



KINGDOM OF MOROCCO

Court of Accounts

Chamber IV

Summary Report n°3/13/CH IV

Performance Audit of

The Moroccan Investment Development Agency (AMDI)

February 2014

SUMMARY

The audit mission of the management of the Moroccan Investment Development Agency¹ (AMDI) mainly related to the core activity of the Agency, namely the promotion of “Offre Maroc” (investment opportunities in Morocco), communication as well as commercial canvassing. In accordance with the legal framework of the Agency, this diagnosis also related to the relation of the Agency with the various components of the institutional environment governing investment. Similarly, the contribution of governance and support function to the performance of the main mission was examined.

1. MAJOR FINDINGS WITH REGARD TO PNEI² 2009-2015

It was noted that the management of the Agency is not clearly approached in terms of the aggregates of the National Pact for Industrial Emergence (PNEI) 2009-2015; however, it is the product thereof. For this reason an in-depth assessment was conducted on the institutional environment governing investment as well as the statutory framework of the Agency.

The tests for the identification of the direct impact of the actions carried out by the Agency was hindered by the failure of the Board of Directors to program a specific point linking management indicators to the objectives of PNEI. At the national conferences of industry, the role of AMDI as an instrument of the Pact is not clear from the results of foreign direct investment (FDI) and the organized meetings (B2B) presented. In this regard, it should be recalled that the Agency is a member of one of the governance bodies provided under the Pact, which is not operational, namely the steering committee with regard to World Trades of Morocco and FDI.

Based on the key indicator “net FDI inflows”, the years 2012 and 2013 continued the upward trend of 2011: +22% in 2012 compared to 2011 and +28% at the end of June 2013 compared to the same month of 2012. GFCF testifies to a strong momentum between 2006 and 2012 in spite of the poor performance posted in 2009. The contribution of FDI in the total investment amounts to 13.6% between 2006 and 2012 and the average annual contribution amounts to 4.2%.

Currently, industry occupies the first position on the FDI list with 26% of the total in 2012 and, by activity, the manufacturing industry precedes real estate activity with a rise of 36% as against 2011. The industrial share of FDI increased from 2.7 BMAD in 2009 to nearly 12 BMAD for the first semester of 2013, or from 11% to 52%, while it was 26% in 2012. Employment in the World Trades of Morocco rose from 366.834 in 2009 to 445.000 in 2012; that is a net creation of 78.000 jobs. Exports, for five sectors (automobile, aeronautics, electronics, offshoring and textile) increased from

¹ Agence Marocaine de Développement des Investissements

² Plan National pour l'Emergence Industrielle

53.1 BMAD in 2009 to 76.9 BMAD in 2012, with a strong rise of the automobile sector of 109% (25.1 BMAD in 2012 as against 12 BMAD).

2. INSTITUTIONAL ENVIRONMENT AND STRATEGIC ASPECTS

Institutional environment

Until recently, the institutional positioning of the authority in charge of investment was not specified. While this issue was solved after the appointment of the new government, the conflict of responsibilities remains between the Ministry of General Affairs and Governance and the Ministry of Industry, Commerce, Investment and Digital Economy. Similarly, such responsibility overlaps were raised between the commission in charge of the follow-up of investment plans, created in May 2013 and steered by the Minister of Economy and Finance, and a similar committee set up before this commission called “Aftercare Committee” and steered by AMDI.

Legal framework

The conditions under which the Agency was created do not contribute to the clarification of its scope of activity. The Agency is the direct product of PNEI, sector-oriented, based on the ex-Directorate of Investments which has always had a transverse mission. Moreover, with regard to the forecasts of PNEI, this scope of activity was extended to other sectors that are not part of the World Trades of Morocco (pharmacy, chemistry...).

Its activities are conducted within the framework of the implementation of the national strategy of investment. In this regard, it is tasked with proposing to the government the development plan of sector-based investments (industries, trade and new technologies). Finally, AMDI is in charge of the secretariat of the investment commission dealing with all types of investment.

