



**KINGDOM OF MOROCCO**

**Court of Accounts**

**Chamber IV**

**Summary Report n°1/13/CH IV**

**Performance Audit of  
Craftsman House (Maison de l'Artisan)**

**February 2014**

## SUMMARY

The Cour Des Comptes examined many aspects of the management of Craftsman House<sup>1</sup> (MDA) and noted some observations relating mainly to the achievement of the objectives of Vision 2015, the accomplishment of MDA missions and governance, promotion and communication actions, as well as studies and partnership agreements. This examination also concerned the implementation of some expenses.

### 1. Assessment of the achievement of the objectives of Vision 2015

Following the adoption of Vision 2015 by the public authorities in 2007, MDA resources recorded a substantial increase, rising from an annual average amount of 24.7 million MAD over the period 2002-2006 to an annual average amount of 116.4 million MAD over the period 2008-2012; that is nearly 5 times as much. The investment subsidy received from the State constitutes the overwhelming share of MDA resources. In 2012, for example, such share amounted to 79%.

Consequently, the committed capital expenditure witnessed a significant rise, up from an average 13 million MAD over the period 2002-2006 to an average 106 million MAD over the period 2008-2012; that is more than 8 times as much as the first period.

However, the achievements fall short of expectations, especially with regard to the promotion of exports. Indeed, except for the total turnover and the number of employees in the sector, which posted significant developments according to the statistics provided by the Ministry of Craft Industry, the other indicators failed to reach the targeted objectives of Vision 2015.

Hence, export turnover, which reached 340.16 million MAD in 2011, accounts for only 5% of the objective expected in 2015. Moreover, exports have been declining since the year 2005, decreasing from 762.66 million MAD in 2005 to 366.54 million MAD in 2012, down 52%.

The same holds for the turnover achieved with tourists, which, though it posted a significant increase between 2006 and 2011, falls short of the objective planned for 2015 of which it constitutes only 19%. Moreover, no company of this sector earned a turnover higher than 100 million MAD, while the target objective was to reach 15 companies exceeding this threshold.

With regard to the goal of establishing SME, Vision 2015 sets an objective to upgrade the number of SME in craft industry from 100 to 300 by 2015, whereas the general statistics of the Ministry of Craft Industry show that the number of SME in 2006 amounts to 310, even before launching the program of Vision 2015, which raises the question about the relevance of the set objectives.

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<sup>1</sup> Maison de l'Artisan

## **2. Strategy, missions and governance of MDA**

### *Strategy and role of the Board of Directors*

MDA, the major driving force of the public authorities as to the promotion of craft industry, did not develop Vision 2015 into a well-defined strategy that would promote the sector. The action plans prepared by MDA are characterized by the lack of quantified and clear objectives as well as performance indicators. Moreover, there is no evaluation at all in the implementation process of MDA action plans.

In the absence of performance indicators and an evaluation process within MDA, the Court wonders about the way in which the Board of Directors has ensured the good management of MDA, particularly in terms of effectiveness and efficiency.

The examination of MDA action plans also indicates that it has conducted many actions that were not scheduled within such plans. The cost of these actions amounted to 21.39 million MAD in 2012; that is 41% of the cost of investment actions (excluding communication).

Further, the Board of Directors has a management committee supposed to assist and enlighten it to make its strategic choices. However, this committee does not seem to play its role fully. Indeed, it met only three times during the period 2008-2012 (5 years), while it should meet at least once every two months and whenever required.

### ***Achievement of the missions assigned to MDA***

Pursuant to Law n° 52-99, MDA is in charge of the sales promotion, participation in commercial information, organization of training seminars or the participation in the training of the managers of craft industry companies, as well as research and incentives.

However, the missions relating to commercial information, training, research and incentives have not been accomplished. Similarly, with regard to the mission relating to sales promotion, the approach adopted by MDA does not seem to be suitable as indicated by the decline of exports. In this respect, MDA does not apply the provisions of the above-mentioned Law, granting little interest to market research.

### ***Establishment of the steering committee and implementation committee of Vision 2015***

Vision 2015 provides for the establishment of a steering committee and implementation committee. The steering committee, chaired by the Head of Government or the Minister of Craft Industry, is in charge of approving and reporting the general indicators of the progress of the implementation of the strategy. It should regularly meet twice a year, and whenever required.

The implementation committee, chaired by the Minister of Craft Industry, is composed of representatives of the public and private actors. It should regularly meet

on a quarterly basis, and whenever required. However, the Cour Des Comptes noted that at the end of 2012, no meeting of these committees, with such important powers, was held.

