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MID-TERM REVIEW OF THE MOROCCO NEW BUSINESS OPPORTUNITIES PROJECT FINAL REPORT



May 2008



This publication was prepared by Stephen C. Silcox of USAID/EGAT/EG and William Witting of Weidemann Associates Inc., for the USAID Mission in Morocco and the Business Growth Initiative Project. It was financed jointly by the USAID Mission in Morocco and the Office of Economic Growth of EGAT/USAID. This report is also available on the Business Growth Initiative project website at www.BusinessGrowthInitiative.org.

MID-TERM REVIEW OF THE MOROCCO NEW BUSINESS OPPORTUNITIES PROJECT

FINAL REPORT

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USAID/Morocco

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Contract No.:

EEM-C-00-06-00022-00

www.BusinessGrowthInitiative.org

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Acknowledgements

The assessment team would like to thank the Nathan Associates staff members of the NBO Project for their help in providing background information for this assessment as well as the considerable time spent with the team to acquaint them with various project aspects and relationships. Nathan staff members also provided substantial logistical support for the team, including arranging transportation, communications equipment and office space. Nathan staff members also arranged for the scheduling of appointments with the various NBO client firms and associations. This assessment could not have been conducted without the able assistance of the NBO staff members.

We would also like to thank USAID/Morocco staff for their guidance on this assessment and their flexibility in arranging various meetings and handling some logistical issues as well. Our appreciation is particularly due to James May, Director, and Fatine Bellamine, Program Coordinator, of the Economic Growth Department.

We hope that this assessment will be of value to both the Nathan staff members of the NBO Project and to USAID staff in determining future directions of the NBO Project.

Stephen C. Silcox
Assessment Team Leader

ACRONYMS AND ABBREVIATIONS

AMICA	-	Association Marocaine pour l'Industrie et le Commerce de l'Automobile
AMITH	-	Association Marocaine des Industries du Textile et de l'Habillement
ANPME	-	Agence pour la Promotion de la Petite et Moyenne Entreprise
CMPE	-	Centre Marocain de Promotion des Exportations
FEDIC	-	Fédération Marocaine des Industries de Cuir
FTA	-	US-Morocco Free Trade Agreement (entered into effect January 1, 2006)
IESC	-	International Executive Service Corps
LOP	-	Life of Project
M&E	-	Monitoring and evaluation
MC P	-	Marketing and Communications Plans
MFTT	-	Morocco Fast Track Trade Program,
MICMAN	-	Ministère de l'Industrie, du Commerce et de la Mise à niveau de l'économie (changed in October 2007 to Ministère de l'Industrie, du Commerce et des Nouvelles Technologies)
MIS	-	Management Information System
NBO	-	New Business Opportunities Project
PAE	-	European Union-funded Programme d'Appui aux Entreprises
RM	-	Results Module
SIME	-	Senior International Marketing Expert
SWOT	-	Strengths, Weaknesses, Opportunities, Threats.
US PAEx	-	US Export Action Plan
USAID	-	United States Agency for International Development

EXECUTIVE SUMMARY

The USAID/Rabat Mission contacted the EGAT/EG office in August 2007 to request assistance in the conduct of a mid-term review of the New Business Opportunities (NBO) Project. EGAT/EG sent the current assessment team, composed of Stephen C. Silcox, Senior Enterprise Development Advisor for EGAT/EG, and William Witting, consultant for Weidemann Associates, Inc. under the Business Growth Initiative (BGI) Project, in October 2007 to conduct this assessment

The objective of this assignment was to carry out a Mid-Term Review of the NBO project. Specifically, the evaluators undertook a formative assessment of the project to gauge progress made in the implementation of planned activities toward reaching stated goals and objectives. The evaluators also assessed the wider project context to validate project assumptions and results indicators against the reality on the ground, based on actual NBO implementation experience to date. The latter was done with a view toward making recommendations for adjustments and calibration of assumptions and results indicators, as warranted

The objective of the NBO Project (as stated in the Task Order) was to increase the growth of selected Moroccan industrial and service enterprises by better linking them with market opportunities and by improving their technical and managerial capacities to respond to such opportunities. The program was to help Moroccan businesses to respond to the challenges and opportunities of the more liberalized trading environment being put in place as a result of the Free Trade Agreement with the United States, similar accords with the European Union and other countries, and other Moroccan reform efforts.

The expected project results (as presented in the SOW for this assessment) were twofold – (1) to directly assist exporting enterprises in non-agribusiness manufacturing and services sectors to expand business activity and generate jobs, particularly as a result of the FTA, and (2) to work with business support institutions and public agencies to enhance these organizations' responsiveness to the needs of export-oriented business expansion and job creation. A two-pronged approach was envisioned. The principal means was through intensive firm-level assistance to firms selected in the targeted sectors. The second means was to increase the capacity of the trade associations for those sectors and to supplement assistance for exports to the United States provided by the Government of Morocco.

The USAID-Nathan contract was signed in September 2005 and the project start-up operations began shortly thereafter in October. Initially, the four-year contract was signed for \$14.7 million, but due to budget cut in 2006, the project suffered a 45% reduction in the budget to its current level of \$8.0 million. A revised budget and revised work plan were requested by USAID/Morocco and were submitted by Nathan Associates on June 7, 2006. The project has been operating under the revised scaled down scenario.

As a result of the budget cut and difficulties with the deployment of key project staff, NBO faced major delays during the project start-up phase. These initial difficulties led to changeovers in the Chiefs of Party (COPs) and it was not until end of June 2006, over eight months after project award, that NBO project had all the necessary conditions in place with the advent of its third COP to formally launch the project.

The cut in budget forced the project to cut the number of sectors in which it had planned to work from six to three. The three remaining sectors are textiles (including both apparel and home furnishings), leather (mainly shoes, but including some other products), and auto parts.

The business development component of the project has been largely focused on the advice and assistance to individual targeted firms by the Senior International Marketing Experts (SIMEs) based in the U.S. Local project staff members have provided some assistance, but this has been largely limited to helping firms improve their websites, brochures, and other marketing materials. In addition, local consultants were hired to conduct U.S. Export Action Plans (USPAEX) for all of the targeted firms that were designed to analyze the operations of the firms vis-à-vis the U.S. market and to recommend improvements to facilitate entry of their products into the U.S. under the FTA. The project has also provided assistance to firms and trade associations that have participated in trade fairs in the U.S. The original Workplan for the project included third country nationals as resident project staff to assist in the development of business services for the targeted sectors. Due to issues regarding the hiring of third country nationals and the subsequent reduction in the project budget, these positions were never filled.

Key **conclusions** of the assessment include the following:

Sectoral Approach

NBO's targeting of the textile/apparel sector and dedication of a large proportion of its resources to it is justified. Some of the Moroccan household textiles producers seem particularly promising candidates for NBO effort given the experience that a few of them already have in the US market. The potential of the leather/footwear sector is weaker than that of textile/apparel, but higher-end men and women's leather footwear shows promise and warrants continued NBO support. NBO's 4-company clientele in auto parts is very small to support inclusion of the sector as a primary target for NBO effort.

NBO Interaction with Firms

As NBO's experience recruiting new firms to join the program in Year 3 demonstrated, firm interest in getting involved with NBO has weakened. This is probably due to a combination of factors including the decline of the dollar, but also the increasingly well-known fact that NBO has not yet produced any sales for its client firms. Under the most rosy scenario, it is impossible that NBO will succeed to meeting its original LOP goal of helping 160 firms achieve sales to the United States. The project has since scaled down that number to 65 firms. NBO's criteria for allocation of services among its client firms

have to date focused more on firms' *characteristics* relative to export readiness than on their actual *performance* in pursuing exports.

NBO Identification of Trade Opportunities in the U. S. and Support to Moroccan Companies for Exports

As currently structured, NBO's success rides on the success of its SIMEs in producing sales. This is risky given the difficulty NBO has had in attracting and retaining good SIMEs. The textile/apparel SIME has impressed most of her NBO client firms so far and therefore has earned NBO's support for the time being, but needs to produce some sales soon in order to preserve this goodwill. For a variety of causes (some of their own making, others not), other current SIMEs may not continue with NBO. It is likely that further SIME turnover lies ahead. Disruption from turnover, together with the fact that the majority of the SIMEs are working only part-time for NBO, makes it likely that the SIMEs as a group will continue to fall short in executing the range of tasks that NBO has undertaken to have them perform.

NBO Engagement with Sectoral Trade Associations

NBO's elaborate 8-pronged strategy for engaging with the sectoral trade associations seemed to reflect NBO's priorities more than those of the associations. The most valuable services that NBO can render the associations is (a) work with them in organizing US trade show participation; (b) employ strong SIMEs and build as close a relationship between the SIMEs and the companies as possible; (c) be flexible and responsive to association ideas for institutional strengthening. The Espace USA concept has gained no significant support from AMITH and FEDIC or their company members. However, the concept of USA Market Coordinators in AMITH and FEDIC, on the other hand, does appear to have some attraction, but will be sustainable only if they serve the association's priorities.

Key External Factors Affecting NBO Success

The decline of the dollar has substantially reduced the pool of companies interested in and prepared to commit the required resources to take advantage of NBO's assistance in penetrating the US market. NBO will achieve the best results by concentrating its efforts on assisting those companies, usually with higher-end products, who are not overly bothered by the exchange rate and continue to demonstrate preparedness to invest their own resources in utilizing NBO offers of services.

Performance Indicators and Targets

Reporting of data relative to NBO's current performance indicators will not provide it and its stakeholders an accurate indication of NBO impact. The best indicator of NBO success in facilitating company sales to the United States would be reports by companies of the sales directly facilitated by NBO.

Sustainability of NBO Efforts

NBO's efforts to assist Moroccan companies to expand sales to the U.S. market will have sustainability in strengthening capacity within those individual companies, and perhaps through their success in stimulating other companies, to pursue the U.S. market. In order

to achieve success in building sustainable capacity within its target trade associations to pursue U.S. market prospects over the long term, NBO should be sensitive to the associations' need to pursue markets in proportion to their members' relative interest in them. NBO should pay greater attention to the associations' expressed demand for those programs and activities in which they are interested.

Staffing

If the current COP is not replaced soon, there is a strong likelihood that there could be slippage in project implementation. Having an expatriate in the role of Director of Enterprise Support seems to be superfluous since the COP could perform his administrative functions and locally hired staff should be performing his technical functions. The SIMEs have a mixed record with some receiving high marks from the client firms and others held in lesser regard. Very little has been done to promote business services currently provided by the U.S.-based SIMEs through Moroccan staff.

The assessment team makes the following **recommendations** regarding future project direction and activities.

Sectoral Focus

NBO should maintain its sectoral approach in programming the bulk of its resources, but given large differences among sub-sectors in some sectors, should target assistance such as SIME support more on sub-sectors in order to enhance effectiveness. The textile/apparel and leather footwear sectors should remain NBO's primary target sectors, but it should avoid committing substantial resources to sub-sectors that contain only 1 or 2 client firms. NBO should restrict commitment of resources to the auto parts sector unless it can attract additional clients beyond the three active ones it has now or identify exceptionally large sales prospects. NBO should maintain openness to assisting firms in sectors other than its priorities where there are at least three firms with similar needs, their export-readiness is high, and their near-term prospects of achieving sales to the United States appear quite strong so that the assistance resources required are modest.

NBO Interaction with Firms

NBO should concentrate its assistance on the much smaller group of firms that are making a strong and sustained effort to develop sales to the US market. At the same time, NBO should continue to organize seminars and workshops to educate and entice as many firms as possible to pursue sales to the United States. NBO should be demand-driven by encouraging client enterprises or consortia of enterprises to define their own needs and by exploring cost-sharing mechanisms that demonstrate enterprise commitment. NBO should be guided in the allocation of assistance to client firms by the firms' *demonstrated desire* and *performance* in pursuing sales to the United States.

NBO Identification of Trade Opportunities in the U. S. and Support to Moroccan Companies for Exports

NBO should do everything it can to (a) attract and retain the highest-quality marketing experts as SIMES, (b) encourage good communication and understanding between SIMES and client enterprises; and (c) support the SIMEs by having Casablanca-based

Moroccan staff backstop them and maintain regular contact with client firms. NBO should double its effort to assist firms individually or, as necessary, as groups to find agents to pursue sales in the US. To save on the cost of SIMEs, NBO should explore options for obtaining volunteer sector experts from the United States. NBO should also explore how it might develop Moroccan business service firms to provide commercially based services to help Moroccan firms export to the U.S.

NBO Engagement with Sectoral Trade Associations

NBO should continue working with AMITH and FEDIC to develop their capacity to assist their members to develop exports to the United States. NBO should drop the concept of Espace USA and instead support AMITH and FEDIC in employing a “US Market Development Coordinator” as a permanent staff position and developing the capacity of the Coordinator to assist in developing sales to the United States. NBO and its SIMEs should continue to work with the trade associations and CMPE to organize participation in selected US trade shows and trade missions, including regional trade shows in the leather sector.

Performance Indicators and Targets

USAID should formally approve a revised LOP Work Plan and performance indicators and targets for NBO as soon as possible. The requirement that NBO work to promote explicit investment and employment creation should be abandoned as well as the requirement that NBO promote and assist the Government of Morocco on policy reforms relative to the targeted sectors. NBO and USAID should agree on new indicator(s) and target(s) to measure increases in client firm capacity to export to the United States.

Staffing

NBO should reduce senior resident, expatriate staff in Casablanca from two to one person. NBO should seriously consider hiring more Moroccan staff to increase performance in nurturing client firms, organizing seminars and workshops, and ensure backstopping for the SIMEs. NBO should consider bringing mid-level sector experts (as opposed to senior level experts like the SIMEs) from the United States on short/medium-term assignments to train staff, the trade associations Coordinators, and client firms regarding the U.S. market. They might also work with building the capacity of Moroccan business service firms to provide commercially based services to Moroccan firms on penetrating the U.S. market.

I. Introduction

The USAID/Rabat Mission contacted the EGAT/EG office in August 2007 to request assistance in the conduct of a mid-term review of the New Business Opportunities (NBO) Project. EGAT/EG sent the current assessment team, composed of Stephen C. Silcox, Senior Enterprise Development Advisor for EGAT/EG, and William Witting, consultant for Weidemann Associates, Inc. under the Business Growth Initiative (BGI) Project, in October 2007 to conduct this assessment.

A. Objective of the Mid-Term Review

The SOW for this assessment states the following objective.

The objective of this assignment is to carry out a Mid-Term Review of the NBO project. Specifically, the evaluators will undertake a formative assessment of the project to gauge progress made in the implementation of planned activities toward reaching stated goals and objectives. Additionally, the evaluators will assess the wider project context to validate project assumptions and results indicators against the reality on the ground, based on actual NBO implementation experience to date. The latter should be done with a view toward making recommendations for adjustments and calibration of assumptions and results indicators, as warranted.

