A.I.D. EVALUATION SUMMARY PART I

A. REPORTING A.I.D. UNIT	B. HAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN?	C. EVALUATION TIMING
USAID/MOROCCO	Yes X	Date: 5/93-6/93

B. ACTIVITY OR ACTIVITIES EVALUATED

Project #	Project/Program Title	First PROAG	Most recent PACD (mo/yr)	Planned LOP Cost ('000)	Amount Obligated
608-0189	Private Sector Export Promotion Project	86	6/93	$29,400	$29,400
	(SMAEX-Export Credit Insurance Component)			($ 9,400)	($ 9,400)

E. ACTION DECISIONS APPROVED BY MISSION	Name of officer responsible for Action	Date Action to be completed
Action(s) Required		
1. Carry out in-depth feedback session with SMAEX board and key staff on results and recommendations of the Final Impact Evaluation.	Alexander Shapleigh/ Kamal Sebti	5/31/94
2. Periodically monitor SMAEX progress vis-a-vis the Final Impact Evaluation recommendations.	USAID Staff Officer	Ongoing for next 5 years.

F. DATE OF MISSION REVIEW OF EVALUATION: 3/94 Report Date: 4/94

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Officer Director
Signature	Alexander Shapleigh			
Type name	Kamal Sebti		Rick Scott	James A. Hradsky
Date			5/2/94	

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H. EVALUATION ABSTRACT

This is the final impact evaluation of the Export Credit Insurance Component of the Private Sector Export Promotion Project (608-0189). The purpose of the evaluation was to assess the impact of USAID's assistance to SMAEX (Société Marocaine d'Assurance a l'Exportation -- Moroccan Export Insurance Company). Impact information was sought in terms of the effect of SMAEX-issued export credit insurance on the ability of Moroccan exporters to sustain and increase their exports to overseas buyers. Data was also sought on the internal management and effectiveness of SMAEX.

Main Conclusions

* Export credit insurance is a necessary, but secondary, contributor to the increase of a country's exports. Other concurrent factors include policy reform, trade liberalization, exchange rate devaluation, access to pre- and post-shipment financing, and measures to increase productivity and competitiveness.

* SMAEX, since its inception in 1989, has doubled the use of export credit insurance in Morocco. It now covers 6% of exports, in the range of the 5-10% levels achieved by similar organizations in other countries.

* SMAEX has concentrated its coverage on textiles (64%), firms in the Casablanca area (70%), and exports to the European Community (89%).

* Export credit insurance is perceived by Moroccan banks as a useful instrument in providing finance to local exporters; banks are increasingly accepting SMAEX-insured commercial paper (on a discount basis) as a means to finance exporters.

* SMAEX lacks access to current and accurate information on buyers in non-European markets. This is the principal handicap in expanding coverage to cover risks in new export markets.

* SMAEX, while a private company, is a relative monopoly. This has reduced, to some degree, the incentives to improve performance which would derive from greater competition.

* SMAEX decision-making is highly centralized and it is not clear that SMAEX has sufficiently adopted a business-oriented internal management culture.

Principal Recommendations

* SMAEX should reduce its concentration on exports to the European Community and expand its coverage of exports to other markets.

* To this end, SMAEX should take actions necessary to expand its information base on buyers outside France and other EC countries.

* SMAEX should design an appropriate marketing strategy vis-a-vis its exporter clients by expanding its presence in areas outside Casablanca.

* SMAEX should adopt a long-term business development plan employing specific, quantified goals and targets in a defined time frame.

* SMAEX should plan a coherent program of further training for its professional staff to allow greater delegation of authority.

I. EVALUATION COSTS

1. Evaluation Team

Name	Affiliation	Contract Number	Contract Cost	Source of Funds
Robert Mark Ward		C 700227-04	$71,000	Project 608-0189
Peter T. Beneville				

Both employed by CHECCHI AND COMPANY CONSULTING INC.

2. Mission/Office Professional Staff Person Days 10

3. Borrower/Grantee Professional Staff Person-Days (estimate) 10

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

I. PROJECT DESCRIPTION

The Export Credit Insurance Component is part of the Private Sector Export Promotion Project (608-0189). This component provided technical assistance and other support to SMAEX (Société Marocaine d'Assurance a l'Exportation -- Moroccan Export Insurance Company). SMAEX was established in 1989 to take over the Government of Morocco's existing export credit insurance program, then operating as a special department of the state-owned BMCE (Banque Marocaine du Commerce Exterieur--Moroccan Bank of Foreign Trade). SMAEX is organized as a private company, owned 33% by the GOM and 67% by the principal banks and insurance companies. USAID grant funds financed a multi-year, $1.4 million contract with Equator Advisory Services Limited (EASL) for short-term and long-term technical assistance, training and commodities. The EASL contract ended on December 31, 1991. In addition, a USAID loan of $8 million was provided to capitalize a Special Reserve Fund covering SMAEX export credit insurance policies against commercial risk. SMAEX also manages a separate political risk insurance program backed entirely by the GOM.