### ***Co-operation with the Moroccan National Tourist Office (ONMT)***

Craft industry is strongly related to the sector of tourism. The positive repercussions of the possibilities of synergy between public actors in the two sectors are undeniable. Aware of this potential, the Government provided under Article 30 of Vision 2015 that MDA shall develop a privileged partnership with the Moroccan National Tourist Office of Tourism (ONMT). This Article stipulates that the partnership between MDA and ONMT for the promotion of the sector will be the subject of a specific agreement.

However, more than five years after the adoption of Vision 2015, it was noted that no partnership agreement was concluded between the two entities. The synergy expected between the two sectors is still under-exploited.

## **3. Actions of foreign trade promotion**

### ***Effectiveness of actions***

In order to develop the exports of craft industry products, MDA initiates many actions chief of which relates to participations in exhibitions and trade fairs. The number of events carried out amounts to 145 during the period 2007-2012 at a total cost of 153.44 million MAD. The number of SME which benefited from the contributions of MDA in these participations reached 112 companies.

The choices of such activities by MDA showed their limits insofar as they do not manage to stimulate exports of craft industry products. Indeed, in spite of the significant rise of the cost of these actions, up from 8.53 million MAD in 2007 to 37.18 million MAD in 2012, export turnover posted a decline of 37%, down from 584 million MAD in 2007 to 366.54 million MAD in 2012.

### ***Selection of target countries***

MDA does not have a clear marketing strategy highlighting the competitive advantages of Moroccan products and allowing the determination of the adequate product-market couple. This absence is due primarily to the inadequate knowledge of the target markets and competitors' supply. The criteria adopted for the choice of target countries are related to the visibility of the event and the number of visitors. However, the criterion relating to the return on investment by an evaluation of the impact on exports is not documented.

### ***Selection of exhibitors***

According to MDA Operating Manual, the selection of exhibitors is conducted through the publication of a call for expression of interest in the written press. In practice, this procedure is generally not observed. This runs counter to the principles of transparency and the right of access to the services offered by MDA as well as that of equal opportunity for professionals.

#### **4. Promotion and communication actions at the national scale**

##### *Direct promotion actions*

##### Action plans

The financial years 2010 and 2011 were characterized by a strong increase of expenditure relating to direct promotion actions in Morocco. However, it was noticed that more than 60% of these actions (in terms of costs) were not provided under the action plans. However, MDA Operating Manual stipulates that the events in which MDA participates are those approved by the Board of Directors.

##### **Choice of events**

The period 2007-2012 was marked by the organization of three thematic exhibitions (carpet exhibition in 2010, pottery and ceramics exhibition in 2011 and wood exhibition in 2012). However, over this period, MDA invested significant amounts in isolated and discontinuous actions. A case in point is “Great Maallems” event in 2011, “Minyadina” fair in 2010 and “Expo design” exhibitions in 2009 and 2010. In the absence of marketing studies on the needs of the Moroccan craft industry and a formalized strategy in this regard, the choice of the events seems to be resulting from improvisation rather than strategic planning.

In addition, MDA invests nearly 40% of its expenditure of direct promotion in Morocco in the participation in events not devoted to craft industry. The objective, according to MDA, would be to associate itself with highly visible events in order to promote the image of Moroccan craft industry. However, MDA did not assess these actions by analyzing costs and advantages and by comparing them with those of the organization of or participation in events dedicated specifically to craft industry.

##### **Cost of the events organized by MDA**

By comparing the costs of the major events organized in Morocco by MDA to the areas of the stands and the numbers of exhibitors, it was noted that some operations were characterized by very high costs, particularly the “Great Maallems” operation, the carpet exhibition and the two editions of “Expo design” in Casablanca and Rabat.

##### **Selection of exhibitors**

Like the actions of foreign trade promotion, several promotional actions in Morocco were organized without launching any call for expression of interest and in the absence of a documented selection procedure. Over the period 2010-2012, for

example, only 7 events out of 19 organized were the subject of a call for expression of interest.

### ***Communication actions***

In spite of the significant increase of communication expenditure over the period 2006-2012, up from 0.19 million MAD in 2005 to more than 42 million MAD in 2012, no evaluation of the actions carried out was conducted, while evaluation constitutes a kernel part of the Specifications binding MDA to its service providers as regards communication.

In addition, the key communication actions provided under the program-contract were not started. This particularly relates to the incentive of the creation of a craft industry magazine, the publication of booklets by sector and region, as well as the publication of a directory of craft industry professionals and a national directory of Moroccan materials and furniture.

The Cour Des Comptes also noted non-optimized expenditure relating to the design and broadcast of TV commercials and advertising vignettes. Hence, the expenditure on designing commercials amounting to 4.32 million MAD was carried out in 2011 and 2012 without such expenditure being materialized by the broadcast of the aforesaid commercials on TV channels.