B. Methodology

This assessment team conducted this mid-term review with the full cooperation of Nathan Associates, the prime contractor for the NBO Project. The Nathan staff in the NBO office in Casablanca provided complete logistical support for the assessment team and arranged meetings with a sample of their client firms and with the business/trade associations with which they are working. Since the purpose of this assessment was to review progress to date by the NBO project and make recommendations for mid-course changes to the project, the review was conducted in a collaborative manner with the Nathan project staff in order to assist them and USAID/Rabat staff to consider potential changes to the NBO project to improve project results and effectiveness during the remaining two years of the project. The NBO staff should be commended for their openness and helpfulness in permitting the assessment team to better understand the details and operations of the project in order to produce a report, which will assist both Nathan and USAID in contemplating various aspects in the future implementation of the project.

The team actually began their work on the assessment in Washington during the two weeks prior to their departure for Morocco. During that time, the assessment team read background documents, met with José Gonçalves, the Chief of Party of the NBO Project, and conducted telephone interviews of the Senior International Marketing Experts (SIMEs) for the apparel, leather, and automobile parts sectors.

The assessment team spent three weeks in Morocco, conducting research, meetings and interviews primarily during the first two weeks, but including some meetings the third week of the assessment. The team started to draft this report during the third week.

Upon the team's arrival in Casablanca, an introductory meeting was held with the NBO staff on the first day after arriving and introductory briefings with USAID staff on the second day. The team then interviewed a sample of twenty-two client firms representative of the three sectors in which NBO is working. In addition, a questionnaire was sent to all of the NBO client firms to obtain their response to a number of questions about NBO services. Eight firms responded to that questionnaire. The team also met with the leadership and staff of AMITH, FEDIC and AMICA, the three trade associations with which NBO is working. The team met with the key officials of the Ministry of Industry, Commerce and New Technologies (MICMANE) and the Agency for the Promotion of Small and Medium Enterprises (ANPME) on November 1st when the team debriefed in Rabat with USAID staff. The team also met with a representative of the Center for the Promotion of Moroccan Exports (CPME) during the first week of the assessment to discuss the collaboration of that agency with the NBO project.

A meeting was held with USAID/Rabat staff and management staff of the NBO project in Rabat on October 23rd to discuss preliminary findings of the team. A final meeting was held with the senior staff of the NBO Project and with a representative of USAID in the NBO office on the morning of November 2nd, immediately prior to the team's departure from Morocco, to discuss the team's recommendations regarding future activities and focus of the project.

Although the team originally planned to submit this draft report to USAID prior to the departure of the team from Morocco, a very pressing schedule and important information received the last week of the team's work in Morocco required that this draft report be submitted subsequent to the trip in order to incorporate that information into the report.

The following documents prepared as part of this assessment can be found in the annexes to this report.

- The Statement of Work (SOW) for this mid-term review
- The questionnaire sent to the NBO client firms
- The questionnaire used for the telephone interviews with the SIMEs
- The list of issues to be addressed by the assessment discussed with USAID staff at the team's first meeting with them on October 16th
- A discussion paper providing the preliminary findings of the team which was discussed with USAID/Rabat and NBO management at the meeting held on October 23rd, midway through the team's research

Following the receipt of any comments on this draft report from the stakeholders in this project, the team will make appropriate revisions and submit a final report to USAID in December 2007.

C. Format of the Report

The format of this report is as follows:

Section I: Introduction with context and methodology of the assessment.

Section II: Description of the New Business Opportunities (NBO) Project with the overall purpose, approach, key project components and changes over the life of project.

Section III: Findings of the assessment team in a number of key areas

Section IV: Conclusions of the team in the same key areas

Section V: Recommendations for the focus and activities of the NBO Project for the remaining years of the project

II. Description of the New Business Opportunities Project

A. Overall Objective

The objective of the NBO Project as stated in the Task Order authorizing this activity was as follows:

The purpose of the program is to increase the growth of selected Moroccan industrial and service enterprises by better linking them with market opportunities and by improving their technical and managerial capacities to respond to such opportunities. Such growth will contribute to USAID's Strategic Objective of Increased Economic Growth and Job Creation. The program will help Moroccan businesses to respond to the challenges and opportunities of the more liberalized trading environment being put in place as a result of the Free Trade Agreement with the United States, similar accords with the European Union and other countries, and other Moroccan reform efforts.

The expected project results (as presented in the SOW for this assessment) are consistent with that objective and are stated below:

Within the framework of the above objectives, the NBO Life-of-Program Work Plan is structured to produce two major expected results. First, NBO will seek to directly assist exporting enterprises in non-agribusiness manufacturing and services sectors to expand business activity and generate jobs. It is assumed that the US-Morocco FTA will be the principal source and stimulus for this expanded activity and job creation, through successful entry and performance in the US market by Moroccan exporters. Second, NBO will work with business support institutions and public agencies to enhance these organizations' responsiveness to the needs of export-oriented business expansion and job creation. Again, it is assumed that the needs of Moroccan firms vis-à-vis success in the US market will be the driving force for improving the service and policy response of support institutions and agencies.

B. Approach

A two-pronged approach was envisioned by project documents and has been used to implement this project. The principal means was through intensive firm-level assistance to firms selected in the targeted sectors. The second means was to increase the capacity of the trade associations for those sectors and to supplement assistance for exports to the United States provided by the Government of Morocco. A critical assumption made in the project design and implementation was that project interventions would result in sustained exports by targeted Moroccan companies to the U. S. market and that services relative to exporting to the U.S. market by Moroccan exporters would be provided on an

on-going basis by the targeted trade associations after the project was completed. Another key assumption was that since Moroccan firms had been successfully exporting to European markets, Moroccan firms could be assisted to export to U.S. markets with limited technical assistance.

C. Key Project Components

According to the Task Order, the project was to be implemented via two broad components:

1. Business development of the targeted companies and
2. Public policy assistance and strengthening support institutions in the targeted sectors

The business development component was to involve market research, product development and promotion, improving competitiveness, developing partnerships with U.S. businesses, and improving ICT applications within the targeted companies.

The public policy and support institution component was to involve assistance to Moroccan public authorities, such as the MICEU and ANPME and selected industry associations and enterprises in introducing policy and/or institutional reforms. The project was also to assist selected business support institutions to make them more familiar with the laws and regulations governing entry of foreign products in the U.S. market so as to increase trade between Morocco and the United States.

D. Changes during Project Implementation

The background section of the SOW for this assessment summarizes well the difficulties with the initial implementation of the project and parts of that section are quoted below.

Nathan Associates, Inc. was awarded a four-year contract under the USAID GBTI IQC to provide new business opportunities in Morocco focusing on the export of goods produced in Morocco for the US market. The New Business Opportunities (NBO) Program fits in the context of the Free Trade Agreement (FTA) signed between the governments of the United States of America and the Kingdom of Morocco. The FTA entered into force on January 1, 2006. The program works with industrial exporting enterprises in three designated sectors: (1) textile and apparel, (2) leather and footwear, and (3) automotive parts.

The USAID-Nathan contract was signed in September 2005 and the project start-up operations began shortly thereafter in October. Initially, the four-year contract was signed for \$14.7 million, but due to budget cut in 2006, the project suffered a 45% reduction in the budget to its current level of \$8.0 million. A revised budget and revised work plan were requested by USAID/Morocco and were submitted by Nathan Associates on June 7, 2006. The project has been operating under the revised scaled down scenario.

As a result of the budget cut and difficulties with the deployment of key project staff, NBO faced major delays during the project start-up phase. These initial difficulties led to changeovers in the Chiefs of Party (COPs) and it was not until end of June 2006, over eight months after project award, that NBO project had all the necessary conditions in place with the advent of its third COP to formally launch the project.

Since July 2006, the NBO team has made major efforts to make up for lost time. As one example, NBO accepted to work with almost double the number of client companies proposed in its work plan during the first year. Today, the project is implementing its second annual work plan and the project has entered full operations phase.

The cut in budget forced the project to cut the number of sectors in which it had planned to work from six to three. The three remaining sectors are textiles (including both apparel and home furnishings), leather (mainly shoes, but including some other products), and auto parts.

The business development component of the project has been largely focused on the advice and assistance to individual targeted firms by the Senior International Marketing Experts (SIMEs) based in the U.S. Local project staff members have provided some assistance, but this has been largely limited to helping firms improve their websites, brochures, and other marketing materials. In addition, local consultants were hired to conduct U.S. Export Action Plans (USPAEX) for all of the targeted firms that were designed to analyze the operations of the firms vis-à-vis the U.S. market and to recommend improvements to facilitate entry of their products into the U.S. under the FTA. The project has also provided assistance to firms and trade associations that have participated in trade fairs in the U.S.

Activities for the public policy development aspect of the second component were eliminated after the budget reduction and the assistance to the trade associations has been conducted both by the SIMEs and local staff hired to work in the trade associations to develop their capacity to provide assistance to their members in exporting to the U.S. The staff member working with the textile trade association (AMITH) was recently replaced with a new person and the staff member working with the leather trade association (FEDIC) has been working in the NBO office and is about to be moved to the association office. The project has not assigned a local staff person to work with the auto parts trade association (AMICA).

Although Nathan Associates, Inc. provided a revised, draft final Life of Project Workplan to USAID in November 2006 reflecting the changes due to the budget reduction, it has not yet been approved by USAID. The assessment team was informed that USAID plans to approve it when the next amendment to the Task Order is made to incrementally fund the project.

III. Key Findings

A. Sectoral Approach

Sectoral focus is central to the NBO program design. The September 2005 NBO project Task Order defined the business development objective of the project as “A sustainable expansion of business activity *in selected manufacturing and service sectors.*” Initially, NBO committed to work with six sectors – textiles/apparel, leather, processed fish products, off shoring, automobile parts, and electronics and electrical. Following USAID’s 46 percent cut of its budget in spring 2006, NBO was forced to scale back and, consistent with guidance from USAID and Moroccan Government partners, it selected the textile/apparel and leather sectors to receive first priority for assistance. It has maintained this focus up to the present. It has in addition targeted assistance to the automobile parts sector as a secondary priority. (Processed fish, considered for inclusion early on, was abandoned.) Finally, NBO has maintained a policy of openness to serving other sectors on a demand-driven basis, but has not taken any action to develop such programs. In sum, NBO’s current program is focused on two primary target sectors -- textiles/apparel (plus, largely separately, a priority sub-sector – household textiles) and leather/footwear -- and one secondary target sector -- automobile parts.

The assessment team has attempted to assess NBO’s success and potential for success in the three target sectors. This has been complicated by the fact that, measured by its primary benchmarks – number of companies with increased sales to the United States and amount of the increases – NBO has not yet achieved any success. The assessment team has therefore attempted to discern the value of NBO’s efforts in the three sectors through the comments that it has obtained from the five SIMEs, three sectoral trade associations, and 29 companies from whom it has obtained input.

1. The textile/apparel sector is a sound target for NBO.

Although NBO has failed to meet its Life-of-Project Work Plan (revised) benchmarks of enabling 8 firms in Year 1 and 18 firms in Year 2 to make new or increased sales to the United States, this does not appear to be due to poor choice of target sectors. As best the assessment team could determine, there is consensus among NBO stakeholders that textiles/apparel is the Moroccan manufacturing sector that offers the greatest immediate promise for producing a large increase in exports to the United States. Of its 34 textile/apparel client firms (not counting household textile firms) NBO estimates that it has 1-2 dozen with relatively high potential for new or expanded export to the United States within the life of NBO.

2. A few of the nine household textile firms that NBO has taken as clients show strong potential to export, but NBO has had trouble serving them.

Despite considerable effort, NBO has been forced repeatedly to postpone a proposed household textile business-to-business mission to the United States.

3. *The leather/footwear sector shows substantially less, but still positive, promise of expanding exports to the United States, and thus attraction as a priority target for NBO.*

The leather/footwear sector produces a broad array of products from men's and women's shoes through apparel to home furnishings. These sub-sectors have distinct characteristics that demand specialization by sales agents. At the same time, NBO has only 17 client firms in the entire sector -- of whom only a half-dozen or so are high-potential to export -- and therefore only a very few in some of the sub-sectors. These companies are also generally substantially smaller than textile sector ones (hundreds of employees per company as opposed to thousands in the textile sector) and have less capacity for investing in new market development and building on the services that NBO is offering. The most promising sub-sectors seem to be high-end footwear that can compete for niches where the Chinese are not very active.

4. *The potential and most promising strategy of the auto parts sector for breaking into the US market is a matter of debate.*

NBO has only four clients in the auto parts sector, one of which is not going to work with NBO during 2008 while it undertakes a major internal retooling to change from making copper radiators to aluminium. Efforts by the Auto Parts SIME to promote sales into the "after-sales" auto parts sector in the United States have not borne fruit yet. AMICA, the auto parts trade association, meanwhile discounts the potential of the after-sales market and is advocating NBO helping its members develop relationships as sub-contractors to major original-manufacture parts producers in the United States. NBO has agreed to conduct a study of the potential of the sub-contracting option. One element favoring attention to the auto parts sector is that any sale is likely to be high-volume and worth a lot of money.

5. *NBO's Work Plan makes provision for it to be opportunistic in looking for firms in other sectors and exercise flexibility in devising strategies to help them.*

NBO could, for example, work to identify sectors with a few similarly focused high-export-potential firms where targeted assistance (more modest and less expensive than NBO's existing priority-sector assistance package) would have strong potential to produce export sales. Targeting additional sectors for some assistance and working with more companies would enhance NBO's prospects of producing sales to the United States and achieving its performance benchmarks. Given NBO's dwindling life, however, the success of such a strategy would depend on NBO keeping it simple, moving forward with it as soon as possible, and implementing it as rapidly as possible.

6. *There is doubt, however, whether there are any other manufacturing sectors where NBO assistance could generate substantial exports over the next two years.*

NBO and the Moroccan Government indicated to the assessment team that they have invited firms in other sectors to seek assistance for penetrating the US market and have had no takers. Apparently the six sectors named in the NBO Task Order as showing some potential to take advantage of the FTA to expand sales to the United States do not have such potential after all.

B. NBO Interaction with Firms

NBO is fundamentally an enterprise strengthening and assistance program. NBO's objective is "to increase the growth of selected Moroccan industrial and service enterprises by better linking them with market opportunities and by improving their technical and managerial capacities to respond to such opportunities". The Task Order directs NBO broadly to assist selected Moroccan industrial and service businesses in: (a) benefiting from trade and partnership opportunities presented by the US market; and (b) improving their technical and managerial capacities. NBO's criteria for acceptance of enterprise clients and policies regarding allocation of its services among enterprises are therefore central to NBO performance.

1. *NBO's policy regarding the number and character of client firms that it will work with is inconsistent with its stated strategy and with fulfilling its performance benchmarks; this has led NBO to disperse its resources among competing priorities with the result that it has achieved none and is leaving most of its clients dissatisfied.*

NBO's performance indicators focus on concrete outcomes -- immediate sales. As has been confirmed in NBO's program implementation, expanding exports to the United States is a challenging undertaking that, even for the most export-ready firms, routinely takes more than one year to bear fruit. For less-ready firms, it is likely to take several years. Not surprisingly, therefore, NBO from the beginning affirmed its intention to provide intensive assistance to a modest number of the most export-ready firms that could be expected to achieve sales with the least amount of capacity-building, and to engage in enterprise upgrading activities only as a direct function of the new market opportunities it helped firms uncover.

