



**KINGDOM OF MOROCCO**  
**PUBLIC FINANCE COURT**  
**CHAMBER IV**

**Summary Report n°2/14/CH IV**

**Management audit of**  
**The Moroccan Center for Exports Promotion (MCEP)**

**June 2015**

## SUMMARY

### **Mission framework**

The Moroccan Center of Exports Promotion (MCEP) is a public corporation created under the Dahir establishing Law n°1-76-385 of 17 December 1976, under the authority of the Ministry of Foreign Trade.

The major mission of MCEP is the promotion of exports of all industrial, artisanal, agricultural and agro-industrial products or different products which are, under the terms of a legislative or regulatory measure, beyond the scope of competence of other administrations or organizations.

The mission of MCEP management audit related to the core business of the Center, namely the promotion of “Morocco Offer”<sup>1</sup> and related activities. The diagnosis was extended to the institutional environment governing the promotion of trade.

### **I. Statutory, institutional and strategic framework**

#### **Statutory framework**

After reviewing the relevant achievements, dominated by promotion actions, it turned out that some legal missions that could be subsumed under the topic of “trade development” are not ensured by the Center. This relates to the organization of a commercial information system at the international scale, conducting studies on foreign markets and export possibilities, the assistance of the authorities and institutions concerned in implementing the measures of promoting exports, the orientation of public and private investors towards the industries or activities whose products could be easily channeled to foreign markets.

#### **Institutional framework**

The national institutional framework governing the promotion of exports witnesses the intervention of several organizations and institutions with inadequate coordination and overlapping functions and responsibilities. This situation is also characterized by the lack of synergies between the various actors and the poor involvement of the Center in sector-based strategies affecting the exportable supply.

#### **Role of the Department of Foreign Trade**

Three transverse actions of support to exporters are ensured by the Department of Foreign Trade, namely export audit, growth-based contracts and export consortia.

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<sup>1</sup> The business opportunities offered by Morocco.

However, the three support actions mentioned above are technical in nature and are part of the operational aspect. Moreover, they do not usually converge towards the targeted strategic objectives, particularly increasing the number of export businesses. In this regard, the export audit reports which are not subjected to any follow-up constitute a case in point.

### **Role of the Ministry of Agriculture and Fisheries (MAF)**

MCEP continues conducting the promotion of agricultural and halieutic food products in spite of the expansion, in 2013, of the scope of competence of the Autonomous Establishment of Export Control and Coordination (AEECC) under the authority of the Ministry of Agriculture as to the promotion of the export of such products.

This evolution would impact the activity of the Center, insofar as approximately 40% of the committed promotional actions relate to agricultural and halieutic food products, which now fall within the scope of intervention of AEECC. Moreover, during the board meeting of the Center of 7 April 2014, the representatives of professional associations stressed the pressing need to clarify the respective roles of the two bodies.

### **Role of the National Council of Foreign Trade (NCFT)**

The Court did not note any regular collaboration links between MCEP and NCFT; whereas the factors generating conflicts of responsibilities exist. A case in point is the organization and processing of international commercial information as well as targeting markets and sectors by means of studies and commercial profiling. Moreover, the two bodies have almost the same institutional and private partners.

### **Other international promotion actors**

As a marketing tool of the various sectoral levels in order to develop the exportable supply, the study on the "Morocco Export Plus" Strategy targets ambitious objectives of doubling exports by 2015 and tripling them in 2017-2018. However, the analysis of the deployment of such strategies by the various organizations concerned (Morocco Export, ANMPE, AMDI, ONP, ADA, ONMT, ANDA, Craftsman House), indicates that there is a lack of coordination of the various international promotion approaches, particularly as regards the brand image to be conveyed. The limited scope of coordination in the development of the sector-based strategies negatively influences the promotional actions of the bodies concerned.

Moreover, the requirements for the rationalization and optimization of the available resources are not met, ultimately exacerbating the promotion cost.