Similarly, MDA spent 2.59 million MAD, over the period 2008-2010, on the production of 120 audio-visual vignettes on various trades of the Moroccan craft industry, with a view to broadcasting them on TV channels or running them during the promotional events of craft industry. However, a poor share (25 vignettes) was used.

Nonetheless, MDA ordered, in 2012, the production of 78 other advertising vignettes for a total amount of 2.99 Million MAD.

## **5. Subsidies and partnership agreements**

### ***Subsidies to associations***

MDA annually allocates subsidies with increasingly significant amounts to some associations and organizations within the framework of sponsoring operations. However, the impact of the sponsoring adopted on the image of craft industry and MDA is not convincing.

The amount of subsidies to associations recorded an exponential increase, up from 1.10 million MAD in 2008 to nearly 6.39 million MAD in 2012, or an increase rate of more than 480%.

The Court noted the lack of transparency in granting subsidies, insofar as the choice of the events supported by MDA as well as the beneficiary associations and entities is not based on objective criteria, clearly defined and disseminated to the entire set of potential partners. Therefore, no formalized procedure in this respect is applied.

### ***Partnership with regional chambers of craft industry***

MDA receives from the ministry in charge a subsidy to be paid to the regional chambers of craft industry as a financial contribution to the organization of regional craft industry fairs. For this purpose, a framework agreement between the Ministry in charge and the Federation of the Chambers of Craft Industry, on the one hand, and partnership agreements between MDA and the 24 regional chambers of craft industry, on the other hand, are concluded annually. In 2012, MDA contributions to financing regional fairs reached 9.663.720 MAD.

In breach of the provisions of partnership agreements, MDA scarcely participates in the organization and follow-up of the execution of regional fairs. It requires simply the presentation of an “evaluation report” by the chamber of craft industry to grant financial contribution the following year. For example, in 2012, MDA was present only in two regional fairs out of the 24 organized.

In addition, while the chambers of craft industry submit to MDA evaluation reports on the organized regional fairs in accordance with the provisions of partnership agreements, it was noted that these reports are often non-conforming to the template stipulated under the agreement and do not allow to verify that the aforementioned fairs were actually organized under the conditions provided in the partnership agreement.

### ***Partnership with key leaders***

Through the Program-contract “Vision 2015”, the State was committed to provide the necessary resources for the emergence of 15 to 20 key players (2 to 3 leaders per sector) who will play the central role in the driving force of the sector of craft industry. The target turnover by 2015 is 100 to 200 million MAD per leader, spent mainly (approximately 80%) on export markets.

For this purpose, MDA contributed to financing the promotion plans of 10 key players for a global amount of 27 million MAD over the period 2007-2012. Two sectors only (furniture and decoration) among the six planned within Vision 2015 took part in this process.

The results achieved as of the end of 2012 indicate that achieving the objectives of Vision 2015 seems to be unlikely. Indeed, in 2012, only 4 leaders achieved a turnover exceeding 20 million MAD. The first company posts a total turnover of 58.80 million MAD.

## **6. Implementation of some expenditure**

Considering their significance, the contracts of developing MDA head office as well as those related to the organization of events were examined. The following observations were noted:

### *Contract for the development of MDA head office*

The purpose of the contract is to complete the works of the development of MDA head office and the transformation of part thereof into a craft industry museum. The examination of this contract made it possible to note several infringements to the regulations in force, particularly major modifications of the scope of works compared to the provisions of Special Conditions<sup>2</sup>, as well as the payment of services that were not performed. This led the Cour Des Comptes to entrust the Public Laboratory of Tests and Studies (LPEE) with conducting a technical expertise of the project in order to specify the quantities and amounts of the works that were in fact executed.

### **Up-front anomalies**

The Cour Des Comptes noted the anomalies in the financial bid of the contract holder, particularly the cedar-wood carved suspended ceiling whose corresponding financial bid amounts to 450 MAD/m<sup>2</sup> (HT), whereas the regular price exceeds 2000 MAD/m<sup>2</sup> (HT)<sup>3</sup>. This service was crucial in awarding the contract and the successful bidder carried out only a negligible part thereof (13%) and replaced it by a plaster suspended ceiling. In addition, the financial offer of the contract holder of the carcassing works was abnormally high.