In practice, however, NBO has not followed this policy. Probably responding to pressure from its stakeholders to try to provide assistance to a broader cross-section of Moroccan manufacturers, NBO in its (revised) Life-of-Program Work Plan undertook a commitment to target assistance to 40 enterprises per year and 160 over the life of the project. This had the effect of forcing NBO to dilute its pledge to focus primarily on the "relatively better prepared" enterprises, because, as NBO now estimates, no more than about one-third of its 64 current client enterprises are near export-ready. In practice, it has devoted most of its resources to working with the smaller group of export-ready firms. However, it has at the

same time offered a range of general training and intermittent individual technical assistance to the larger group of “preparing to export” firms.

Unfortunately, this balancing act appears to have pleased virtually no one. Despite strong effort, NBO has not produced sales for its export-ready clients, leaving them unhappy. At the same time, its training and other assistance to the lower-potential firms appears to have whetted more than satisfied their appetites. The assessment team obtained input (through interviews and the written survey) from about a dozen of these lower-capacity firms. Most reported that they had received little of value from NBO to date and requested more interaction with it, or, worse, ventured the conclusion that NBO is not relevant to them.

2. *Following its current strategy, NBO will be hard-pressed to fulfill its commitment to provide meaningful assistance to a total of 160 firms during the four-year life of the project.*

In Year 1, for reasons discussed previously, NBO did not succeed in launching its formal enterprise assistance program and missed its Year 1 target of assisting 40 enterprises. Instead, with substantial input from its partners, it selected 74 enterprises to receive assistance in Year 2 and projected in its Year 2 Work Plan that it would help 46 more in Year 3, thereby positioning itself to fulfill the 160-enterprise LOP target. However, Year 2 did not produce the results projected and so NBO is going to continue working with many of its initial group of target companies (reduced through attrition during the year from 74 to 64) into Year 3 even as it brings its Year 3 cadre of new firms (some 20, down from the 46 planned, due apparently to a paucity of qualified applicants) into the program. This means that, if it does not change its performance benchmarks, NBO will be attempting to address the needs of more than 90 firms in Year 3 and another 70 in Year 4, which seems ambitious. NBO suggested in its last report to NBO (July 2007) that working with so many companies at the same time is not feasible.

3. *NBO has not implemented the firm-specific US Export Action Plan (US PAEx) well and it has turned out to be more of an embarrassment than the program linchpin that it was originally conceived to be.*

As NBO originally envisioned it, the US Export Plan was to be the cornerstone of NBO’s enterprise assistance program, the ticket by which enterprises would tap into NBO’s services. The Plan was to be prepared by the client enterprise with NBO assistance, analyze US market possibilities for itself, lay out the firm’s strategy to pursue those possibilities, and specify the services that NBO would deliver to the firm to match and support its efforts. Signed by both the firm and NBO, it would guide all future interaction between them. Drafted and thus “owned” by the enterprise it would reinforce the supposed demand-driven orientation of the NBO program.

This is not, however, how the US PAEx actually emerged. First, sometime early in 2006, for reasons that current NBO staff do not recall, NBO made a change in the plan for US PAEx: the Plan would be prepared not “by the client enterprise with NBO assistance” but “with the enterprise by local NBO consultants”. Next, NBO began accepting firms as its clients independent of the US PAEx process, eliminating one of the major reasons for firms to be interested in it. Then, when NBO actually began producing the Plans, it was “NBO senior management, SIMEs, local consultants and NBO staff” who prepared them, with companies apparently treated more as consumers than as partners in their conceptualization. The notion of the firm defining its own priorities was largely lost. NBO’s report for the second quarter of 2007 confirmed that it had “delivered and validated US PAEx” to each of NBO’s 64 client companies and that “each company was requested to sign a letter attesting reception of the US PAEx and agreement to cooperate with NBO in the implementation of actions recommended”.

In answer to assessment team questions, a surprising number of NBO client firms denied having ever received the report. Most of those that did assessed it as very general in its description of US markets and hence of negligible value (a view that the assessment team came to share upon reviewing a couple of the Plans itself). Not a single enterprise expressed strong appreciation for it (although one said it was really looking forward to receiving it and complained that NBO was so slow in completing it – after having signed for receiving it months earlier).

The assessment team surmises that the US PAEx was too ambitious as an instrument for interaction with the enterprises because it was too broad and long-term in focus. Private companies usually are short-term in their focus, constrained to worry more about where sales in the next quarter are going to come from than sales a year or two in the future. In engaging with NBO, most tend to look for quick benefits. The USPAEx, in attempting to take a long-term, strategic view, was largely irrelevant to them. From the original concept of an enterprise-drafted and owned strategic plan for using NBO services, US PAEx has transmuted into an NBO-drafted instrument for enforcing company obligations to it, the antithesis of demand-driven.

4. *Apart from the US PAEx and the SIMEs (discussed in a separate section), the services that NBO is offering to its client firms are generally appreciated; most firms (except perhaps the most export-ready ones) express the wish that NBO would offer more of them.*

NBO offers a wide range of training and technical assistance to its firms through the SIMEs, its own staff, consultants, and other resources. Just recently, it even negotiated a special discount for its clients on English classes from AMIDEAST, a service that a fair number of companies expressed interest in. On October 31, the assessment team had the opportunity to observe a seminar on Communicating Effectively in the US Market presented by the NBO Marketing Specialist. Some

25 company officers, including senior ones, attended, and were generally appreciative of the seminar.

5. *NBO has struggled to allocate its services equitably amongst its client firms.*

NBO provides an entire spectrum of services ranging from direct assistance in contacting buyers and responding to their inquiries down through attendance at US trade shows, other technical assistance, and individually tailored counseling, to general training workshops. It appears to have done its best to allocate these services according to demand and capacity to use them, but has been accused by some firms of having failed to provide them services that they needed or wanted. On the positive side, however, most of the firms interviewed confirmed that they have gained from their involvement with NBO a fuller understanding of the obstacles to penetrating the US market and the extent to which success depends not just on taking advantage of NBO's services but on parallel and sustained effort by themselves.

6. *NBO has given little attention to the Support Investment Project Development element in its Work Plan.*

The NBO Task Order calls for NBO to report on "number and value of new investments by participating enterprises." Consistent with this requirement, NBO has included in its Work Plans a Support Investment Project Development element with provision for extensive work helping some of its client companies obtain domestic and foreign financing/investment for their expansion projects. The assessment team has found little evidence of NBO work on this element. The one action of which the team is aware is support for a visit by a British firm considering investing in an advanced leather tanning plant in Morocco that would benefit NBO's leather manufacturing clients by providing them a local source for high-quality leather. At the same time, it is the team's impression that USAID and its Moroccan partners have not shown strong interest in this component and may have decided that it is better that NBO continue to focus on supporting investment, but on an ad hoc basis where its clients seek its assistance, rather than as an independent priority with its own targets and resource allocation. In other words, this element appears to have been a low priority for all of the interested parties.

7. *The focus and structure of the NBO project are not conducive to achieving impact in employment creation other than as an incidental result of its trade expansion efforts.*

The NBO Task Order calls for employment creation. However, none of NBO's Work Plans have made provision for effort specifically on employment creation and it appears to the assessment team that there has been tacit agreement between USAID and NBO to assume that employment creation will flow from NBO's trade development efforts and that NBO need not make independent effort to

stimulate it but rather simply monitor it. Until NBO begins to achieve some success in exports and has the chance to assess the results in terms of employment, it will be impossible to judge its prospects for meeting its employment creation performance targets.

C. NBO Identification of Trade Opportunities in the U. S. and Support to Moroccan Companies for Exports

NBO's instrument for executing market development work in the United States is the sixth and final primary element of its Implementation Strategy -- the Senior International Marketing Expert (SIME). It has recruited at least one (US-based) sector-specialized SIME to each of the designated priority sectors and sub-sectors. According to its Work Plans, NBO makes heavy use of the SIMEs. Their first responsibility is to provide "practical, actionable US market intelligence and business advice to NBO client firms". In support of this effort, they are supposed to maintain regular contacts with US enterprises in their sectors. They are to make regular visits to Morocco, present seminars and provide training and assistance to their client firms and sectoral trade associations. They are to assist in preparing NBO clients for effective participation in NBO-sponsored trips to trade fairs and/or buyer visits. Finally, they are to help develop effective partnerships linking the Moroccan trade associations with American ones.

In the conduct of this assessment, the assessment team interviewed (by phone) four current SIMEs and in addition solicited comments about the SIMEs from each of the three client sectoral associations and the 29 client companies with whom it had contact. It also interviewed the Coordinator of the just-completed Morocco Fast Track Trade (MFTT) Program that also worked to facilitate exports to the United States by Moroccan firms. The following findings are based on those inputs:

1. *NBO has had uneven success in employing and retaining SIMEs in the role it proposed for them.*

The current textile and apparel SIME is NBO's fourth for this sector and has been working only since spring 2007. There has been some turnover in the other target sectors as well. Most of the SIMEs work only part-time for NBO and do not execute fully the responsibilities originally envisioned for them (even neglecting the fifth responsibility -- building ties between Moroccan and US trade associations -- that NBO has apparently given up pursuing). The new textile/apparel SIME is the only one of the current SIMEs who is working full-time.

2. *None of the SIMEs have yet produced any sales.*

There are multiple interlocking problems. First, most stakeholders interviewed by the assessment team, including client companies, acknowledged that it generally takes in excess of a year to develop a relationship with a US buyer that produces a sale. Second, for a variety of reasons, the Moroccan client firms have frequently

failed to follow up opportunities proposed to them by the SIMEs. Nevertheless, the NBO client firms that the assessment team interviewed expressed general disappointment that the SIMEs have not produced any concrete results. Even the new textile/apparel SIME, whom a number of companies said they liked and respected, received only a tentative approval ratings from the firms, even though she has been on the job only six months and has proven herself quite energetic in the execution of her responsibilities. All noted that they wouldn't be fully satisfied until she produces some actual sales.

3. *SIMEs have had trouble fulfilling all of their responsibilities.*

There is a built-in tension in the role of the SIMEs. The more they focus on their primary responsibility -- buyer contact development -- the less time they have for their second responsibility -- contact with and capacity-building for the Moroccan clients. This is unfortunate because client satisfaction in general is a function of personal interaction as well as of concrete benefits and, failing actual sales, NBO could earn favor with its clients if the SIMEs were able to provide regular, ongoing advice, counseling, and training to the companies. Most of the firms that the assessment team interviewed, apart from the top ones working most actively with the SIMEs, rated the value of their relationship with NBO pretty low (at least so far) and indicated that, beyond buyer contacts, a major desire was more interaction with their SIME.

4. *NBO has discovered that most manufacturing sectors comprise distinct sub-sectors needing independent marketing efforts and where a specialist in one may be ignorant of critical elements of others. In order to serve them, it often needs not sectoral but sub-sectoral SIMEs.*

Part of NBO's lack of success in achieving sales in its priority sectors is certainly due to the heterogeneity of the sub-sectors into which its client firms fall and the difficulty for the sectoral SIMEs of having to pursue essentially independent sales promotion efforts in each of them. This has been true particularly of the leather/footwear and auto parts sectors, but is an issue in apparel/textiles as well. NBO early on brought on part-time SIMEs for household textiles to address the needs of that sub-sector independent of those of the apparel companies. Now, companies are expressing the wish that NBO will hire additional SIMEs specialized in sub-sectors of its three target sectors.

5. *There are other vehicles besides SIMEs available to NBO for pursuing buyer contacts and sales in the US market.*

First, agents, with a commission-based financial incentive to produce sales that SIMEs lack, are more likely to do so. The assessment team heard from companies as well as NBO directly that good agents are hard to find, but this is true of SIMEs too. An advantage of agents is that companies would expect to pay for them themselves and reduce the financial burden on NBO. To the extent that

NBO stimulates and assists companies to employ agents on a long-term basis, it is also enhancing sustainability.

A second alternative to SIMEs available to NBO is US-based general business linkage experts. The team understands from its interviews both with the MFTT project coordinator and with NBO client companies who were also clients of MFTT that MFTT is credited with having produced substantial US sales – officially \$74 million -- for its Moroccan firm clients using such experts. These generalists were in all likelihood lower-cost and easier to recruit than SIMEs. There are probably also other approaches to linking Moroccan producers with US buyers.

D. NBO Engagement with Sectoral Trade Associations

NBO has established working relationships with the primary trade associations involved with its three priority sectors – the Association Marocaine des Industries du Textile et de l'Habillement (AMITH), the Fédération Marocaine des Industries de Cuir (FEDIC), and the Association Marocaine pour l'Industrie et le Commerce de l'Automobile (AMICA). These associations receive financing from the Moroccan Government to serve their sectors. Of greatest relevance to NBO, the associations, in collaboration with the Centre Marocain de Promotion des Exportations (CMPE), support and coordinate participation by their members in export market trade fairs. Historically, the associations have targeted primarily European fairs.

1. *NBO's work with the associations organizing participation in US trade shows appears to be generally appreciated by the associations and their member companies.*

Most companies who attended or were represented at the MAGIC apparel and WSA shoe shows rated the experience positively in terms of providing experience with the US market and leads on buyers. They did, however, note that no sales have flowed from them and that is a matter of growing concern to them.

2. *NBO work with the associations apart from on the trade shows has been substantially narrower than described in the Work Plans.*

The three Year 2 quarterly reports submitted by NBO cite work with the associations in support of companies attending a number of US trade shows, in hiring USA Coordinators to work within AMITH and FEDIC, and to some extent in preparing markets studies and organizing workshops. They make no mention of association Groupes de Travail, creation of physical USA market spaces or websites in AMITH or FEDIC, cultivation of partnerships with counterpart associations in the United States, or of helping the associations create FTA Committees to address FTA implementation problems with government officials. Association officials with whom the assessment team met conveyed the impression that work with NBO has been sporadic and mostly involved with trade

show participation. Work with SIMEs on export leads has been mostly at the company rather than the association level.

3. *NBO's experience with funding Espaces USA/FTA and USA/FTA Coordinators in AMITH and FEDIC has not yet proven fruitful.*

Both associations have agreed to have NBO fund the Coordinators, but the first one for AMITH was let go, the new one has just begun work, and NBO already reports concerns that AMITH is using her for non-US market-related activities. FEDIC has no room for its coordinator until it moves to new premises and so its Coordinator is working out of NBO and therefore has limited engagement in FEDIC. Neither association has taken any steps to create a physical "US market space" or acquire resource materials for the space, and the assessment team understood that they might be reluctant to do so for fear of conveying the impression that they are attaching greater importance to the US market than to their traditional European markets. Finally, there seems to be continuing question whether the salaries being paid to the Coordinators are out of line with those of other association employees and therefore whether the associations will find it difficult to continue to employ the Coordinators once NBO funding comes to an end (notwithstanding that they have warranted to NBO that they will do so). This casts into doubt the achievability of one of NBO's primary "sustainability" elements.