## **Strategic framework**

The Center was in charge of applying the “Morocco Export More” Strategy, as it was specified in 2008. The Court did not note the translation of such strategy into a foreign trade development plan designating the relevant actors and governance bodies, formalized by a program-contract and agreements used as a general framework for the development of exports. Hence, the follow-up and evaluation framework required in this regard was lacking, in the absence of a reference system.

The “Morocco Export More” Strategy was not accompanied with a general implementation framework. Moreover, there was no action plan integrating and coordinating the export aspects provided under the entire set of sectoral strategies.

In addition, the analytical review of all aspects of the governance of foreign trade promotion, regardless of the level of intervention, did not make it possible to detect any convergence towards the strategic objective targeted by the promotion of “Morocco label”.

## **II. Performances of “Morocco Export”**

Contractualization was not developed to better supervise promotional actions. In the absence of a reference framework establishing the commitments of the parties, the assessment conducted by the Court was based on the key trends of foreign trade and the degree of adaptation shown by promotional plans.

In 2013, **the trade balance** continued posting a chronic deficit though it declined compared to 2012. Coverage rate stood at 48.4% as against 47.8% in 2012 and the trade deficit compared to GDP amounted to 14.4% as against 15.6% in 2012. The largest share of the trade deficit is due to the exchange of goods with the European Union, China and Saudi Arabia.

Compared to the objectives of “Morocco Export” Strategy, non-binding because not officialized, the achievements at the end of 2013 show a variation amounting to 22 billion MAD, (155 billion MAD as against the target of 177 billion MAD). The variation started widening further as from 2012: 146 as against 159 billion MAD.

**The structure of exportable supply** witnesses a slow pace compared to that of the desired change.

Supply remains dominated by semi-finished and finished consumer products in almost equal shares at a total value of 49.8%. Adding gross products (9.6%) and food products (18.1%), the rate reaches 77.5%.

The benchmark shows that by product range, 86 products in Morocco concentrate 80% of exports (of which only 11 concentrate 61.3%) whereas they are 588 in China, 355 in Turkey, between 239 and 260 in India, Romania and Bulgaria, between 105

and 143 in South Africa, Brazil and Tunisia. However, they vary between 30 and 38 in Chile and Jordan whereas they amount only to 4 in Algeria.

From a qualitative point of view, the technological content of exported products is rather weak. According to the World Bank, low-to-average technology products account for 44% and high-technology products account only for 4%.

As for the added-value of exported products, it remains weak as some product ranges testify, a considerable part of which is re-exported within the framework of custom-based economic systems, after temporary admissions for improvement.

The growth of exports was driven by investments. Between 2009 and 2013, almost 48% of the rise of exports relates to three sectors concerned with the World Trades of Morocco (WTM) whose activity is driven mainly by the subsidiary companies of multinational firms such as Renault Group, Yazaki and Sumitomo, Airbus and Boeing. Agri-food exports were maintained at a total value of 8.5%. However, compared to the effort exerted by the State in the framework of Emergence Plan, Green Morocco Plan and MCEP promotional plans, the result obtained falls short of expectations.

According to Foreign Exchange Bureau, at the end of 2013, **the export productive fabric** comprises 5300 export companies. However, only 52 companies achieved, at the end of 2013, a turnover (TO) higher than 500 million MAD out of 467 which can be regarded as operating a regular exporting activity. The remaining 415 achieve between 50 and 500 million MAD. The majority, or 4827 companies accounting for 91%, record a TO below 50 million MAD and 48% record less than one million MAD.

The relevant records since 2010 highlight problems of the emergence of new exporters and the survival of newcomers. Only the segment recording a turnover higher than 500 MMAD posts a regular upward trend. Among the very active export companies, classified among the 100 leading companies, the subsidiary companies of OCP<sup>2</sup> (10) and those of multinational firms (more than 40) are identified. It also stands to reason that the development plans of such two categories are beyond of the scope of MCEP activity.

Compared to the noted trends, **the adaptation of promotional plans** was not initiated and the deviation from benchmarks, though not formalized, is likely to exacerbate.

