; Dino Sebti, Sigma Technologies, Production Services; Video Footage and Technical Assistance from MARA and CNERV-Meknès: "Morocco: Oasis of Opportunity" (In English in PAL-SECAM and NTSC)