4. *The associations appear to be most concerned about the performance of the SIMEs in producing sales for their members and make little or no complaint about lack of progress on other elements of the NBO strategy.*

The association officials with whom the assessment team met talked extensively about the strengths and weaknesses of different SIMEs and experience with the MAGIC and WSA trade fairs. One of them also credited NBO with having contributed to strengthening the association and being flexible in responding to association needs. One expressed regret that NBO had said it was unable to fund participation by US associations in Moroccan trade fairs, which could be beneficial in raising US interest in Moroccan products. None of them even mentioned the issues of USA Groupe de Travail or FTA Committees, which are mentioned in the NBO Workplan.

5. *Work with AMICA is troubled by (a) the fact that NBO has only a few auto parts companies as clients and is not offering the same level of support to AMICA as to AMITH and FEDIC, and (b) the fact that the head of AMICA feels that NBO's strategy for auto parts – targeting the after-sales market – is misguided.*

AMICA Director Mohamed Ouzif expressed happiness with personal relations with NBO, but disappointment with results achieved so far. He sees sub-contracting from the original manufacture value chain as Morocco's best prospect for penetrating the US market in auto parts, and expressed the hope that NBO's

contracted study of sub-contracting would be completed as soon as possible and give NBO and the auto parts SIME a new direction for initiative.

E. NBO Engagement with the Moroccan Government

The NBO Task Order called for engagement with the Moroccan Government in two ways, first *collaboration with* the Government in its business assistance efforts (i.e., most of its work); second, *assistance to* the Government in “in introducing policy and/or institutional reforms that are of particular relevance to the sectors and enterprises selected for assistance.”

In its initial Life of Program Work Plan, NBO proposed to implement this element by:

- (a) Assisting its client sectoral trade associations (e.g., by providing consultant advisors) to set up “FTA Committees” and, through them, “develop proposals for improvements in application of policy”; and
- (b) Conducting US study tours for public sector officials to assist and encourage them in formulating and applying public policy in support of the FTA.

Following the cut in the NBO budget in spring 2006, however, NBO was forced to scale back its commitments in this area. In its June 2006 revised LOP Work Plan, it dropped the plan for US study tours by public sector officials. In so doing, it eliminated its only activity for providing assistance directly to the Moroccan Government.

1. *NBO has made almost no progress in implementing the element of its assignment to engage with the Moroccan Government.*

As discussed in the findings relative to engagement with associations, NBO’s work with the three sectoral trade associations has not advanced to creation of FTA Committees, let alone development of proposals for improvement in policy.

2. *NBO has established and maintained close consultation with MICMAN, ANPME, and CMPE (alongside USAID) regarding implementation of the business assistance elements of its work program, and has done its best to incorporate their recommendations in the program.*

NBO accommodated Government recommendations in its selection of the enterprises to be included in its first group of clients. It also followed Government suggestions closely in its implementation of the US PAEx program. NBO has collaborated well with CMPE, notably in preparations for Moroccan participation in US trade shows. In their conversations with the assessment team, Moroccan Government officials all expressed satisfaction with their personal interaction with NBO and its response to their input.

F. Key External Factors Affecting NBO Success

1. *Continuing depreciation of the dollar vis-à-vis the euro and the Moroccan dirham has made the US market substantially less attractive for potential Moroccan exporters, and in some cases has caused them to lose interest in working with NBO to pursue it.*

Implementation of the FTA beginning January 1, 2006 was supposed to give a boost to Moroccan competitiveness vis-à-vis Chinese and other countries' exports, but the tariff advantages – frequently in the 10-20 percent range – have been more than offset by the dollar's fall. Those of NBO's client companies who operate with relatively low profit margins, such as those in footwear and sportswear, currently find the prospect of near-term profitable sales into the United States pretty remote. For such companies, the US market is at best a longer-term prospect that warrants modest effort in the short term.

2. *There are, at the same time, some companies that enjoy high enough margins not to be bothered by the dollar fall and that remain interested in working actively with NBO in pursuit of immediate sales into the US market.*

NBO's client companies in high-end home textiles fall into this category as well as those in some of high-end niches in apparel and footwear.

3. *Competition from the Chinese is viewed as being unbeatable by many NBO clients, typically the low-margin ones that are most threatened by dollar depreciation, and leads them to see Morocco's US export opportunities to be confined to niches where the Chinese are not competing.*

The head of one such company attributed most of his problems to the WTO and its efforts to level the international trade playing field. NBO clients in general are hoping to attract US buyer interest with quality rather than price.

G. Performance Indicators and Targets

1. *Current performance indicators and targets*

The NBO Task Order specified the following results indicators:

Results Module 1 – Business Development: *A sustainable expansion of business activity in selected manufacturing and service sectors leading to the creation of new jobs.*

Indicator 1.1: *Value of sales, including exports to the U.S. market, of assisted products.*

Indicator 1.2: *Numbers of enterprises with increased sales to the U.S. market (in value and volume) as a result of program activities.*

Indicator 1.3: *Number and value of new investments by participating enterprises.*

Indicator 1.4: *Number of jobs created (disaggregated by gender).*

Results Module 2 - Public Policy and Business Support Institutions: *Improved responsiveness of Moroccan public policies and business support institutions to the needs of Moroccan businesses and the challenge of job creation.*

- Indicator 2.1: Quality of information provided by business support institutions to private enterprises concerning laws and regulations governing entry of foreign products in the U.S. market.*
- Indicator 2.2: Value of services provided by business support institutions that assist businesses in penetrating the U.S. market.*
- Indicator 2.3: A new industrial strategy that effectively addresses the need for economic growth and job creation adopted by the Government of Morocco.*

Following the large project budget cut in early 2006, NBO submitted a proposed revised Life of Program Work Plan in June 2006. USAID has never responded officially to this proposal. Neither, however, has it conveyed concern in response to NBO indications that it is using this proposed Work Plan to guide its activities. The targets specified in the Work Plan are:

<i>Results Package and Indicator</i>	<i>Measured by</i>	<i>Results Targets</i>				
		<i>Yr 1</i>	<i>Yr 2</i>	<i>Yr 3</i>	<i>Yr 4</i>	<i>NBO</i>
<u>MODULE 1 (Business Development):</u> Manufacturing and services expanded and jobs increased among participating firms						
1.1 Value of sales to US market increased	Increase in export value (\$ mn)	5.0	20.0	55	95	175
1.2 Number enterprises with new or increased US market sales	Number of enterprises	8	18	20	19	65
1.3 Investment increased						
1.3.1 Number of investment projects increased	Number of projects	1	5	5	5	16
1.3.2 Value of investment increased	Growth in investment value (\$ mn)	1.0	5.0	5.0	5.0	16.0
1.4 Jobs created						
1.4.1 Number of jobs increased	Number of new jobs	285	1,175	2,840	5,200	9,500
1.4.2 Number of women's jobs increased	Number of new jobs	(155)	(705)	(1,700)	(3,140)	(5,700)
<u>MODULE 2 (Public Policy and Business Support Institutions):</u> Responsiveness of policies and institutions improved						
2.1 Quality of information on US market improved	Change in quality 1/	6	10	10	8	34
2.2 Value of services on US market entry increased	Index value 2/	100	130	165	200	- -
2.3 Growth-oriented industrial strategies introduced	Number reforms	1	1	0	0	2

1/ To be measured by the number of NBO-sponsored information dissemination events.

2/ To be measured by changes in an Association-based "satisfaction index"

The assessment team notes that the Work Plan indicators differ in certain respects, some of them quite significant, from those in the Task Order. Specifically:

- Re Indicator 1.1, the Task Order specified *[total] sales, including exports to the US market*. The Work Plan specifies *[only] sales to the US market*, ignoring sales to other markets. This eliminates any incentive for NBO to expend efforts strengthening sales to Europe or other markets.
- Further re Indicator 1.1, the Task Order specified sales *"of assisted products"*. The Work Plan omits this qualification and thus allows counting of total sales regardless of whether NBO helped produce them.
- Re Indicator 1.2, the Task Order called for counting enterprises with increased sales *as a result of program activities*. The Work Plan omits this qualification. As in point b. above, this opens the way for the appearance of results even where there have been no results directly due to project activities.

- d. Re Indicator 2.1, the Task Order asked about the quality of information provided *by business support institutions*. The Work Plan calls for counting *NBO-sponsored information dissemination events*, with no focus on business support institutions whatsoever.

2. *Progress toward meeting the targets*

Given, as NBO quarterly reports confirm, that NBO's business assistance activities only really got underway in 2007, it is quite early to seek empirical confirmation of their impact. Moreover, since Moroccan companies generally compile their performance data for the previous year in the spring, NBO has obtained company data for 2005 (the baseline) and 2006, but only partial and spotty data for 2007.

Based on its compilation of company data through 2006, NBO reported in July 2007 that "NBO surpassed the first year planned target figures in all indicators with the exception of investment made by participating companies". Even as of now (October 2007), NBO confirms that it has yet to directly facilitate its first company sale to the United States. Data on new investment by participating enterprises showed a fall in 2006 while data on employment and employment of women showed increases in 2006. Here again, however, there appeared to be no causal relationship between NBO activities and these results.

Overall, there is limited empirical evidence of NBO impact on Moroccan enterprise business activity. Nathan Associates contends, however, that "during the time of delivery of the US PAEx, NBO staff and consultants collected project indicator data from client companies to prepare the first year results report. Both baseline and recent year data were collected on export sales in general and export to the US, employment in general and by gender and investment made by companies during the past year. Data collected indicated that NBO surpassed the first year planned target figures in all indicators with the exception of investment made by participating companies. In the latter case, total investment of USD 21.3 million made in 2005 was slightly above the USD 20.5 million investments made by companies in 2006."

As for impact on public policy and business support institutions, NBO's data collection questionnaire of April 2007 reports on the first two items of Module 2, based on client responses. Nathan asserts that both indicators were surpassed. Since the NBO project was scaled back near the end of its first year due to budget constraints, no work was done in regard to item three dealing with policy reforms, and this was with the agreement of USAID.

3. *NBO Results and the Monitoring Information System*

NBO's indicators tell us what the client companies are doing but not necessarily what NBO is accomplishing. NBO client companies surpassed the planned

targets for Indicators 1.1 and 1.2 in 2006. However, NBO did not seem to play any significant role in that achievement.

As discussed in other sections, NBO's primary achievements to date fall in the areas of:

- a. Raising company understanding of the requirements and challenges of the US market;
- b. Supporting trade association and company participation in US trade shows;
- c. Beginning to link companies to US buyers.

In the future, if NBO proceeds according to current plan, NBO will hopefully achieve its most significant results by

- d. Facilitating company sales to the United States;
- e. Strengthening sectoral trade association effectiveness in supporting member company sales to the United States.

As currently defined, the current project performance indicators do not provide accurate measurement of performance relative to any of these targets.

The NBO Task Order instructed it "to develop an MIS system based on the indicators in the Expected Results section, and those which will contribute to the achievement of program objectives. To evaluate program impacts, the contractor will need to implement a baseline, identify control groups, and utilize best practices in evaluation (that include the use of rational, quantitative and qualitative methodologies)." Although Nathan Associates has collected considerable data on the firms it has assistance and changes in sales, exports, employment and other aspects of firm performance, this is clearly an area where the NBO project and USAID need to reach agreement to concentrate on indicators that can be attributable to project activities.

H. Sustainability of NBO Efforts

1. *NBO's efforts to assist companies to expand sales to the United States are building capacity within the companies that the companies can be expected to make use of in the future.*

NBO clients view the US market not as a one-off quick-profit, but as a long-term opportunity. They are interested in developing knowledge about and capacity to engage with that market for the long-term.

2. *NBO's target sectoral trade associations have some interest in taking advantage of NBO assistance to develop their capacity for supporting their member companies in pursuing the US market, but are not disposed to allow such effort to eclipse their efforts on more promising markets.*

All three client trade associations have extensive established programs for supporting their members in marketing to Europe. NBO experience with them to date appears to confirm that they will not take advantage of offers by NBO to finance creation of capacities – e.g., creation of “Espaces USA” -- that could outshine their Europe marketing programs and make it appear that they are giving priority to the US market development as opposed to focusing on the US market in proportion to its importance to their members. They are not averse to creating capacity within their organizations to provide their members information and services regarding the U.S. market. This is being done through the NBO staff persons assigned to their associations. However, the concept of an “espace” connotes an actual location within the office that deals with the U.S. market.

I. Staffing

The Team received two organigrams with the composition of the NBO Project (See Annexes 8 & 9). The first was the original project structure and it provided for 3 full-time expatriates and three local staff in the Casablanca office. It also specified a SIME for each of the six sectors in which the project was to work. The current structure provides for two expatriates and four local staff, plus two SIMEs for the textile sector (one for apparel and one for home furnishings), two SIMEs for the leather sector (one in the U.S. and one in Britain), and one SIME for auto parts. The SIME working in the apparel sector is the only full-time SIME. All of the others are part-time.

1. *The staffing for the NBO Project has changed over the life of the project both in terms of the composition of the staff and the size of the staff.*

The two BDS positions originally envisioned in the first organigram were eliminated after difficulties obtaining approval from the USAID Contracting Officer for the third country nationals proposed for those positions. The composition of the local staff has also changed to reflect the changing focus after the budget was reduced.

2. *The changes in the personnel filling the Chief of Party position caused difficulties in project implementation, particularly during the first year.*

While the current COP (the third person to serve in this position) appears to have been well received by the project stakeholders, personal considerations have required that he depart Morocco and a new COP be selected. The Nathan Home Office is currently considering replacement candidates.

3. *The current staffing pattern seems to have the expatriate Director of Enterprise Support acting as the de facto Deputy Director for the project and providing substantial guidance to the local staff.*

He served as the second COP for a number of months after the original COP departed four months after project implementation began.

4. *Local staff members specializing in sector development have limited sectoral experience but do have previous USAID project implementation experience.*

The local textile specialist was recently hired to replace the former staff person and is located in the AMITH office. She has previous project implementation experience in and IESC project that promoted exports to the U.S., but does not have direct textile sector experience, per se. The local leather sector specialist also has previous USAID project implementation experience in SME development, but does not have direct leather sector experience. He is currently based in the NBO office, but will be moving to the FEDIC office in the near future. They are both charged with assisting the SIMEs in their respective sectors and acting as intermediaries between the SIMEs and the NBO client firms. In addition, they are responsible for establishing the “Espace USA” in their respective associations.

(Although the SIMEs are listed as staff in the organigrams, the function of the SIMEs and their performance are dealt with in another section of this report.)

IV. Conclusions

A. Sectoral Approach

1. NBO's targeting of the textile/apparel sector and dedication of a large proportion of its resources to it is justified.
2. Some of the Moroccan household textiles producers seem particularly promising candidates for NBO effort given the experience a few of them already have in the US market, but NBO's current strategy for supporting them has not proven very effective.
3. The potential of the leather/footwear sector is weaker than that of textile/apparel, but higher-end men and women's leather footwear shows promise and warrants continued NBO support.
4. NBO's 4-company clientele in auto parts is very small to support inclusion of the sector as a primary target for NBO effort. NBO should complete its promised assessment of the potential for sub-contracting as soon as possible. Thereafter it should tailor its commitment of support to the sector to the level of potential it appears to have.
5. Particularly if it scales back activity in the leather/footwear and/or auto parts sectors, NBO should keep looking for other sectors where groups of firms show potential for increased exports to the United States and could make effective use of NBO services. Should NBO identify such sectors, it should be as flexible and demand-driven as possible in designing strategies and deciding what services to offer to such groups.