With regard to **the sectors covered** by MCEP action, market losses were noted for a number of products belonging to priority sectors although such products are very dynamic worldwide. Poor performance is due, inter alia, to the presence on markets rated in the world exchanges map as not very dynamic, noting that the economic situation was not completely unfavorable and that the competitors of Morocco recorded good performances. The concentration of efforts on the objective of

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<sup>2</sup> Office Chérifien des Phosphates

consolidating the assets on traditional markets relegated to the secondary position the expansion of the portfolio of prospective customers on these very markets, hence the recorded losses and entry of very aggressive competitors.

Concerning ***the number of companies***, the Center limits the analysis of its performance to the achievements of confirmed leading export companies with their own networks. The achievements of the Center between 2009 and 2013 indicate that the increase in the number of supported companies did not redress the high concentration rate in terms of participation rate and participant rotation.

The selection criteria involve some problems because they arise from a promotional plan not hinging on one of the key variables, namely the distribution of companies by segment of export turnovers. On the basis of detailed data of the Foreign Exchange Bureau in April 2014, the niches are composed of the companies recording between 1 and 40 million MAD and 40 and 100 million MAD respectively accounting for 41 and 7% of the Moroccan exporting population.

With regard to ***the sources of trade deficit***, the major part of the countries of the European Union is raised. However, 67% of the trade deficit with EU is due to the situation of commercial exchanges with four countries. Understanding the origins is not properly exploited, in the sense that the actions of inter-markets readjustment are not considered by ranges of products and by-products. The promotional approach is consequently not differentiated according to specificities of markets and sectors as well as the country concerned, especially since it is now acknowledged that part of the Moroccan supply is present on hardly dynamic markets. Conversely, positive results were obtained on markets classified by Morocco Export as “non-priority”.

***The levers of promotional actions*** require the characterization of the supply, targeting markets and the definition of the pairs products/markets and sectors/markets.

Understanding ***the exportable supply*** is crucial to specify the actions to be undertaken with a view to improving competitiveness and capacity to meet international demand. The quantification of this supply remains, however, problematic for the Center, because most of its resources are devoted to the organization of fairs abroad. However, the organization of MCEP now comprises an independent directorate devoted to the identification of export businesses or those which have an export potential and which could benefit from support to operate at the international scale.

In the absence of the census of export companies, the supply is not subjected to suitable studies likely to assess the importance the export contribution of the supported sectors and the extent to which supply matches demand.

The same applies to the failure to use information technologies, along with most foreign export promotion entities, in order to map the potential export businesses by areas, markets and sectors as well as to conduct the related communication.

Concerning ***the targeting of markets and the pair sectors/markets***, three market categories for the development of Moroccan exports were targeted: strategic markets, adjacent markets, and niche markets. The first elements of the definition of the sector/market pair, identified within the framework of the action plan for the year 2010, were not updated. Hence, some markets that have become strategic remain classified as niche markets.

### **III. Operationalization of promotional actions**

The major part of the fairs in the activities of the Center (more than 60%) shows the limitations of the adopted promotional approach, which is poorly diversified.

**Concerning fairs**, the concentration is high in terms of participation rate and participant rotation, which indicates the weak recruitment of new companies.

The selection criteria constitute a source of concern because some companies also presenting strong export potential are either unknown to the Center, or excluded because the places are taken by the usually-supported companies. Moreover, the choice is not based on common targeted objectives. In this regard, unquestionable participating make of events a meeting point with their regular customers.

Return on investment falls short of expectations in view of the fall of the number of contacts and the preponderance of fixtures and communication costs in the expenditure pattern. The effort of export per participant is not visible.

On the basis of the case study to evaluate the contribution of the expertise and know-how developed by the Center, it was noted that the implementation of promotional actions sometimes suffers from lack of visibility and proactivity.