As for Law n°41-08 on the creation of the Agency, it was not amended to accommodate the changes affecting its missions and powers. First, this did not happen after transferring the mission related to the development of activity zones to MICNT and then after the appointment of the Agency as a “national focal point” of OECD on the extent to which multinationals observe the guiding principles of investment. In this connection, it would be difficult to sustain the role of judge and jury. Also, the definition of more performance indicators related to investment is conditioned by the operation of the database of projects.

In Turkey, the Agency for the Promotion of Investments (ISPAT) is directly attached to the Prime Minister’s Office. In Malaysia, the Authority for the Promotion of Investments (MIDA) serves as an interface to investors and takes an active part in all reform projects on investment. The consultations with rating agencies and international institutions also fall within the scope of its responsibilities. In Ireland, the offices in charge of Industrial Development Agency (IDA) are associated with the official visits of the Prime Minister abroad.

3. DECISION-MAKING PROCESS AND STRATEGIC MARKETING

Decision-making process

The vacant position of the Director-General dating back to February 2012 until September 2013 delayed decision making as to some strategic management duties. It also hindered the development of the Agency's role as a source of proposals.

The Agency is slow in properly positioning itself as a platform of coordination between the various institutions intervening in the investment process. It remains handicapped by the partial control of part of the decision-making process that should lead to the materialization of investment plans. Moreover, any proposal remains non-binding.

The Agency handles transverse files without any corresponding decisional power. It takes part in events or organizes them although they are beyond the scope of its action plan.

Strategic marketing

Taking account of the positioning of this function within the value chain of the Agency, the latter is invited to feed all the actions conducted during the promotion campaigns and canvassing actions, as well as to carry out ex post evaluation. The identified significant points relate to specifying and profiling the needs specific to each investor category and the impact sought by the type of FDI.

The work tools of the teams engaged in the promotion and canvassing actions are not properly organized according to the category of target investors: on the one hand, those targeting the domestic market and, on the other hand, the investors related to the approach "Exporting from the Hub, Morocco" requiring local financing.

The benchmark indicates that the panorama of potential investors is highly diversified. It includes sovereign funds, investment funds (holdings), industry and services groups, asset managers, SME of variable sizes and hedge funds. Similarly, the source of the projects directly involving AMDI is broad and heterogeneous in terms of investment approaches (direct investment, indirect financial investment, investment funds, partnerships...).

The tools provided by the Agency to verify the relevance of sectoral choices do not include active monitoring and impact measurement framework, which provides information about the effectiveness of the attractiveness of investment opportunities in Morocco ("Offre Maroc") and the leverage effect for State action.

4. PROMOTION AND COMMERCIAL CANVASSING

4.1. PROMOTION

The promotion activity conducted by AMDI is materialized mainly by the organization of and participation in national and international events as well as by launching communication campaigns.

Implementation

The strategy primarily focuses on the international scale, as indicated by the authorized budget input and the absence of specific strategies, on the one hand, for the key accounts whose testimony is decisive for the brand image of Morocco; and, on the other hand, to retain leading investors through the promotion of reinvestment.

The benchmark revealed, for example, that the Malaysian Investment Development Authority (MIDA) aims at reaching by 2020 a distribution of 70% of national investments as against 30% of foreign investors via the reinforcement of national companies, following the example of China.

The respective shares of large companies and SME in the target portfolio of promotion and communication operations influenced the operationalization of the commercial approach of the Agency.

The re-examination of the promotion strategy was not carried out in a timely fashion to adapt it to the progressive slowdown of the comparative advantages of Morocco as regards offshoring.

Media and channels used

Although they are subjected to continuous adaptation, the promotional media indicate the preponderance of the media plans by means of television commercials to the detriment of the written press. They are not systematically supported by direct testimonies of the investors already based in Morocco. Moreover, the partnership channel does not adequately contribute to the optimization of the communication strategy.