B. NBO Interaction with Firms

1. As NBO's experience recruiting new firms to join the program in Year 3 demonstrated, firm interest in getting involved with NBO has weakened. This is probably due to a combination of factors including the decline of the dollar, but also the increasingly well-known fact that NBO has not yet produced any sales for its client firms. In addition, it may be that most companies seriously interested in the US market would have applied during the first year of program recruitment.
2. Under the most rosy scenario, it is impossible that NBO will succeed to meeting its original LOP goal of helping 160 firms achieve sales to the United States.
3. There is substantial unmet demand among companies for education about the US market and techniques for penetrating it that NBO could respond to. Such effort is unlikely, however, to translate into export sales that will help NBO achieve its performance benchmarks.
4. NBO's criteria for allocation of services among its client firms have to date focused more on firms' *characteristics* relative to export readiness than on their actual *performance* in pursuing exports. Assessment of characteristics is to some extent subjective and has led to complaints by some firms of NBO bias against them in client selection.
5. For most NBO client firms, involvement with NBO is an activity that has appeal and in which they will invest their own resources only to the extent that it appears

- likely to yield concrete short-term benefits. The USPAEx is too long-term to be successful as a roadmap for NBO interaction with most of its client firms.
6. NBO's current performance targets are too broad in requiring it to achieve not only its primary mission of help client firms achieve export sales, but also somewhat related but largely separate targets in investment development and employment. In order to achieve its quite challenging primary targets, NBO should not be distracted with attending to such secondary targets.

C. NBO Identification of Trade Opportunities in the U. S. and Support to Moroccan Companies for Exports

1. As currently structured, NBO's success rides on the success of its SIMEs in producing sales. This is risky given the difficulty NBO has had in attracting and retaining good SIMEs.
2. The textile/apparel SIME has impressed most of her NBO client firms so far and therefore has earned NBO's support for the time being, but needs to produce some sales soon in order to preserve this goodwill.
3. For a variety of causes (some of their own making, others not), other current SIMEs may not continue with NBO. It is likely that further SIME turnover lies ahead.
4. Replacing SIMEs is a slow, trial-and-error process. NBO did not make allowance in its original planning for delays and disruptions associated with SIME turnover.
5. Disruption from turnover, together with the fact that the majority of the SIMEs are working only part-time for NBO, makes it likely that the SIMEs as a group will continue to fall short in executing the range of tasks that NBO has undertaken to have them perform.
6. It is likely that, if NBO continues to rely so heavily on SIMEs, it will have at best mixed success in delivering its promised results.

D. NBO Engagement with Sectoral Trade Associations

1. NBO's elaborate 8-pronged strategy for engaging with the sectoral trade associations seemed to reflect NBO's priorities more than those of the associations.
2. This being the case, it is not of serious concern that NBO has made no progress with the associations on a number of the items in its association collaboration strategy.
3. The most valuable services that NBO can render the associations is (a) work with them in organizing US trade show participation; (b) employ strong SIMEs and build as close a relationship between the SIMEs and the companies as possible; (c) be flexible and responsive to association ideas for institutional strengthening.
4. The Espace USA concept has gained no significant support from AMITH and FEDIC or their company members.
5. The concept of USA Market Coordinators in AMITH and FEDIC, on the other hand, does appear to have some attraction, but will be sustainable only if they serve the association's priorities.

6. NBO engagement with AMICA is destined to remain less than warm so long as NBO's allocation of resources to the auto parts sector remains modest. However, this is commensurate with the small number of firms in this sector and could increase depending upon increased demand for these products in the US.

E. NBO Engagement with the Moroccan Government

1. NBO is fulfilling its obligation to consult closely with the Moroccan Government regarding program implementation.
2. The prospect that NBO will fulfil either its original mandate to assist Moroccan public authorities to introduce reforms of export-oriented industrial policies, or its specific targets in this area – stimulating trade association establishment of FTA Committees and assisting in the development of recommendations regarding regulatory support – is dim, since there does not appear to be much demand for these services either on the part of government or the trade associations.

F. Key External Factors Affecting NBO Success

1. The decline of the dollar has substantially reduced the pool of companies interested in and prepared to commit the required resources to take advantage of NBO's assistance in penetrating the US market.
2. This factor serves to reinforce the conclusion that NBO will achieve the best results by concentrating its efforts on assisting those companies, usually with higher-end products, who are not overly bothered by the exchange rate and continue to demonstrate preparedness to invest their own resources in utilizing NBO offers of services.

G. Performance Indicators and Targets

1. Reporting of data relative to NBO's current performance indicators will not provide it and its stakeholders an accurate indication of NBO impact.
2. The best indicator of NBO success in facilitating company sales to the United States would be reports by companies of the sales directly facilitated by NBO.
3. Unless NBO's scope of work is revised, it is inappropriate to hold NBO responsible for targets in investment and employment.
4. NBO's current indicators could be improved to measure its successes in its substantial efforts to strengthen companies and trade associations to access the US market.
5. NBO's effort on monitoring and evaluation has produced information relevant to the indicators and targets specified in the Task Order, but these should be reviewed by Nathan Associates and USAID for their effectiveness in demonstrating project impact.

H. Sustainability of NBO Efforts

1. Sustainability in economic development programs usually flows from creation of sustainable *systems*, it is unrealistic to expect that NBO, with its primary mandate to provide business development assistance directly to firms, will achieve a great deal in the area of sustainability.
2. However, NBO's efforts to assist Moroccan companies to expand sales to the U.S. market will have sustainability in strengthening capacity within those individual companies, and perhaps through their success in stimulating other companies, to pursue the U.S. market.
3. In order to achieve success in building sustainable capacity within its target trade associations to pursue U.S. market prospects over the long term, NBO should be sensitive to the associations' need to pursue markets in proportion to their members' relative interest in them. Their U.S. market efforts are likely to remain secondary to their European market ones whatever assistance NBO may offer in favor of the former. NBO should pay greater attention to the associations' expressed demand for those programs and activities in which they are interested and pursue those, as long as those activities are consistent with the Task Order and have the agreement of the USAID CTO.

I. Staffing

1. If the current COP is not replaced soon, there is a strong likelihood that there could be slippage in project implementation.
2. Having an expatriate in the role of Director of Enterprise Support seems to be superfluous since the COP could perform his administrative functions and locally hired staff should be performing his technical functions.
3. The relationship between NBO project staff and FEDIC seems to have been somewhat strained in the past, but now appears to be back on track and a Memorandum of Understanding has been signed where FEDIC has agreed to provide office space for the NBO leather sector specialist.
4. The relationship between NBO and AMITH is cordial, but the role of the NBO staff person assigned to the AMITH office currently seems unclear and requires greater definition.
5. The SIMEs have a mixed record with some receiving high marks from the client firms and others held in lesser regard.
6. Very little has been done to promote business services currently provided by the U.S.-based SIMEs through Moroccan staff. This deserves further consideration to determine how local, commercially based services to help Moroccan firms export to the U.S. might be addressed.

V. Recommendations

A. Sectoral Focus

1. NBO should maintain its sectoral approach in programming the bulk of its resources, but given large differences among sub-sectors in some sectors, should target assistance such as SIME support more on sub-sectors in order to enhance effectiveness.
2. In order to achieve a high benefit-cost ratio in the assistance it provides, NBO should in general target assistance where groups of at least 3 enterprises will benefit. Assistance to one or two enterprises by themselves might be justified if the expected benefits (e.g., prospective sales) are exceptionally large.
3. The textile/apparel and leather footwear sectors should remain NBO's primary target sectors, but it should avoid committing substantial resources to sub-sectors that contain only 1 or 2 client firms.
4. NBO should restrict commitment of resources to the auto parts sector unless it can attract additional clients beyond the three active ones it has now or identify exceptionally large sales prospects.
5. NBO should maintain openness to assisting firms in sectors other than its priorities where there are at least three firms with similar needs, their export-readiness is high, and their near-term prospects of achieving sales to the United States appear quite strong so that the assistance resources required are modest.

B. NBO Interaction with Firms

1. NBO should concentrate its assistance on the much smaller group of firms that are making a strong and sustained effort to develop sales to the US market, and the benchmark targets for number of enterprises to be assisted should be reduced accordingly.
2. At the same time, NBO should continue to organize seminars and workshops to educate and entice as many firms as possible to pursue sales to the United States.
3. NBO should abandon the US PAEx as a program tool.
4. NBO should instead be demand-driven by encouraging client enterprises or consortia of enterprises to define their own needs and by exploring cost-sharing mechanisms that demonstrate enterprise commitment. For example, NBO could support and co-fund a market study with a consortium of firms in a sub-sector.
5. NBO should be guided in the allocation of assistance to client firms by the firms' demonstrated desire and performance in pursuing sales to the United States, not subjective lists of firm characteristics.

C. NBO Identification of Trade Opportunities in the U. S. and Support to Moroccan Companies for Exports

1. NBO should do everything it can to (a) attract and retain the highest-quality marketing experts as SIMES, (b) encourage good communication and understanding between SIMES and client enterprises; and (c) support the SIMES

- by having Casablanca-based Moroccan staff backstop them and maintain regular contact with client firms.
2. NBO should employ as many SIMEs as it can afford in the sub-sectors/sectors that show the highest potential for achieving sales to the United States during the next year.
 3. NBO should double its effort to assist firms individually or, as necessary, as groups to find agents to pursue sales in the US.
 4. To save on the cost of SIMEs, NBO should explore options for obtaining volunteer sector experts from the United States.
 5. NBO should explore how it might develop Moroccan business service firms to provide commercially based services to help Moroccan firms export to the U.S.

D. NBO Engagement with Sectoral Trade Associations

1. NBO should continue working with AMITH and FEDIC to develop their capacity to assist their members to develop exports to the United States.
2. NBO should drop the concept of Espace USA and instead support AMITH and FEDIC in employing a “US Market Development Coordinator” as a permanent staff position and developing the capacity of the Coordinator to assist in developing sales to the United States.
3. NBO and its SIMEs should continue to work with the trade associations and CMPE to organize participation in selected US trade shows and trade missions, including regional trade shows in the leather sector.

E. Performance Indicators and Targets

1. USAID should formally approve a revised LOP Work Plan and performance indicators and targets for NBO as soon as possible.
2. The requirement that NBO work to promote investment should be abandoned.
3. The requirement that NBO explicitly pursue employment creation should be abandoned.
4. The requirement that NBO promote and assist the Government of Morocco on policy reforms relative to the targeted sectors should either be dropped or a new objective drafted that is feasible, based on the current project budget and resources.
5. NBO and USAID should agree on new indicator(s) and target(s) to measure increases in client firm capacity to export to the United States.

F. Staffing

1. NBO should reduce senior resident, expatriate staff in Casablanca from two to one person.
2. NBO should seriously consider hiring more Moroccan staff to increase performance in nurturing client firms, organizing seminars and workshops, and ensure backstopping for the SIMEs.

3. NBO should consider bringing mid-level sector experts (as opposed to senior level experts like the SIMEs) from the United States on short/medium-term assignments to train staff, the trade associations Coordinators, and client firms regarding the U.S. market. They might also work with building the capacity of Moroccan business service firms to provide commercially based services to Moroccan firms on penetrating the U.S. market.

ANNEXES

Annex 1

SCOPE OF WORK

Mid-Term Review of the NBO Project

1.0 Background

Nathan Associates, Inc. was awarded a four-year contract under the USAID GBTI Economic Policy IQC to provide new business opportunities in Morocco focusing on the export of goods produced in Morocco for the US market. The New Business Opportunities (NBO) Program fits in the context of the Free Trade Agreement (FTA) signed between the governments of the United States of America and the Kingdom of Morocco. The FTA entered into force on January 1, 2006. The program works with industrial exporting enterprises in three designated sectors: (1) textile and apparel, (2) leather and footwear, and (3) automotive parts.

The USAID-Nathan contract was signed in September 2005 and the project start-up operations began shortly thereafter in October. Initially, the four-year contract was signed for \$14.7 million but due to budget cut, the project suffered a 45% reduction in the budget to its current level of \$8.0 million. A revised budget and revised work plan were requested by USAID/Morocco and were submitted by Nathan Associates on June 7, 2006. The project has been operating under the revised scaled down scenario.

As a result of the budget cut and difficulties with the deployment of key project staff, NBO faced major delays during the project start-up phase. These initial difficulties led to changeovers in the Chief of Party (COP) and it was not until end of June 2006, over eight months after project award, that NBO project had all the necessary conditions in place with the advent of its third COP to formally launch the project.

Since July 2006, the NBO team has made major efforts to make up for lost time. As one example, NBO accepted to work with almost double the number of client companies proposed in its work plan during the first year. Today, the project is implementing its second annual work plan and the project has entered full operations phase.

- A. While NBO has made considerable progress in the implementation of planned activities toward meeting project objectives, the project is also facing many challenges. Paramount amongst these challenges is sales to the US by participating companies. Although NBO Senior International Marketing Experts (SIMEs) are meeting with potential US buyers to present Moroccan offers, actual sales orders have not been forthcoming from these direct contacts, despite the fact that Moroccan products are generally perceived by potential US buyers as being of good quality. One explanation is the higher price of Moroccan products compared to alternative sourcing markets for US buyers, especially China, India

and Southeast Asia. This has been the case in the leather and footwear products, in particular. A more general concern is that the US market is much more demanding and price sensitive than the European market where Moroccans are used to exporting similar products and hence Moroccan products are less competitive in the US than products sourced in competing countries. Another concern is the general state of export readiness and sense of priority of Moroccan companies to meet US buyers' demands at a time when certain European markets such as Spain and the UK seem much more promising than the US market, especially when considering the low exchange rate of the US dollar vis-à-vis the Euro and the UK Pound, as well as the Moroccan Dirham.

Thus, as the project reaches the mid-point in its life cycle (projected end date Sept 30, 2009), it is important that an objective outside review is undertaken to assess progress made toward reaching stated goals and objectives, as well as to validate project assumptions and results indicators against the reality on the ground, based on actual NBO implementation experience to date.

1.1 Program Objective

NBO was designed to contribute to USAID/Morocco's Strategic Objective of "increased economic growth and job creation," and its corollary Intermediate Result 2 ("Creation of new business opportunities outside agriculture and agribusiness"). Specifically, NBO aims to help Moroccan exporting enterprises to realize the new economic potentials and overcome the challenges created by Morocco's increasingly liberalized trading environment, particularly those arising with entry in force of the US-Morocco Free Trade Agreement (FTA).

1.2 Expected Results

Within the framework of the above objectives, the NBO Life-of-Program Work Plan is structured to produce two major expected results. First, NBO will seek to directly assist exporting enterprises in non-agribusiness manufacturing and services sectors to expand business activity and generate jobs. It is assumed that the US-Morocco FTA will be the principal source and stimulus for this expanded activity and job creation, through successful entry and performance in the US market by Moroccan exporters. Second, NBO will work with business support institutions and public agencies to enhance these organizations' responsiveness to the needs of export-oriented business expansion and job creation. Again, it is assumed that the needs of Moroccan firms' vis-à-vis success in the US market will be the driving force for improving the service and policy response of support institutions and agencies.