**Concerning B to B missions**, this prospection and canvassing activity was stimulated only recently. However, it is accompanied by increased promotion costs. New actions were introduced such as brief market studies, business visits following B to B missions and relay visits in Morocco. Nonetheless, it only partially responds to the post-event vacuum and break in value chain noted. Moreover, this activity was not supported by all the legal guarantees necessary to secure the increasing recourse to international sales representatives, called “relay” or “experts”, who have clients other than MCEP. There is no monitoring specific to “sales representatives”, though their services involves access to production sites, detailed information on the companies and sectors concerned, production capacities and market shares.

The preparation of B-to-B missions involves some inadequacies including the timeframe devoted to this phase deemed too short by the participants. Apart from the meetings which are concentrated during the exhibition, investment is not optimized

because of the absence among Moroccan companies of organized small firms that would accept, as in the case of textile for example, small-to-average quantity orders expressed increasingly by part of canvassed customers.

Through case studies, such as **Africa Caravan** of June 2013, B-to-B meetings highlighted a strong “potential of commercial and industrial partnership subject to a better match of supply with the specificities and needs for each market”. On the other hand, the assessment shows that the “caravan” promotional line is no longer adapted.

**Concerning the form of communication**, a central role was ascribed to this function since the reorganization of 2009, by establishing a fully dedicated directorate and the mobilization of the required human and budgetary resources.

One of the key objectives behind the creation of such directorate is not reached, namely defining a communication strategy. The actions of support to the other activities of the Center cannot be sustainable in the long run. The message that the communication actions convey is not perceptible, given that one of the strategic objectives of the Center is to project a better image of industrial Morocco and promote awareness of the national economic potential.

The channels and tools used are not in line with the image that Morocco seeks to convey. Except for posters, various attributes or gadgets, manufactured outside Morocco, are distributed during the organized events.

The lesson is not systematically learnt from the good practices noted during the participation in various events. This applies to the fair of mobile technologies (World Mobile Congress) which is held every year in Barcelona and witnesses the recourse of other countries’ exhibitors to modern communication channels such as social networks and mobile applications. Such innovations are easily generalizable to other events.

#### **IV. Steering, follow-up and assessment procedure**

The introduction of performance evaluation was for the first time the object of an item on the agenda of the Board of Directors’ meeting of 7 April 2014. On this occasion, the results of the study carried out on the initiated promotion activities as regards the period from 2009 to 2013 were presented with the exploration of the ways and means of introducing indicators. The latter will be supplemented by others identified within the framework of the benchmark requested by MCEP from the International Trade Center in Geneva.

***The necessary preconditions*** as regards steering are not ensured. The “upstream” phase of the promotional program, characterized by the multiplicity of sectors and



actions, suffered from the lack of a multidimensional monitoring system: sectoral, market-related and institutional, allowing:

- the convergence of the strategy-objective-deployment cycle of the actions, and
- the anticipation of operational risks, especially the failure to achieve objectives, and the introduction of the required readjustments.

Moreover, the lack of a monitoring and steering system does not make it possible to fill the gap noted with regard to the fight against the harmful effect of campaigns conducted by other competitor countries, to secure the Moroccan brands against any badly intentioned uses.

The failure of systematization by the companies having benefited from the promotional actions of post event reporting does not make it possible to establish a detailed and quantified assessment of the actions conducted. The shift from a resource-based approach to a result-based approach has not taken shape yet.

***As regards follow-up and evaluation indicators*** and with reference to the presentation delivered in Brussels, in April 2014, by the experts of the International Trade Center of Geneva on the various practices of promotion bodies as regards performance indicators, it is clearly indicated that such bodies that have been the subject of benchmarks are required to measure and communicate.

The parallel research undertaken by the Court showed, moreover, that no performance measuring system by means of indicators, no matter how precise and varied it may be, can deliver the expected results in the absence of clearly and previously defined objectives. In other words, it requires a promotional plan designed around the objectives as to the volume of exports by markets and sectors and, hence, the impact on the trade deficit and foreign currency inflow.

Thus, a shortfall is induced by the delay in concluding a State-Morocco Export-professional associations program-contract. Other late projects do not contribute to the implementation of projects such as the information system, the computing infrastructure and the organizational and procedural aspects.