The benchmark reveals bypassing television commercials in the media plans of the agencies of competitor countries and the prevalence of written media highlighting the successful experiences along with testimonies (Brazil, Turkey...).

Covered geographical areas

The Agency maintains France and Spain as the leading countries covered by the sales promotion and canvassing actions in spite of the economic crisis. Moreover, the awareness-raising campaign conducted by the public authorities on co-localization has not yet delivered any results.

The promotion actions targeting promising alternate countries are not proportional to their weight compared to some key indicators for assessing the impact of investments, modeled on Japan. The same holds for the promotion actions initiated in Gulf countries, which are inadequately adapted due to the identity of the originators of projects (sovereign funds).

Supporting the launch of several new prospection actions confirms once again the priority that should be attached to the major works to be conducted in the area of economic intelligence.

France-Spain and Germany-Italy campaigns

The conveyed image

In the case of France and Spain, except for the institutional film, all consultants' deliverables not conveying the industrial image of Morocco were abandoned as from 2012 for the benefit of more adapted advertisements.

Concerning Germany, a large proportion of companies do not perceive Morocco as an attractive country with an industrial fabric. On the other hand, at the end of the fourth campaign, the perception of the economic momentum of Morocco became positive in Italy.

Evaluation methodology

The assessments of campaigns were conducted by agencies selected by communication consultants, which AMDI should have prohibited in order to guarantee the maximum degree of objectivity. In addition, in the case of France and Spain, the rate of answers obtained is hardly representative. As for Germany and Italy, the evaluation was carried out mainly by telephone and was not corroborated by focus groups.

4.2. CANVASSING

Canvassing is carried out by sales representatives, head office teams of and representative offices abroad.

Sales representatives

To accelerate the implementation of the promotion and marketing plan, AMDI developed a sales strategy described as "innovative and aggressive" based on the use of sales representatives tasked with canvassing target companies. Four negotiated contracts were concluded in this regard between 2011 and 2013.

The analysis of the results obtained reveals varied performances. Out of the four service providers engaged, only the sales representative for the Germany zone was remunerated on the variable part of the contract, in addition to the fixed share, for the successful canvassing of a company which actually delocalized part of its production to Morocco. Over the period 2011-2013, the planned remuneration is the least expensive among the four.

Questions are raised about the degree of implementation by the other consultants of their expertise, particularly their knowledge of the potential of FDI in the world and the availability of their own networks. The contract of a service provider was terminated. The follow-up of potential customers is now ensured by the Agency teams.

Representative offices abroad (ROA)

Establishing representative offices abroad is considered as an institutional supplement of the aggressive outreach marketing policy. However, it led to mixed

results as it was not coupled with support measures integrating the legal and administrative aspects that would facilitate their normal functioning. The same holds for the conditions of recruiting some heads of ROA.

The creation of the six offices adopted the same approach without taking account of the specificity and nature of the host country. This is the case of the investors of the Gulf countries which prefer to go through the institutional channel instead of ROA.

The sustainability and credibility of the actions undertaken in some countries were on the brink of suffering from the attitude of some ROA heads, such as that of Paris, having initiated legal action against the Agency.

The operation of such offices is subjected to the provisions of Circular 2.4786 of 26-11-2008 on the administration of expenditure and revenues, which poses problems of documentary evidence supporting supply requests.

In Ireland, for example, all promotion agencies are located in the same premises in the capital and their representation abroad, usually sharing the same building. In the event there is no representative office, the relevant tasks are performed by the economic advisers of embassies, as it is the case of Mexico.

Head office teams

In connection with the new organizational chart adopted for the management of development, based on the region criterion, the portfolio of prospective customers is divided among the teams, to ensure the follow-up through Customer Relation Management (CRM) and extraction for the needs of monthly dash boards.