### **Payment of unperformed services**

Several services were paid without being carried out, chief of which are given below:

- A cedar carved suspended ceiling measuring 2953 m<sup>2</sup> for an amount of 1.594.620 MAD inclusive of all taxes, whereas the area really carried out is 400 m<sup>2</sup>. The suspended ceiling carried out in the remainder of the building is in plaster.
- An area of 5677 m<sup>2</sup> of coating in traditional zellige<sup>4</sup>, for a total amount of 2.907.324 MAD/inclusive of all taxes, whereas this service was not performed.
- Supplying and placing 40 traditional copper chandeliers (25 chandeliers 1,2 m in diameter and 15 chandeliers 0.8 m in diameter), for an amount of 1.500.000 MAD inclusive of all taxes. Only one traditional chandelier in conformity with the Special Conditions (CPS) (1.2 m in diameter) was provided.
- Completion, in the museum, of a studded floor on an area of 978 m<sup>2</sup>, for an amount of 1.760.400 MAD/ inclusive of all taxes, whereas it turned out that no work was completed in the museum.

### **Conclusions of the technical expertise**

The technical expertise confirmed the initial findings of the Court. It concluded that if CPS prices are applied and the works beyond the scope of the schedule are taken

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<sup>2</sup> Cahier des prescription spéciales

<sup>3</sup> The bids of the two other competitors of the invitation to tender were respectively 2400 and 4000 DH before tax.

<sup>4</sup> Types "chgholbane", "ankaboutiya" and "Mdoudeb belachach".



into account, the assessment of the amounts corresponding to the noted anomalies would be 2.390.720 MAD before tax, for which the contractor would be indebted MDA. However, since this project was misrepresented and deviated from its initial scope, the calculation of compensation on this basis is hence distorted. By way of illustration, if the excessively high or abnormally low prices are replaced by market prices, the variation would amount to 6.245.472 MAD before tax in favor of MDA, according to the expertise.

In addition, it should be noted that the launch of the contract of the development of MDA head office was delayed by almost 29 months, which made MDA incur a loss of at least 2.61 million MAD corresponding to the expenses of renting a temporary building during this period.

#### *“Craft industry Exhibition” at Caftan Show 2011 in Tazi Palace*

MDA organized the Exhibition “Great Maallems” from 16 to 18 September in Tazi Palace in Rabat for an amount of 4.332.120 MAD inclusive of all taxes. At inauguration of this event, it organized, in the same venue, on 16 September a caftan show conducted at the cost of 440.080 MAD inclusive of all taxes.

MDA presented a payment relating to a “second exhibition of craft industry products” also organized in Tazi Palace during the caftan show amounting to 1.795 500,00 MAD. The examination of the documents provided in support of this payment revealed inconsistencies. Since the material payment of such services was not proven, the Cour Des Comptes considers this payment unjustified.

#### *Other observations on the implementation of expenditure*

MDA regulation on the procurement of goods and services grants it the possibility of resorting to common law contracts for some event-related services. However, in practice, MDA payment is based on Article 2, whose provisions are sometimes not clear enough, and awards several contracts without resorting to competition.

The Cour Des Comptes also noted that the contracts concluded by MDA were characterized by limited competition and infringements to MDA regulation on the procurement of goods and services. This mainly explains the high cost of some events, particularly the “Great Maallems” exhibition, carpet exhibition, and the 2nd edition of “Expo design” exhibition.

In addition, the Court noted that in breach of the regulations in force, MDA does not ensure the auditing of contracts whose amount is exceeds five million MAD, does not publish its forward programs and does not use the State contracts portal.

The Cour Des Comptes announces notes that some observations noted as regards the implementation of expenditure were the subject of the appropriate court proceedings in accordance with the law.

## **7. Major recommendations**

*In the light of the above-mentioned observations, the Cour Des Comptes recommends the following to MDA:*

- 1 – Fully performing its missions, particularly those relating to the participation in commercial information, training and research, as well as better clarifying its action compared to the other institutional actors;*
- 2 – Ensuring, with the partners concerned, that meetings of MDA management as well as the steering committee of Vision 2015 and the committee of its implementation are held regularly;*
- 3 - Adopting rigorous planning associated with precise objectives, specified according to the expected results and subjected to systematic evaluation;*
- 4 - Making up for lost time to strengthen its co-operation with ONMT and to materialize it by a partnership agreement which would make it possible to benefit from synergies;*
- 5 - Reviewing the internal control system to remedy the anomalies noted in the implementation of some expenditure;*
- 6 - Optimizing its expenditure of foreign trade promotion, through choices based on advanced knowledge of the target markets and competitors' offerings, as well as ensuring regular evaluation of the return on investment of promotion actions, particularly with regard to export turnover;*
- 7 - Optimizing its expenditure of promotion and communication at the national scale, particularly by controlling costs and resorting, as much as possible, to competition, particularly for event-related and communication services;*
- 8 - Complying with the rules of equity and transparency in the selection of exhibitors, as well as granting subsidies to associations.*