1.3 Results Indicators

NBO's two major expected results categories, together with outcome indicators of progress toward achievement of these results, are as follows:

- **Results Module 1 (Business Development)** – manufacturing business activity expanded with new jobs created.

- *Indicator 1.1 Value of sales to the US market increased*
- *Indicator 1.2 Number of enterprises with sales to US increased*
- *Indicator 1.3 Number and value of investments increased*
- *Indicator 1.4 Number of jobs created (including jobs for women)*

1. Results Module 2 (Public Policy and Business Support Institutions) –
responsiveness of policies and institutions improved.

- *Indicator 2.1 Quality of information on US market regulation improved*
- *Indicator 2.2 Value of services regarding US market entry increased*
- *Indicator 2.3 New growth-oriented industrial strategies introduced*

The success of NBO clients should provide replicable business and institutional support models for Morocco's private sector generally. However, expected results and associated indicators pertain only to expansion of business activity or improvement in responsiveness among firms and support organizations directly assisted by NBO. These indicators are not intended to measure changes in performance of Morocco's private sector as a whole.

1.4 NBO Results Targets

Based on NBO Life-of-Program Work Plan, specific annual targets have been established by results indicator for the overall Program. The table below illustrates key results targets expected by year and over the life of the Program.

Table 1. Proposed NBO Expected Results, Indicators and Targets, Life-of-Program

Results Package and Indicator	Measured by	Results Targets				
		Yr 1	Yr 2	Yr 3	Yr 4	NBO
<u>MODULE 1 (Business Development):</u> Manufacturing and services expanded and jobs increased among participating firms¹						
1.1 Value of sales to US market increased	Increase in export value (\$ mn)	5.0	20.0	55	95	175
1.2 Number of enterprises with new or increased US market sales	Number of enterprises	8	18	20	19	65
1.3 Investment increased						
1.3.1 Number of investment projects increased	Number of projects	1	5	5	5	16
1.3.2 Value of investment increased	Growth in investment value (\$ mn)	1.0	5.0	5.0	5.0	16.0
1.4 Jobs created						
1.4.1 Number of jobs increased	Number of new jobs	285	1,175	2,840	5,200	9,500
1.4.2 Number of women's jobs increased	Number of new jobs	(155)	(705)	(1,700)	(3,140)	(5,700)
<u>MODULE 2 (Public Policy and Business Support Institutions):</u> Responsiveness of policies and institutions improved						
2.1 Quality of information on US market improved	Change in quality 1/	6	10	10	8	34
2.2 Value of services on US market entry increased	Index value 2/	100	130	165	200	--
2.3 Growth-oriented industrial strategies introduced	Number reforms	1	1	1	0	3

1/ To be measured by the number of NBO-sponsored information dissemination events.

2/ To be measured by changes in an Association-based "satisfaction index"

¹ Increases measured against base year which is 2005. Y1 is 2006, Y2 is 2007 and so on. Moroccan company year is Jan 1-Dec 31.

These targets are incorporated into NBO's monitoring and evaluation (M&E) plan. Progress toward targets will be monitored regularly. As necessary and to reflect changing NBO operating conditions, adjustments to targets will be made in future yearly revisions to the NBO Life-of-Program Work Plan, in consultation with USAID and Moroccan counterparts.

1.5 Implementation Strategy

This Life-of-Program Work Plan is formulated within the framework of a technical implementation strategy made up of six elements:

- A. Demand-driven** – NBO is first and foremost a demand-side program that begins with the identification of new product or market opportunities for Moroccan manufacturing exporters, and then helps these exporters adapt in order to respond successfully to the demand characteristics associated with these markets and products. As such, NBO is not fundamentally a supply-side “mise-à-niveau” program, and engages in enterprise upgrading activities only as a direct function of the new market opportunities it helps firms uncover.
- B. US Market-focused** – The US-Morocco FTA is the basic rationale for the NBO Program, and links with US markets represent NBO's major comparative advantage relative to the several other technical assistance programs active in Morocco's private sector. NBO's primary focus is thus to work with Moroccan exporting firms to compete in the markets for goods exported to the USA. Assisting firms export to Europe or to the Middle East is not a part of our contractual obligations and thus will be left to other technical assistance programs focusing on those regions.
- C. Transaction-oriented** – NBO's orientation is ultimately commercial: to assist Moroccan firms make US export sales, attract investment funds and build sustainable relationships with US partners. Taken together, these transactions will translate into NBO's expected results. Direct promotion of transactions (RM1 Business Development) accounts for the principal share of NBO activity. All NBO institution building (RM2 Public Policy and Business Support Institutions) is also designed to facilitate these transactions. The primary project assumption is that increases in the number of successful transactions of this type will lead to greater export growth and more jobs in the export sector.
- D. Priority Sectors** – In principle, NBO is open to working with promising manufacturing sectors, outside of agribusiness, relative to the US market opportunities. However, in view of industry advantages under the FTA, Morocco's “Plan Emergence” industrial policy, and its own resource limitations, NBO's first priorities will be:
 - Textiles and Apparel
 - Leather and Shoes
 - Automotive Parts

- E. **Firm Readiness** – Within these sectors, NBO is open to assisting a broad range of exporting firms relative to US market opportunities. Not all firms possess the technical, financial and managerial capacities to compete in the harsh competitive conditions of the US market, immediately or even in the medium term. To maximize returns to the investments of time and resources that firms must make to be ready to compete in the US market, the major part of NBO efforts will focus upon enterprises that appear relatively better prepared to benefit from NBO services and thus succeed in the US market. NBO has devised a plan to select these firms in a transparent manner. This is done through a Selection Committee comprising Sector Associations, USAID, MICMAN, ANPME and NBO. Firms will be added to and graduated from NBO's active client list on an annual basis throughout the life of the Program. (The adequacy of the selection process will be a critical focal point for the mid-term review.)
- F. **SIMES** – Critical to NBO's demand-driven, US market-oriented strategy will be the Program's deployment of Senior International Market Specialists (SIMES), based in the US. At least one SIME will be assigned to each of the designated priority sectors, or sub-sectors, as required. The SIMES act primarily as export opportunity facilitators and sector technical assistance experts. While based in the US, SIMES will make regular visits to Morocco and maintain regular, direct contact with the US industries in question, and – working through NBO's Casablanca-based team – providing practical, actionable US market intelligence and business advice to Program's client firms.

2.0 Objective of Mid-Term Review

The objective of this assignment is to carry out a Mid-Term Review of the NBO project. Specifically, the evaluators will undertake a formative assessment of the project to gauge progress made in the implementation of planned activities toward reaching stated goals and objectives. Additionally, the evaluators will assess the wider project context to validate project assumptions and results indicators against the reality on the ground, based on actual NBO implementation experience to date. The latter should be done with a view toward making recommendations for adjustments and calibration of assumptions and results indicators, as warranted. The results of this assessment will also be used by the Business Growth Initiative (BGI) Project of EGAT/EG (CTO, Steve Silcox) to disseminate lessons learned and best practices in enterprise development, in particular as they relate to trade capacity development.

3.0 Scope of Work

The tasks listed below under the scope of work (SOW) are minimum requirements for this assignment. The evaluators may add additional tasks that further strengthen the expected results of this assignment.

1. Prior to arrival in Morocco, the evaluators should send a list of required documents to the CTO at the following email address: jmay@usaid.gov. USAID will make

every effort to gather requested documents and make them available prior to the beginning of assignment to enable timely review of program data and information.

2. Hold a preliminary meeting with the USAID/Morocco CTO and other key staff of the Mission's Economic Growth team to ascertain a thorough understanding of the assignment requirements and to brief the USAID Mission Director and key staff on the approach and procedures to be taken to carry out the Mid-Term Review, as well as to discuss concerns and suggestions for pursuing appropriate lines of assessment inquiry.
3. Hold meetings with Moroccan counterparts at the Ministry of Industry, Commerce and Economic Upgrading, ANPME (Small and Medium Enterprise Agency) and trade associations (AMITH [textile-apparel], AMICA [automobile] and FEDIC [leather and footwear]) to discuss project accomplishments and areas for improvement.
4. Undertake data gathering and analysis, as appropriate, including review of project documents, interviews, individual and group discussions, gathering of primary data, review of primary and secondary data, as well as other means of gathering a comprehensive variety of program data and information from a broad and diversified perspective. Review of project documentation, will include but not be limited to USAID project documents, NBO project documents, work plans, monitoring and evaluation plan, project reports and supporting data and information, relevant project monitoring, internal project management information systems, and so on.
5. Based on data and information gathered during fieldwork, conduct preliminary analyses of same to produce a quantitative and qualitative assessment of the NBO program from all relevant perspectives. Data analysis should focus on yielding meaningful output and outcomes data and information to provide an in-depth understanding of program progress, challenges faced, if and how problems were resolved, pending issues, necessary changes and directions, as required, and so on.
6. Midway through the field research, prepare a discussion paper on preliminary findings to discuss with USAID/Morocco staff, Moroccan counterparts and NBO staff, addressing key findings and issues, and preliminary recommendations. The discussion paper shall be produced in English and French must be submitted at least 24 hours prior to discussions at a debriefing meeting to be held with above concerned parties. (The inception report may be sent either electronically, in hard copy, or both.) Take note of comments and observations made during the debriefing meeting regarding key findings and preliminary recommendations to be considered in the drafting of the full Mid-Term Review report. The debriefing meeting is the final phase of the fieldwork.
7. Prepare a draft of the Mid-Term Review report. The draft report shall address progress made toward reaching stated project goals and objectives, as well as to validate project assumptions and results indicators against the reality on the ground,

based on actual NBO implementation experience to date. To the extent possible, comments and observations made by USAID/Morocco, Moroccan counterparts and/or NBO should be taken into consideration in the drafting of the full draft report. Where such comments and observations deviate from evaluators' findings and opinions, appropriate explanatory notes should be provided, registering differing opinions. The draft report should respect standard format and be clearly written to include an Executive Summary, Findings, Conclusions, Recommendations and appropriate annexes.

8. Make specific recommendations in the complete draft report to guide and enable USAID/Morocco, Moroccan counterparts and the NBO team to take appropriate actions to ensure that the project attains all set goals and objectives within the established timeframe and resources allocated. Recommendations should be both of project implementation nature as well as looking deeper into the project context, appropriateness of current results indicators vis-à-vis actual experience on the ground, and so on.
9. The draft Mid-Term Review report shall be submitted to USAID prior to the departure of the expatriate members of the evaluation team from Morocco and at least 24 hours prior to their final debriefing on the assessment. A final debriefing on the assessment report will be held subsequent to the receipt of the draft report.
10. USAID/Morocco will review and collect comments and inputs from all key parties and submit these to the evaluators within seven workdays of reception of the draft Mid-Term Review report.
11. Upon receiving the USAID/Morocco comments and inputs, the evaluators shall finalize the report within ten days and submit an electronic version of the final Mid-Term Review report in English.

4.0 Expertise Required

To carry out the proposed assignment, the following expertise is required:

- (1) Team Leader. Senior Enterprise Development Specialist with at least ten years experience in international development (preferably in export oriented projects) and proven experience in carrying out project and program evaluation of donor-funded private sector development projects and programs. Proven experience in leading teams of consultants on short or long term assignment is required. Professional command of French is required. Stephen Silcox of EGAT/EG in USAID/Washington will serve in this position.
- (2) Evaluation Specialist. Economist, social scientist or related educational background with at least seven years experience in international development and proven experience in conducting project and program evaluation of donor-funded private sector development projects and programs.

Professional command of French is required. William Witting, a consultant provided by the Weidemann Associates under the Business Growth Initiative (BGI) Project (Stephen Silcox, CTO) will serve in this position.

- (3) Local Evaluation Specialist. Economist, social scientist or related educational background with at least five years experience in private sector development projects and programs. Prior experience participating in donor-funded private sector projects or programs evaluation is highly desirable. Familiarity with textile-apparel and/or leather-footwear sector projects is highly desirable. Professional command of English and fluency in French are required.

5.0 Duration of Assignment

The services for the proposed assignment are required for approximately four weeks, beginning on/about October 15, 2007. Fieldwork is estimated to take about two weeks with the third week in Morocco spent preparing the draft assessment report and holding a debriefing on that draft report. Other workdays shall be spent reviewing background documents and preparing the final assessment report. The assignment, including all deliverables, is to be completed no later than December 31, 2007.

6.0 Location of Assignment

Fieldwork will be conducted in Rabat, Casablanca and possibly Tangier and Fez areas where NBO enterprise clients are located. A decision as to visits in the latter two locations will be determined through consultations with USAID/Morocco and NBO staff. The draft assessment report shall be prepared in Casablanca and a final debriefing shall be conducted in Casablanca or Rabat. The final assessment report shall be prepared in the home offices of the evaluation team.

7.0 Deliverables

Deliverables to be provided during the course of the Mid-Term Review assignment and before the contract ending date are:

- Discussion Paper with preliminary findings shall be submitted mid-way through the fieldwork, on/about October 22, 2007
- Draft Mid-Term Review report shall be submitted at least 24 hours prior to a final debriefing on the report to take place prior to the departure of the expatriate members of the evaluation team, on/about October 31, 2007
- Final Mid-Term Review report to be submitted within ten days after the receipt of the comments on the draft report, but by no later than December 31, 2007

8.0 Reporting

The assignment is to be carried out under the supervision of the USAID Officer, Ms. Fatine Bellamine. Overall supervision of the assignment will be provided by Mr. Jim

May, NBO CTO, and Economic Growth Chief Division at the USAID/Morocco Mission.

9.0 Special Provisions

1. Costs for Evaluation Team. EGAT/EG will cover the costs of the salaries and related items for Stephen Silcox and half of the total costs for the Evaluation Specialist under the BGI project. USAID/Morocco will pay the costs for travel from the USA for Stephen Silcox, as well as per diems and local travel and other related costs, through a Travel Authorization. USAID/Morocco will also pay for half of the total costs of the Evaluation Specialist through an OYB transfer to EGAT/EG to take place upon receipt of an invoice from Stephen Silcox, the CTO for the BGI project. The USAID/Morocco office will contract directly the Local Evaluation Specialist.
2. Logistical support. USAID and NBO will provide office space and local transportation within Morocco. The evaluation team shall be responsible for ensuring transportation to and from Morocco, and laptop computers. Printing and photocopying support will be provided by USAID and the NBO project. USAID/Morocco shall arrange for the translation of the final Mid-Term Review report into French.
3. Workdays ordered. A total of up to 40 workdays are estimated for this Mid-Term Review assignment. A six-day work/week is authorized during fieldwork.