Professional capacities

After four years of existence, AMDI had its value chain formalized and it is gradually establishing a proactive approach based on results. This observation is corroborated by all the actions of readjustment and requalification of the documents of target companies received from the consultants hired by the Agency and the supervising body, within the framework of the operationalization of the sales strategy adopted by the Agency.

The analysis of the structure of the contact sources of the 1618 prospective customers dealt with by the Agency sales teams, according to the CRM extraction of 18-07-2013, specified 606 prospective customers as being of internal source; that is 38%.

Number of converted companies

Between 2010 and 2013, the number of converted companies amounts to 57. In view of the multitude of variables conditioning the decision to invest, it is difficult to allocate the entire set of conversions indicated above to the work carried out by AMDI teams. The actions conducted may have contributed to this outcome indirectly. In addition, it should be noted that the sectors covered by the converted companies exceed the strict framework of the World Trades of Morocco.

The analytical approach being tested to evaluate the real contribution of each stakeholder (AMDI team, sales representatives, other partners...) will fill the gap noted in this connection. However, the unforeseeable character of the behavior of investors should be taken into account.

By way of comparison, the President of the Turkish Promotion Agency submits to the executive officer of his country a monthly “result-oriented” management report. Readjustments are conducted in the event the relevant objectives are not achieved. As for the Malaysian Agency, the objectives related to the promotion strategy are generally quantified.

Companies established in P2I (integrated industrial platforms)

As a test of the capacity of the Agency to contribute to the accomplishment of some objectives supplementary to PNEI, the Commission of the Court calculated the occupancy rate of P2I. It turned out that only 10 out of 21 companies converted in 2011 settled in a P2I. The number is 12 out of 24 companies for 2012. The relative attractiveness of such zones is due, according to the officers in charge of the Agency, to the high prices of land plots.

Commercial effort

Profiles

Although the teams have strongly upgraded their competence with time, specialized profiles by industry branch are rare. In some key sectors such as aeronautics or automobile, this expertise gap is partially filled by the professional associations which are associated to commercial actions.

At the international scale, the resources of similar agencies are generally distributed by sector rather than by region, supporting the emergence of the required sector-based expertise.

Distribution of the portfolio

The distribution of the portfolio of prospective customers strongly varies from one officer to another and from one region to another, which affects the distribution by department. While continuing to focus the commercial effort on traditional zones, the Agency does not manage to devote enough time and resources the new promising geographical areas: BRIC, Asia, USA and Canada. A related factor is the inadequate adaptation of the committed commercial canvassing, no matter how limited it is.

Business case

Common and specific needs by category of investors are not found clearly in the sales offers. These involve (1) selection criteria common to all sectors: cost, labor; (2) specific criteria by sector: languages for offshoring; industrial fabric and logistics for automobile, aeronautics and electronics; (3) differentiating features: stability, access to large regional markets related to Morocco by free trade agreements in addition to proximity.

Business intelligence

The challenges in this regard comes from the difficulty of sufficiently feeding the canvassing actions by detailed and updated data base on business and strategic intelligence. The same holds for the delimitation, not yet clearly established, of the scope of activity of the Agency, preventing the direct link between the efforts made by its teams and the number of investors established. Moreover, the non-institutionalization of the calculation of the conversion cost by company, sector and country does not continuously make it possible to correlate the authorized budget input with the canvassing strategy.

Institutional twinning with the German Federal Ministry of Economy and Technology and the technical assistance of JICA are likely to reinforce its operational capacities as regards business intelligence and performance measurement.

5. ASSESSMENT OF INVESTMENT COMMISSION

The works of the Investment Commission for the period 2010-2013 culminated in the approval of 283 projects for a total estimated investment amounting to 240.75 billion MAD. The Commission could further streamline the circuit of approving and signing agreements if the identified points of nonperformance are eliminated.

Preponderance of domestic investments

The analysis of the distribution of investments by origin indicates that it is characterized by the prevalence of domestic investments. The lesson learnt is not properly taken into account during the programming of promotion and canvassing actions.