During the MCEP board meeting of 7 April 2014, the first indicators proposed include strategic, operational and satisfaction indicators. Other quantitative indicators will supplement this list, particularly the number of contracts and orders to launch, the new purchasers to catch and participant rotation rate.

This question holds attention throughout the world as indicated by the attempts to understand the contribution of the budget invested in promotion dating back to 2007. According to a study of the World Bank which related to a sample of collective investment fund (CIF) of more than 100 developed and developing countries, for one US dollar invested in promotion, results differentiated by geographical area have

been obtained. Re-updated in 2009, the study above led to the conclusion that an increase in the promotion budget of 10% leads to an average rise of exports ranging from 0.6% to 1%.

## **V. Governance and management of the support function**

### ***Governance***

The Center exploited the questionnaire distributed by the Ministry of Finance to position itself as to the recommendations of the Moroccan Code of Good Practices of the Governance of Public Establishments and Companies. However, the action plan adopted was not accompanied by any deliberation on the internal adaptation capacities of the Center. The situation in the eve of the mission closure shows differentiated completion rates of the recommendations of the above-mentioned code. Chief of these relate to the failure to establish the various expert committees that should emanate from the governance body.

### ***Support function***

The management of this function is marred with inadequacies at varying degrees, particularly the aspects of organization and procedures, expenditure, taxation, the social climate and asset management.

### ***Organizational and procedural aspects***

These two aspects are problematic because they do not suitably contribute to the successful achievement of core business objectives.

The Court noted, inter alia, an inappropriate distribution of the roles and linking up activities at odds with the positioning in the organization chart, hence the overlap and conflicts of responsibilities, which increases operational risks: loss of energies and the multiplication of nonperformance factors. The manuals of the commonly accepted procedures are lacking.

### ***Financial management***

The examination of this aspect related to the conditions of preparation and implementation of the budget as well as the invoicing of delivered services.

The requirements to establish the necessary rigor in budgetary estimates have not been met yet. The forecasts documents produced by the various entities are prepared in the form of simple factsheets.

By way of example, the achievements of the investment budget for first the quarter of 2014 show overruns of the allocations planned for ICT and Offshoring, Audiovisual and Sea Products sectors (151%, 108% and 113%). For the year 2013, the budget allocated to the transit and logistics support managed by a framework-contract was exceeded and the Center had to resort to remedial purchase orders. This also

explains the recourse, during the financial year, either to amending budgets, or credit transfers with varying degrees, frequency and volume.

In general, the costs of implementing the fairs organized during first quarter of 2014 increased by 60% as against the costs of the same events organized in 2013; that is +11.45 million MAD. With regard to the average cost by square meter for implementing the fairs and the average cost by participant, taken overall, a rise of 72% and 35% respectively, between the first quarter of 2013 and the first quarter of 2014, was recorded.

Another aspect characterizing budgetary management is the significant costs to pay as well as the remaining amounts to collect dating from the previous financial years. The outstanding receivables amount roughly to 20 million MAD. Besides the problem of anteriority, the collection of the equivalent of 10 million MAD is hindered, inter alia, by the unavailability of the documents justifying certain debts, namely the registration forms duly signed by corporate debtors.

### ***Contract management***

The regularity examination indicates that gaps with varying degrees of seriousness mar the management of this section of the service from the upstream to the downstream stages, particularly the identification of the relevant needs and their translation into determining technical specifications, the choice of service providers, execution, acceptance and payment.

### ***Concerning the upstream stage***

Some estimated needs are rather cursory and the Special Conditions clauses sometimes lack accuracy. This induces modifications in the course of execution affecting crucial aspects in the documents of the invitation to tender. Such modifications cause recourse to substitutions or compensations instead of additional agreements or any other type of agreements specifying the new commitments and their financial repercussions.

Recourse is also made to the negotiated procedure in unjustified cases.