Annex 2

DOCUMENTS REVIEWED BY ASSESSMENT TEAM

1. Nathan Associates/NBO Documents

- a. General
 - i Morocco NBO Task Order-092205
 - ii Initial Life-of-Program Work Plan, January 22, 2006
 - iii Maroc NBO: Aperçu du Programme (PowerPoint 30 May 2006)
 - iv (proposed) Life of Program Work Plan (Revised), June 8, 2006
 - v NBO Year 1 Annual Report (November 2006)
 - vi NBO Quarterly Report - 10 Jan 2007
 - vii NBO Newsletter #3 (January-March 2007)
 - viii NBO Quarterly Report - 10 April 2007
 - ix NBO Newsletter #4 (April-June 2007)
 - x NBO Quarterly Report - 10 July 2007
 - xi NBO Organization Chart (current and original)
 - xii B2B Linkage Table - All Sectors.xls
 - xiii Chart of Companies Receiving an NBO Marketing Tool Analysis Report
 - xiv Communication Kit
 - xv Section 5 (Recommendations) and Section 6 (Plan of Action) of US PAEx reports for various client companies
 - xvi NBO Indicators figures for 2005 and 2006 (including company-specific data)
- b. Apparel Sector
 - Offre Marocaine en Article de Textile-Habillement
 - May 2006 Morocco Textile and Apparel Manufacturing Sector Reconnaissance Report (John Thomas)
 - Apparel SIME Glenn Gordon Action Plan for October-December 2006
 - Magic Show - Draft Report (February 2007)
 - Morocco In Work 5-31-07 (Barbara Fowkes)
 - US Marketing Action Plan for Moroccan Apparel Manufacturers (Barbara Fowkes)
 - August 7, 2007 Report by Apparel SIME Barbara Fowkes on July Trip to Morocco
 - 10 Reasons to Manufacture in Morocco (Barbara Fowkes)
 - September 2, 2007 Report by Apparel SIME Barbara Fowkes to the Spring 2008 Magic Apparel Trade Show
 - Recommendations (Barbara Fowkes, October 14, 2007)
- c. Home Textile Sector
 - Profil de marché: Le marché du tissu d'ameublement aux Etats-Unis (5/2007)
 - US Market Summary for Furniture/Household Furnishings Fabric
 - Barbara Arlen August 2007 Trip Report and Recommendations

d. Leather Sector

- L'Industrie du Cuir: Un des Principaux Secteurs Manufacturiers Traditionnellement Ancrés au Maroc
- Follow-up Leather SIME Action Plan for 2nd Quarter 2006
- Follow-up SIME Reconnaissance-Outline Strategy and Action Plan (NBO QIII ending June 30, 2006) (Michael Redwood)
- The Leather goods market in the USA, report by Michael Redwood, January 2007
- SIME-Leather: Follow-Up Actions (March 30, 2007?)
- Secteur du cuir au Maroc : Plan de marketing et de promotion pour le marché américain (draft, April 10, 2007)
- Report on June 2007 Trip of Leather SIME David Tufts to Morocco
- Report of Visit to the World Shoes and Accessories Trade Fair, August 14, 2007
- NBO Morocco European Programme, report by Michael Redwood, Draft September 4, 2007

e. Automobile Parts Sector

- i SIME Trip Report – Automobile Sector (Hank Allessio, February 2006)
- ii Report of Visit to the Automotive Aftermarket Products Expo (AAPEX) Trade Fair, November 13, 2006

2. Other Documents

- a. CMPE: L'Industrie du textile et habillement
- b. American Chamber of Commerce in Morocco : FTA Strategy Council: Minutes of 6 September 2007 meeting
- c. US Cotton Board Report on Egypt Morocco and Turkey - July 2007
- d. Automotive Industry in Morocco: A Promising Expansion (AMICA)

3. Websites

- a. www.nbo-program.com
- b. www.mcinet.gov.ma
- c. www.movi-tex.com
- d. www.modaline.com
- e. www.amith.org.ma
- f. www.cmpe.org.ma/
- g. www.moroccousafta.com/index_ang.htm
- h. www.benson-shoes.com/ang/esprit.htm
- i. www.moroccoleather.org/companies.htm
- j. www.atretis.com
- k. www.fedic.org.ma
- l. www.petitpoussin.com
- m. www.sonic.ma

ANNEX 3

INTERVIEWS AND MEETINGS CONDUCTED BY THE ASSESSMENT TEAM

- New Business Opportunities (NBO) Project staff (multiple meetings, individually and in groups)
 - Chief of Party Jose Gonçalves
 - Director of Enterprise Assistance Michael Blakeley
 - Leather Sector Coordinator Alaedine Tidjani
 - Marketing Specialist Younes Hamdi
 - NBO Services Coordinator Rostom Harous
 - Apparel and Handbags SIME Barbara Fowkes (by phone to New York)
 - Leather Footwear SIME David Tufts (by phone to Massachusetts)
 - Leather Footwear SIME Michael Redwood (by phone to England)
 - Automobile Parts SIME Henry P. Alessio (by phone to New Hampshire)
- USAID/Morocco (multiple meetings, individually and in groups)
 - Mission Director Monica Stein-Olson
 - Assistant Director Ramona M. El Hamzaoui
 - Program Officer Miriam Onivogui
 - Economic Growth Director James N. May
 - EG Chief of Projects Jaouad Bahaji
 - EG Program Coordinator Fatine Bellamine
 - Former Project CTO, Jamal Dadi (now with MCC)
- U. S. Ambassador to Morocco Thomas Riley
- Government of Morocco
 - Agence Nationale pour la Promotion de la Petite et Moyenne Entreprise (ANPME) Directeur General Latifa Echihabi
 - Ministere de l'Industrie, du Commerce et des Nouvelles Technologies Chef de Division des Industries Textile et Cuir Lamyea EL Ismalili
 - Centre Marocain de Promotion des Exportations (CMPE) Textile-Leather Department Director Larbi Bourabaa

Business/Trade Associations

- Association Marocaine pour l'Industrie et le Commerce de l'Automobile (AMICA)
Director Mohamed Ouzif
- Association Marocaine des Industries du Textile et de L'Habillement (AMITH)
 - President Mohammed Tamer
 - Director-General Mohamed Tazi
 - US Market Development Coordinator Mehdi Mounir

- Fédération Marocaine des Industries de Cuir (FEDIC)
 - President Mohamed Amaiz
 - Director Dr. Rabii Mahboub

NBO Client Companies:

Apparel Sector

- BENJITEX President Jaouad Benjelloun
- BOGART S.A. President Mohammed Tamer
- FATEX – Johathan Benhamou
- IBOMA Director General Ghanem Auf
- ITEX Counselor Hassan Jamaï
- MORNATEX Project Manager Rimal Slaoui
- MOVITEX – Farid Bennis
- PPM – Commercial Director Rkia Aziz el Idrissi
- QUATRO – Mounia Ait El Harraj and Malika Bahbouhi
- SICOBEX Administrator Elie Attias and Commerical Attachee Najat Boukri
- WOVEN MOD/MODALINE GROUP – Yasmina Mouhtadi

Home Textiles

- ATRETIS – Director of Production Mohamed Hraichi
- MAVELTEX – Mohammed Sajid (by phone)
- MOCARY Director General Mehdi Tazi and Secretary General Abdelilah El Idrissi

Leather Sector

- BENSON SHOES – Mohamed Benamour
- COROC – General Manager/Owner Albert Azoulay
- NMC Director Mohammed Elbekkali
- ROMAIN – Didier Ferrali
- RONY’S – Administrative Team Leader Moulay Mybarek el Idrissi
- SELECT DIFFUSION Manager Mohamed Amaiz
- SONIC – Manager Yassine Berrada

Automobile Parts Sector

- NRF Gérant Gabriel Navarra; Deputy Director General Abdelali M’Nouny, and Technical Director Mohamed Fouad Bouhlal

Other USAID Projects

- Integrated Agriculture and Agribusiness Project (Chemonics)
 - Director Mario Kerby
 - Deputy Director Elizabeth Ellis
- Improving the Business Climate in Morocco Project (DAI) – Chief of Party Lara Goldmark
- Morocco Fast Track Trade Project (IESC) - Lida Fitts (in Washington, DC)

Annex 4a

NBO CLIENT COMPANY SURVEY

Company name:

Person completing this survey; position:

High Medium Low

How valuable is US-Morocco FTA for your company's development? ____

How strong is your interest in US market? ____

How optimistic are you about expanding sales into the US? ____

How big a problem for your company is working in English?

Very significant _____

Somewhat difficult _____

Not at all _____

How big a problem for your company is meeting US regulatory requirements?

Very significant _____

Somewhat difficult _____

Not at all _____

How big a problem for your company is meeting US buyer demands?

Very significant _____

Somewhat difficult _____

Not at all _____

How important is it to have an agent in the United States identifying and developing sales opportunities?

Very important _____

Somewhat important _____

Not at all important _____

Please explain if you feel any of the problems mentioned above are important. What other challenges does your company face in penetrating the US market?

Which NBO services have you used? Which ones have you found most valuable? Least valuable?

Has NBO developed a US market development strategy for your company?

Yes _____ No _____

How useful is it?

Very useful _____

Somewhat useful _____

Not at all useful _____

Please explain?

Have you worked with the NBO SIME in your sector?

Yes _____ No _____

What comments do you have about the SIME?

Have you taken any actions or investments within your company in the past year to enable you to expand sales to the US? Yes _____ No _____

Please describe any actions you have taken.

Are you planning to take any other actions or make any investments this next year?

Yes _____ No _____

Please describe.

What comments do you have about your working relationship with NBO and the services it is providing you? What could NBO do to improve its service to you over the next two years?

Thank you for your cooperation in taking this survey.

Annex 4b

ENQUETE DESTINEE AUX ENTREPRISES CLIENTES DE NBO

1. Raison sociale de l'entreprise:

2. Personne chargée de remplir le questionnaire ; poste au sein de l'entreprise :

élevé moyen bas

3. Comment évaluez-vous l'impact de l'accord de libre-échange entre les Etats-Unis et le Maroc sur le développement de votre entreprise ?

4. Quel est l'intérêt que votre société porte au marché américain ?

5. Etes-vous optimiste quant à l'accroissement de vos ventes aux Etats-Unis ?

6. Travailler en langue anglaise :

a. est un problème substantiel _____

b. est quelque peu difficile _____

c. ne présente aucun problème du tout _____

7. A vos yeux, le fait de répondre aux exigences réglementaires américaine

a. Est un problème substantiel _____

b. est quelque peu difficile _____

c. ne présente aucun problème du tout _____

8. A vos yeux, répondre aux exigences des acheteurs américains

a. Est un problème substantiel _____

b. est quelque peu difficile _____

c. ne présente aucun problème du tout _____

9. D'après vous, le fait d'avoir un agent aux Etats-Unis qui vous aide à identifier et à développer vos possibilités de vente

a. est très important _____

b. assez important _____

c. pas important du tout _____

10. Veuillez donner davantage de précisions si vous estimez que l'un des problèmes susmentionnés est important. Quels sont les autres défis auxquels votre entreprise est confrontée dans ses efforts de pénétrer le marché américain ?

11. Quels sont les services NBO que vous avez utilisé ? Quels sont ceux qui vous ont semblé les plus appréciables ? Les moins utiles ?

12. Le programme NBO a-t-il élaboré une stratégie de développement du marché américain pour votre entreprise ?

Oui _____ Non _____

13. A-t-elle été utile ?

- a. Très utile _____
- b. Assez utile _____
- c. Pas du tout utile _____

Veuillez préciser.

14. Avez-vous déjà travaillé avec le SIME – NBO dans votre secteur d'activité ?

Oui _____ Non _____

Avez-vous des commentaires à apporter sur le SIME ?

15. Avez-vous entrepris des initiatives ou effectué des investissements au sein de votre entreprise l'année dernière afin de renforcer vos capacités d'accroissement des ventes aux Etats-Unis ? Oui _____ Non _____

Veillez décrire toute initiative entreprise.

16. Prévoyez-vous d'autres initiatives ou investissements l'année prochaine ?
Oui _____ Non _____

Veillez préciser.

17. Quels commentaires souhaiteriez-vous faire sur votre relation de travail avec le NBO et les services que ce programme vous propose ? Que pourrait faire NBO pour améliorer ses services au cours des deux prochaines années ?

Merci d'avoir participé à cette enquête.

Annex 5

QUESTIONNAIRE FOR SIMEs

(The telephone interview should commence with an explanation that we are conducting a Mid-Term Review of the New Business Opportunities project in Morocco. The purpose of the review is to determine strengths and weaknesses of the project and suggest potential ways to improve project performance in the remaining two years of the project.)

1. How long have you been working as a SIME for the NBO project?
2. Please list your responsibilities as a SIME.
3. What have been your primary activities?
4. What do you view as your accomplishments and contributions to the objectives of NBO?
5. Based on your experience so far as a SIME, what do you see as the strengths of the NBO approach to promoting Moroccan exports?
6. What in your view are the winning competitive advantages of Moroccan firms in your sector in developing sales into the US market?
7. What are the weaknesses that NBO can help overcome?
8. Are there weaknesses that are inherent and that NBO cannot hope to overcome?
9. On balance, how do you rate the potential of Moroccan producers in your sector as a group to increase their exports to the United States?
10. In the best case, with NBO support, what percentage increase of exports to the U.S. (from where they were when you began work as a SIME) could they achieve by the end of 2009?
11. How much of that increase could they be expected to achieve without NBO support? Why?
12. Are there other sectors where you think NBO could achieve equal or greater success? Please explain.
13. Is there more NBO could/should do at the US end of the sales chain?
14. What is your assessment of the prospects for trying to expand supply chains to the U.S. running through Europe (Moroccans exporting to European companies that have or are developing exports to the United States)?
15. To your knowledge, to what extent has NBO established contact with and sought input from Moroccan firms that already export successfully to the United States? In your opinion, could NBO achieve substantial impact from piggybacking on their value chain linkages and/or helping strengthen those sectors?
16. Have you had any setbacks or failures in your work with the NBO project? If so, please describe.
17. Do you see other weaknesses or areas for improvement in the NBO effort? If so, please describe.

Annex 6

S. Silcox & Bill Witting
16 October 2007

ISSUES TO BE COVERED IN THE NBO MID-TERM REVIEW

1. Provide a summary of the NBO program as it is currently operating. What are the key elements of the current NBO approach to promoting Moroccan exports to the United States? Has this changed since the start of the project? Why or why not? What were the expectations of the results and timing of same at the beginning of the project and now?
2. How does NBO engage with the Moroccan Government and its export promotion agencies?
3. What is NBO's current selection of target sectors and how is it serving each? Should other sectors be considered?
4. How does NBO engage with the sectoral trade associations? What is it doing to strengthen them in promoting exports – both to the U.S. and to other markets?
5. Beyond working with and through trade associations, how does NBO engage with Moroccan companies? How does NBO select companies to work with? How many? Do the companies expect to have to adjust their operations and/or marketing to reach the U. S. market? What range of services does NBO offer them? Are there changes planned for the remainder of the project?
6. How does NBO work in the United States to identify trade opportunities for and support Moroccan companies in pursuing them? How might these efforts be improved?
7. What is NBO staffing and resource allocation for performing these functions? Is it adequate to achieve the results sought?
8. What is the formula for company success in exporting to the U. S. observed to date? Which companies have achieved success and what has been their approach? Has employment in their companies increased as a result of these exports? Have they exported directly to the U. S. or through a subcontract to another company?
9. What are NBO's current performance indicators and targets? What progress has it made so far in meeting them? Is NBO capturing the actual results of the project? Should the indicators and/or targets be adjusted for the rest of the project?