Incentive-based framework and the timeframe of signing agreements

The Investment Charter (Law n°18-95), promulgated on 8 November 1995, which specifies the framework of State action for the development and promotion of investments is outdated. In addition, compared to the incentives offered by competitor countries, those provided under the Investment Charter remain hardly attractive.

Furthermore, the timeframe of signing the investment agreements approved by the Investment Commission negatively impacts the agreement process.

By way of comparison, the Malaysian Investment Development Authority (MIDA) solemnly posts the commitment to respond to any request of investors within a maximum timeframe of 7 days.

Assessment of agreement-based investment plans

Pursuant to the Circular of the Head of Government dated 4 September 2012, AMDI was in charge of (1) the assessment of the costs and benefits of investment agreement projects, and (2) the preparation of a public annual report. Also, the World Bank was requested to launch, in collaboration with the Agency, the process of drafting an evaluation guide. The project was integrated in the program of supporting the competitiveness of the Moroccan economy with a view to improving the transparency and effectiveness of the public incentives granted to investors.

Follow-up of projects (Aftercare)

Aftercare is part of the good practices adopted by investment promotion agencies at the international scale. This procedure involves several goals including the development of investor loyalty as well as the continuous improvement of attractiveness and business environment.

The Court noted that this does not adequately integrate all the actors of local and regional development that would serve as an interface with investors, and that are likely to identify more opportunities and collect more expert views on the incentive framework. Similarly, the follow-up actions are not accompanied by satisfaction surveys and opinion polls.

The benchmark carried out highlighted the positive impact of the exercise of this responsibility on the brand image of any investment promotion agency. By way of example, the Andalusian Promotion Agency (grouping two entities: IDEA and EXTENDA) became the privileged interlocutor of the investors based in the south of Spain, which enables it to report information to the decision makers quickly. The Turkish Agency, in turn, adopts it as one of the elements of its communication strategy.

6. GOVERNANCE AND THE MANAGEMENT OF THE SUPPORT FUNCTION

Governance

The Agency used the questionnaire distributed by the Ministry of Finance to position itself vis-à-vis the recommendations of the Moroccan Code of Good Governance Practices for Public Establishments and Companies.

The action plan adopted was not accompanied by any deliberation on the capacities of internal adaptation of the Agency and its possible requirements in resources. Also, not all the internal governance bodies and those prescribed by the Board of Directors are operating: Steering committee, Strategic committee...

Management of the support function

Although the mission noted improvement trends, the capacities of the Agency remain marred with inadequacies regarding financial management, book-keeping, taxation, as well as career and cash management.

Financial management

The operating subsidy registered annually on the detailed budget booklet since 2010 amounts to 32 MDH, whereas the operational budget, approved by the Ministry of Economy and Finance, is definitely higher (39.3 MDH in 2010, 45 MDH in 2011 and 59,7 MDH in 2012). As the release operations do not make it possible to cover all the committed expenditure, and given that the Agency has only one bank account, the remainder of the operating expenses is covered by part of the investment subsidy.

Moreover, the Agency's failure to invoice all the services delivered, for the various organized events, does not contribute to the improvement of its financial position.

Contract management

Operational risk mapping was established following the first internal and external audit works. Not all the actions undertaken have led to the anticipated results.

The criteria of confidentiality and emergency justifying the recourse to negotiated contracts, although allowed by the relevant regulations, are difficult to assess in the absence of a clear definition of the application framework and conditions. Similarly, the reports of contract completion are not often drawn up and a posteriori control is not systematized.

Payments

The major observations noted relate to agreements of participation in international fairs and exhibitions, the contracts of purchasing advertising spaces, the quality of the supporting documents of the expenditure incurred by ROA.

With regard to the participation in fairs international and exhibitions, the payments are made upon the sight of invoices "service delivered" by the authorizing officer before at the actual participation. The organizers condition any participation by advance payment.