During the examination of dispute files, certain documents revealed exchanges of letters between law firms and MCEP Head Office, indicating confidential agreements between their customers, regular bidders to the invitations to tender launched by the Center, through the exchanges of information and distribution of contracts.

Similar facts with no follow-up were noted during the examination of the audit reports previously established by the General Inspectorate of Finance (GIF) (2005 and 2008) and the Public Finance Court (2010).

### ***Concerning the downstream stage of expenditure***

Payments took place following acceptance and completion certificate as to some services that have not been carried out or have become devoid of purpose because they have been completed beyond the timeframes agreed upon or they have been only partially completed.

The payments relating to renting exhibition stands as well as the participation in fairs and shows are conducted on the basis of invoices certified as “service completed” before the actual participation, hence taking the form of advance payments.

### ***Taxation***

MCEP tax status is not clarified. However, owing to the fact that it is not listed among exempt organizations provided under Article 6 of the General Tax Code, it is subjected to Corporate Tax and VAT. No tax returns have been filed and the tax authorities were not approached by the Center’s officers in this regard. Moreover, no provision was made to cover tax risks. The practices concerned are not prescribed and may be rectified.

### ***Social climate***

In accordance with the staff regulations, MCEP recruited on contract and for a limited period of time senior officers for remuneration higher than that granted the statutory staff. However, the contracts in question became obsolete since they were the subject of additional agreements that are indefinite. The advantages acquired by such executives were maintained. This situation negatively impacted the operation of the Center.

### ***Archiving and asset management***

These important aspects did not attract the required attention from the Center. Indeed, as of March 2014, part of the archives was deposited in bulk in a storage place in Bouskoura without any safety and safeguard measures.

The specificities of the “archiving” function at the Center are not taken into account, in the sense that the records are composed of documents with evidential value (registration forms) as well as patrimonial and technical value (creations and other deliverables ordered at the event agencies covered by the copyright clause), all of which are crucial.

## **Major recommendations**

*The Public Finance Court recommends the following to the public authorities:*

- 1. Review role-sharing between MCEP and the other institutional actors, namely the Department of Foreign Trade, AEECC and NCFT in order to eliminate the overlap noted in their individual interventions.*

*The Public Finance Court recommends that MCEP should perform the following:*

- 2. Re-examine its promotional approach which has proved to have a limited scope since it based primarily on the requests of the actors concerned without quantified objectives or pre-established commercial commitments.*
- 3. Exploit the existing potentialities by understanding the multiple dimensions of the exportable supply, a better grasp of foreign markets and international demand, dissemination of marketing information on the growing markets and the contribution to the improvement of the competitiveness of export SME.*
- 4. Accelerate the establishment and operation of the steering, follow-up and evaluation system, particularly with regard to monitoring and performance measurement indicators to set up around previously determined objectives by market and sector and even in terms of development, with the permanent preoccupation of optimizing the allocated resources and reduction of costs.*
- 5. Optimize and rationalize promotional actions by, for example, reducing the share of fairs to reasonable proportions, coupled with a reduction of the expenses of fixtures and communication in the overall expenditure pattern. As for B-to-B missions whose contribution is to be evaluated taking into consideration their increasing cost, it is necessary to ensure their upstream preparation. Other funding sources could be considered within the framework of partnerships with public or private institutions.*
- 6. Remedy the concentration represented by the participation rate of certain companies. Other selection criteria would open the way to many SME with strong export potentials and others that can capture a segment of world demand, as it is the case of textile.*
- 7. Expedite the establishment of the communication strategy to suitably support MCEP objectives and meet customers' and partners' requirements.*
- 8. Promote the intensive use of NICT that would convey, to many people and at lower costs, the image of modern Morocco as an emerging economy. Besides delivering quality services, the use of NICT facilitates the measurement of the impact of the actions conducted by the Center.*
- 9. Remedy the inadequacies marring the management of the support function in order to improve its contribution to the achievement of the objectives targeted by the statutory missions of MCEP. Special attention should be granted to the reinforcement of the internal control system of the contracts of events conducted abroad, in addition to taxation and informational assets.*