10. What are the views of the different NBO stakeholders with regard to the strengths and weaknesses in the NBO project implementation?
11. What role is envisioned for the business associations in regard to the sustainability of project services to be available to the NBO clients and other Moroccan firms interested in exporting to the U. S. when the project is completed? Is the envisioned role for the associations in terms of the sustainability of these services realistic? What has been the experience to date in terms of associations supporting NBO recruited sector experts as a source of information on U. S. markets?
12. What are the external factors (e.g., market conditions, foreign exchange factors, macro-economic policies, key competitors in other countries in the targeted sectors, etc.) that impact on the potential success and NBO's client companies?
13. What is the role of foreign and domestic investment in this process?
14. Provide recommendations for an integrated set of actions – or, where appropriate, options for actions -- to optimize NBO performance during the remainder of the project.

**NBO MOROCCO
MID-TERM ASSESSMENT
DISCUSSION PAPER – PRELIMINARY FINDINGS**

I. Methodology

The NBO Assessment Team has three weeks in Morocco to complete its work. It is using the first two weeks for research and the last week for preparing its conclusions and recommendations. The research phase includes the following major activities:

- Phone interviews with the 3 currently active SIMEs plus a leather industry expert in England who has been advising NBO.
- Extensive review of NBO and other reports, documents, websites, etc.
- Continuous consultation with NBO management.
- Individual interviews with NBO staff members.
- Multiple consultations with USAID.
- Interviews with government: MICMAN, ANPME, and CMPE.
- Interviews with the 3 target sector trade associations, AMITH, FEDIC, and AMICA.
- Interviews with approximately one-third of NBO client companies (24), focusing primarily on the more active ones, but including a substantial number of less-active ones as well.
- Interviews with other relevant USAID project implementers.

II. Preliminary Findings

- A. Engagement with Moroccan Government & its export promotion agencies
- CMPE values its collaboration with NBO. It sees performance of SIMEs in producing sales as very important in shaping the general perception of NBO's success.
- B. Sectoral focus
- The textile sector shows promise of benefitting from effective NBO efforts to build exports to the US. There is a core of a half-dozen companies that are export-ready, already have some experience with the US market, and are committed to investing in expanding their penetration and who therefore can be expected to conclude deals through NBO's efforts. NBO's other 30+ textile company clients are less likely to complete export sales during the life of the project, but a substantial number value the training NBO is providing in preparing them to export to the US over the long term.

- Leather companies are smaller and the challenge for NBO is therefore larger. This sector has potential for export to the US but requires a different approach from the textile sector. NBO has not yet achieved noteworthy success in this sector.
- Auto parts [to be completed on Monday]

C. Engagement with sectoral trade associations

- AMITH sees increasing interaction between Moroccan companies and US buyers – through SIME-generated sales contacts, through trade missions, etc. - as central to overall NBO success. NBO's institutional strengthening support and training for companies in seminars, etc. are also important.
- Espaces USA (in AMITH and FEDIC): Although there has apparently been some effort made, the Espace USA in AMITH does not yet exist as a physical resource center. There has been even less progress within FEDIC. Neither association seems to manifest strong interest in creation of the Espaces USA. NBO should not persist with developing them without such interest.

D. Selection and engagement with companies

- Initial selection of client firms was not based entirely on objective, “export-readiness” criteria. NBO needs to review its current client portfolio and revise assistance levels to produce best results. NBO should divide its clients into graduated levels of export potential and tailor its services to the different grades. Greater assistance should be provided to those firms who are making the greatest effort and have made themselves export ready.
- NBO client enterprises have not found the US PAEx (Export Plan of Action) Reports that NBO produced for each of them terribly valuable. NBO should consider discontinuing producing them.
- Buyer alerts from SIMEs are valued by textile companies, not so much by leather companies.
- Training workshops and seminars provided by NBO have overall been found useful by companies. More would be welcomed.
- The leather companies do not yet feel well served by NBO. If NBO is going to continue to work in the leather sector, it needs to make them feel better served.

E. Work at the US end of the supply chain

- Initial selection of SIMEs was not viewed as good by Moroccan stakeholders, but the situation has improved. In particular, after only six months working for NBO, the apparel SIME, Barbara Fowkes, has established good communications with the most committed apparel companies and they express preliminary enthusiasm for her efforts on their behalf.
- Direct communication between SIMEs and Moroccan companies (keeping NBO in the loop) is desirable to give companies a sense of direct benefit from NBO.

- If NBO could afford it, an increase in the number of SIMEs (for example, a West Coast apparel SIME, a home textile SIME, a SIME in leather specialized in women's/children's footwear?) would be appreciated by companies.

F. NBO staffing and resource allocation

- NBO team overall is professional but lacks in cohesion and has been hurt by extensive turnover. Consideration of any further changes in structure or focus should weigh carefully the cost in terms of further time expended before concrete results can be obtained.
- The NBO website contains some useful information for client companies, but it is hard to find. NBO should consider tailoring its website more to the needs of the client companies.

G. Company success so far in exporting to the US and employment generation

- Actual exports to the US attributable to NBO facilitation are apparently negligible so far.
- There is, however, agreement among SIMEs and companies that developing sales to the US takes more than a year and hence that lack of sales so far should not be deemed evidence of failure. There should, however, be sales in the coming year.

H. NBO success so far in meeting performance targets

- Performance benchmarks in initial T.O. were overly ambitious. SIMEs confirm that developing sales to the US is a multi-year project.
- The NBO Task Order needs amending to reflect the large budget cut and confirm new, scaled-back priorities and objectives.

I. Sustainability of NBO impact and systems

- NBO success in development of Morocco-US company acquaintance and sales relationships provides an element of sustainability.
- It is desirable that NBO also focus on creating sustainable export development infrastructure.
- The trade associations are the appropriate focus for such effort. Stimulating them to invest in US representation is probably the most valuable area for effort.

J. Key external factors affecting NBO success

- The fall of the dollar vis-à-vis the euro has had a large negative effect on Moroccan potential competitiveness and hence interest in the US market, but there remain a good number of companies in all 3 sectors still interested in pursuing it.

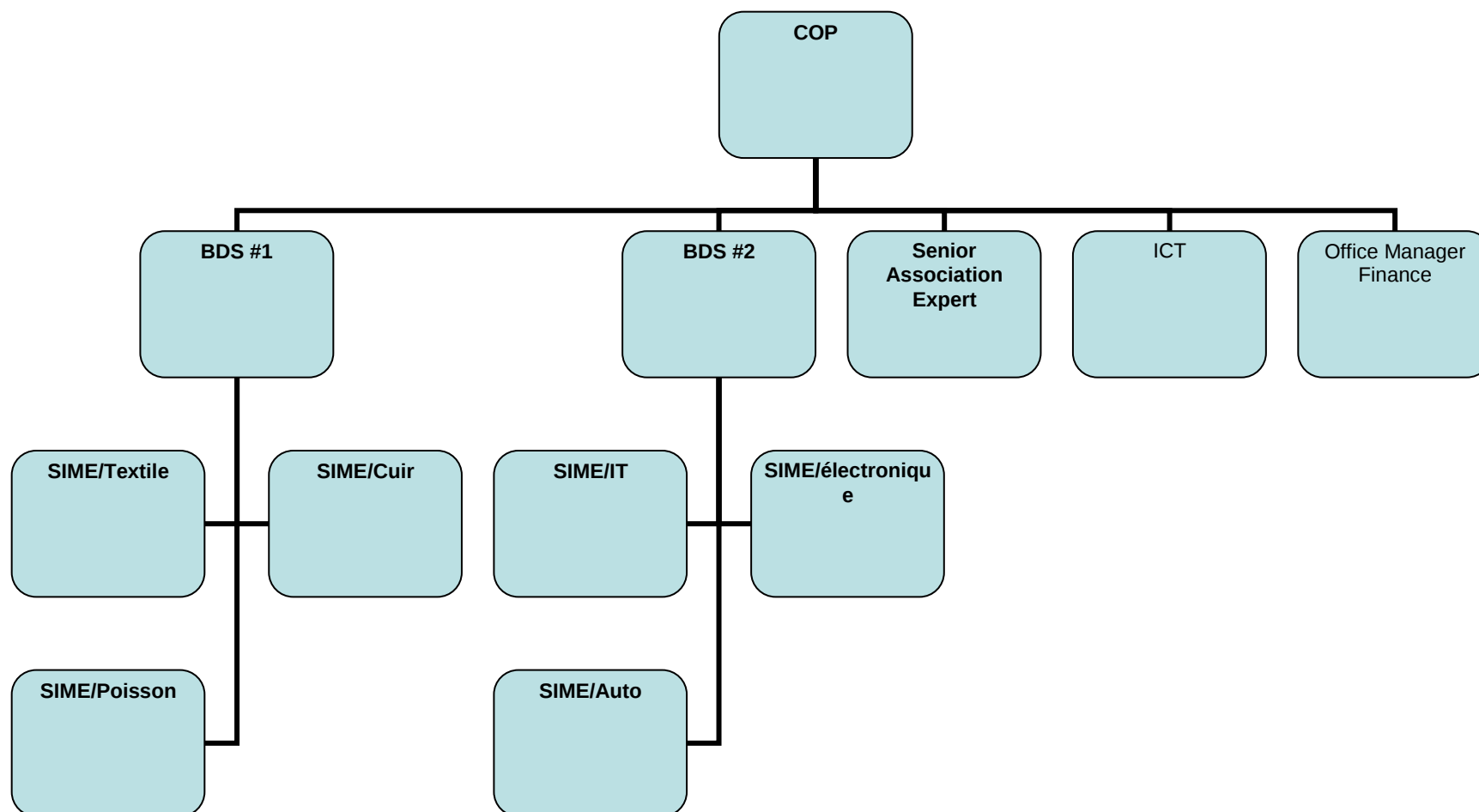
K. Role of foreign and domestic investment

III. Issues Requiring Further Investigation

- NBO relations with MICMAN, ANPME.
- Up-to-date data on NBO results relative to performance indicators.
- Has NBO developed summary (e.g., in matrix form) information about its client companies and their use of NBO services? How useful is it as a management tool?
- How were performance benchmarks in original task order developed? What does that suggest for revision of benchmarks? What should be the new performance benchmarks for NBO?
- To what extent does/should employment creation remain an objective?
- In conjunction with the current transition to a new COP, would reorganization of some sort help to improve NBO performance? Is there room for streamlining and increasing efficiency?
- Appropriate working relationship between Apparel SIME & new Textile Coordinator.
- What became of textile buying expert Lisa Livingston?
- Company valuation of marketing tool analysis reports provided by Younes Hamdi. Should NBO give priority to preparing them for all its client companies?
- How can NBO serve the leather sector better? Would it be helpful to have someone with professional experience in the US leather footwear and/or home textile sectors work for some period of time in Morocco training companies?
- Selection of target sectors: More study required. We do not have time to study other sectors. Shifting to other sectors at this point would be time-consuming.
- Have sub-contractors contributed to NBO? How? Or why not?
- US textile firms Fruit of the Loom, Blue Star, and International Underwear apparently have production in Morocco. Fruit of the Loom is reportedly investing another \$160 million in new production. Has NBO consulted these companies regarding lessons for Moroccan textile producers or other collaboration? Should it?
- What collaboration has taken place between the US Chamber of Commerce in Morocco and NBO? There is no link to NBO on the Chamber's website. Should NBO link to the Chamber's work on the FTA?

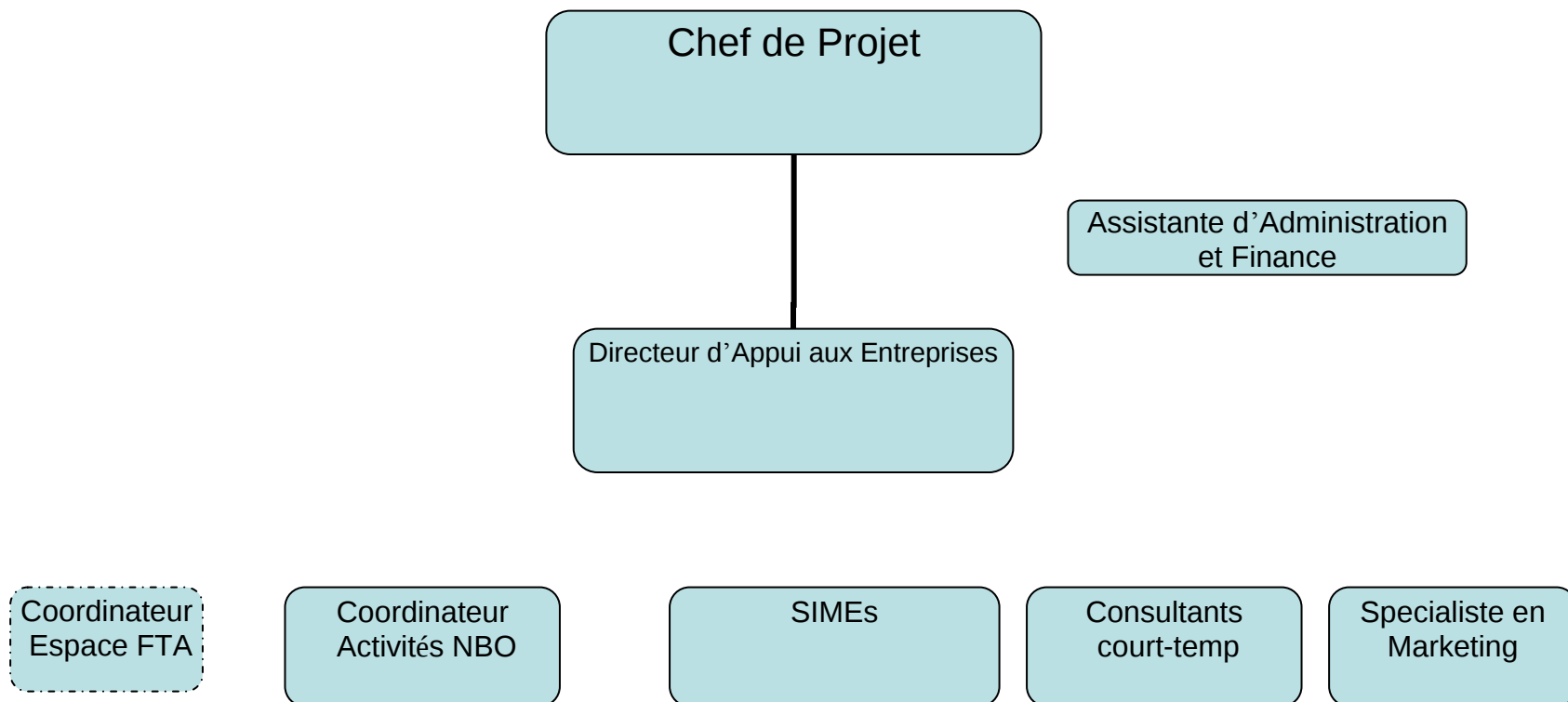
Annex 8

Original NBO Organigram



Annex 9

Current NBO Organigram



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