II. **EVALUATION METHODOLOGY**

The evaluation team spent four weeks in Morocco, of which three were devoted to interviews with officials from the Ministry of Finance, SMAEX, bankers, exporters, exporter associations, and other individuals who provided information and opinions on the functioning of SMAEX. The team visited Casablanca, Agadir, Marrakech, Fes and Meknes. Six banks were interviewed in Casablanca and a cross section of exporters representing agribusiness, fisheries, garmemts, chemicals and other manufacturing sectors. The team obtained further information from USAID project files, SMAEX reports and other documents.

III. **FINDINGS AND CONCLUSIONS**

A. The Role of SMAEX

* SMAEX has evolved considerably since it was established in 1989. Exporters recognize increasingly the value of a well-run export credit insurance program to seek out opportunities and protect against risks in expanding overseas markets.

* SMAEX's insurance portfolio has approximately doubled over the past four years. 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 501 were currently active.

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

* Increased bank financing is now available to exporters through the discounting by banks of export-related commercial paper covered by SMAEX insurance.

* SMAEX is a relative monopoly - now the only supplier of export credit insurance in Morocco. This reduces the usual incentives of competition contributing to improved performance.

* SMAEX insurance coverage is concentrated on textiles (64%), firms in Casablanca (70%), and exports to the European Community (89%). Insufficient priority has been given thus far to helping exporters penetrate markets outside Europe.

B. Views of SMAEX by Bankers and Exporters

* Banks generally perceive SMAEX as providing a useful service; they have been quicker to understand and to use SMAEX cover than many exporters.

* SMAEX has succeeded in shortening the time for processing and acting on applications for insurance coverage. The average response time has dropped to 13 days from 37 days in 1989.

* Some exporters are disappointed by SMAEX rejections of their applications, particularly in cases where the overseas buyer is in a country other than Europe.

* SMAEX is able to insure against risks in markets where it has current and accurate information on buyers. Lack of such information on non-European markets handicaps SMAEX's ability to reduce exporters' risks in new markets.

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

C. Marketing and Internal Management

* SMAEX has responded to needs of different clients by designing two new insurance packages tailored respectively to meet the needs of large and small exporters.

* Overall marketing activity has been relatively passive over the past two years, but a major publicity campaign was to be launched in the last half of 1993 geared to the two new packages.

* SMAEX is aware of the need to market its products to areas outside Casablanca but has not yet determined the most efficient means to do this.

* Thus far, it is not clear that SMAEX has adopted a business-oriented internal management culture. Decision-making remains highly centralized.

IV. RECOMMENDATIONS

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

* To this end, SMAEX should take actions necessary to expand its information base on buyers outside France and other EC countries.

* SMAEX should plan a coherent program of further training for its professional staff to allow greater delegation of authority.

* SMAEX should design an appropriate marketing strategy vis-a-vis its exporter clients by expanding its presence outside Casablanca.

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

* SMAEX should take measures to increase exporters' use of other existing SMAEX facilities (Market Development and Trade Fair Insurance) to encourage more international exposure for exporters.

V. LESSONS LEARNED

* Export credit insurance is a necessary, but secondary, contributor to increasing exports. Production and marketing assistance through export catalysts (e.g., USAID's trade and investment promotion projects for Moroccan agribusiness and other exporters) usually has greater impact.

* Because export performance is attributable to a number of concurrent factors including policy reform, trade liberalization, exchange rate devaluation, foreign investment, etc., it is impossible to quantify the marginal increase in exports which could be solely attributed to the availability of export credit insurance.

* SMAEX has been operating since early 1989. While it has made good progress in establishing its services, there is much room for improvements. The institution-building nature of a project of this type requires efforts that will go far beyond the end of USAID's direct involvement.

K. ATTACHMENTS

Final Impact Evaluation

L. COMMENTS BY MISSION*

The evaluation appropriately notes the modest role that export insurance can play in promotion of exports; however, the evaluation may be too quick to recommend a too rapid expansion provision of insurance coverage in markets new to Morocco and to SMAEX. The development gains from diversified trade outlets are indeed important, and more risks should be taken by SMAEX, i.e., SMAEX should be ahead rather than behind the curve in the shift of Morocco's exports away from the current dominant position of European markets. On the other hand, until knowledge of other markets is improved, which should be among SMAEX's primary objectives in the next phase of its operations, SMAEX should proceed with reasonable caution consistent with its long-term financial viability.