As for the payments relating to advertising campaigns, the certificate of the consultant of the booking of spaces on television channels or other spaces are regarded as sufficient to make the payment. The statement of reservation of the such spaces does not appear among the supporting documents of the payment of the expenditure of public corporations subjected to preliminary control and specific control listed in the Decree of the Minister of Economy and Finance n° 780-12 of 8 May 2012 (OG n°6058 of 21-06-2012).

Concerning the supporting documents submitted by the heads of ROA, the invoices do not always meet the requirements of form and substance defined by the instruction on income administrators of 1969, as amended, and other applicable laws. The contracts concluded with third parties (lease, insurance...) pose the problem of the language used.

Taxation

AMDI tax statute is not clarified. Currently, it is subjected to Corporate Tax and VAT but tax declarations were filed. In addition, the deduction at the source is not often carried out for the services delivered abroad by the hired communication agencies. Similarly, VAT is not invoiced.

Book-keeping

The entire process is sub-contracted to external service providers and a clear procedure dealing with the accounting of subsidies has not yet been established. In addition to the exhaustiveness of the fixed assets entered in the assets of the balance sheet which is not ensured, and the allocations for liabilities and charges which are not established, some provisions of the decree on financial and accounting organization of the Agency are not applied.

Information system

The main observation relates to the absence of a comprehensive security strategy of the CRM of the Agency, knowing that the data stored and processed therein are confidential. A reflection on all the aspects of the security of the contents of CRM is underway.

The organization and management of human resources

The real organization chart does not correspond to the official organization chart approved by the Ministry of Finance. In addition, no administrative note relating to the update of responsibilities of the various structures was noted. As for the personnel, the diversity of statutes does not allow equity between the various categories and an adequate management of careers.

MAJOR RECOMMENDATIONS

In view of the above, the Cour des comptes recommends the following to AMDI:

- 1. Completing the clarification of the institutional framework governing investment and adapting the legal texts of the Agency and the Charter of Investment accordingly, preferably following a broad international benchmarking.*
- 2. Adopting the "business intelligence" approach and introducing new monitoring instruments in order to extend AMDI intervention beyond canvassing specific needs.*
- 3. Keeping up the diversification and adaptation of the packaging of "Offre Maroc" as well as the industrial and commercial business case for each profile of project carriers according to the target country.*
- 4. Exploiting the maximum of investment opportunities, both domestic and foreign. The consolidation of suppliers of components around the leading investors already based in the country could be adopted as a priority through the promotion of partnerships.*

5. *Reinforcing the recent tendencies noted consisting of the adaptation of the media plans according to countries and the diversification of communication media. In this regard, the differentiating features of “Offre Maroc” should be highlighted and the evaluation approach should be re-examined as to the evaluation of the promotional campaigns in order to timely provide the required adjustment measures.*
6. *Improving the operationalization of partnership agreements by the effective sharing of action plans with the various actors in the field of economic promotion (embassies, RAM, developers, sector-based promotion agencies ...) supporting thereby the complementarity and pooling of resources.*
7. *Adapting the action plans to the international economic changes, particularly with regard to the system to be adopted for the first two sources of FDI bound for Morocco (France and Spain) and the pace to be given to the diversification efforts; concurrently, reorganizing the resources of the Agency between classical and new markets.*
8. *Institutionalizing the analytical approach in commercial matters in order to evaluate the real contribution of each type of intervention in the search for investments (AMDI teams, sales representatives, partners...) and to measure the overall impact of the promotional effort of the Agency.*
9. *Reinforcing the support actions “aftercare” for the entire set of existing Moroccan and foreign companies, and integrating satisfaction surveys in a comprehensive approach of quality assurance.*
10. *Keeping up the efforts underway concerning the alignment of the Agency with the “Moroccan Code of Good Governance Practices for Public Establishments and Companies”.*