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ENTREPRENEURSHIP PROMOTION ORGANISATIONS:
SUMMARY ANALYSIS



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MOROCCO ECONOMIC COMPETITIVENESS

ENTREPRENEURSHIP PROMOTION ORGANISATIONS: SUMMARY ANALYSIS

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By DAI

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ORIENTATION & FOCUS

This strategic note is intended to provide an orientation on potential choices in entrepreneurship support and promotion, to develop programmatically within the constraints of time and budget left in the Morocco Economic Competitiveness Program, given the program has roughly 20 months to achieve impact. It is not a comprehensive study of either Entrepreneurship Promotion in Morocco or globally. Rather, this note examines actions that have near-term potential for real impact on entrepreneurship in Morocco and actionable within resource and time constraints.

The focus here is on potential actions that can support what is often termed in the literature on entrepreneurship, “High Potential Impact Entrepreneurship” or more simply, “High Impact Entrepreneurs” or alternatively “Growth Entrepreneurs.” This is contrasted with “survival” or “necessity” entrepreneurship, referring to entrepreneurs obliged by circumstance rather than positive choice to take on the risks of starting and running a business, and “lifestyle entrepreneurship” referring to entrepreneurs whose choice was proactive but whose principal objective is the maintenance of a lifestyle, not growing an SME and creating significant new employment. High Impact Entrepreneur is taken to mean an entrepreneur with a vision and potential to create highly competitive, innovative companies that have a chance of having substantial direct and/or indirect impact on a number of levels: employment, economic competitiveness, and innovation culture. Innovative in this context does not mean technology, but rather applies broadly to new (to Morocco) approaches, whether in terms of technology (new or re-interpreted to the local context) or in terms of management (organization of management or management and structuring of logistics, etc.). In keeping with the Moroccan government’s implicit policy approach, innovation thus means innovation relative to local management, production or service organization.

This range of entrepreneur does imply a certain age subset, both South African, Asian and Latin American literature suggest that the majority of innovative / dynamic / high potential entrepreneurs fall in an age range of roughly 30 to 45, and that their capacity to succeed very much depends on an exposure to professional networks and industry experience.¹ This is an implicit refutation of an entrepreneurship policy or program as disguised low-cost jobs programs (self-employment for the sake of self-employment), particularly for the nebulous youth category.

The potential High Impact Entrepreneur excludes the aforementioned “lifestyle entrepreneurs” (*entrepreneurs not seeking growth and economic competitiveness, but to create a comfortable lifestyle*), generally non-innovative entrepreneurs, as well as low-value add “necessity entrepreneurs” (in development literature, often termed “micro entrepreneurs”). These forms of entrepreneurship are entirely valid, but experience suggests that overall impact return is limited and require substantial resources and time.² It is also the case that empirical economic literature suggests that the net new

¹ Masahiko Ishida Masahiko Komori, Japan Economic Research Institute, Development Bank of Japan and Hugo Kantis, Instituto de Industria, Universidad Nacional de General Sarmient, “Entrepreneurship in Emerging Economies: The Creation and Development of New Firms in Latin America and East Asia” Inter-American Development Bank, March 2002, p. 11; “The State of Entrepreneurship in South Africa: White Paper; Deliberations & Key Findings” Mount Nelson Hotel, 17 November 2010 (<https://www.fnb.co.za/downloads/commercial/State-of-Entrepreneurship-in-South-Africa.pdf>).

² For example, Henrik Schaumburg-Müller, Søren Jespersen and Tilde Lawgiving, CBDS Working Paper Series Working Paper Nr. 12/2010 The Entrepreneurship Development in Africa, 6 – 8 September 2010, observed regarding *Entrepreneurship and economic growth*. “*There is a great entrepreneurship enthusiasm in African countries but there is little solid evidence that entrepreneurship promotes economic growth in Sub-Saharan Africa and many other developing countries. A main reason is that many do not become entrepreneurs by choice or because they take advantage of an opportunity but out of necessity because they cannot find wage employment and do not have any other source of income. They are forced to start a business and become self-employed. Others may have preferences and opportunities of going into politics or the public sector, become rent seekers or go abroad. Entrepreneurship programs may therefore often attract more people in environments where the wage employment opportunities are limited, but the downside can be that the sustainability of the entrepreneurial enterprise will then be low because there will be many necessity rather than opportunity entrepreneurs.*” (Emphasis added) This observation is not an indictment of entrepreneurship impact, but rather inappropriate expectations based on poor definitional clarity. Typically Entrepreneurship is sold on the basis of High Impact Entrepreneurship, but programming may not in fact have that clarity.

Also similarly, “The State of Entrepreneurship in South Africa: White Paper; Deliberations & Key Findings” Mount Nelson Hotel, 17 November 2010, in overall observations and findings observed funding policy and approach problems due to

job creation, economic growth and economic competitiveness impact attributed to SMEs is really the result of a subset of SMEs, essentially the spearhead top “ten percent” of new, competitive SMEs, and not SMEs in general, generate real net new jobs. For example, the Global Entrepreneurship Monitor found high impact or growth-oriented entrepreneurs, although representing (c. 2007) around 2% of a broad definition of entrepreneurs, created nearly 50% of new jobs in their specific country / region, and that 90% of net new jobs are created by less than 25% of nascent or new entrepreneurs. The same report highlights a source of confusion in terminology, noting that higher income countries have lower rates of reported entrepreneurship than low income countries, but their entrepreneurship is more focused on high growth / high expectation entrepreneurship. The same report notes that African continent and South America are the two world regions with entrepreneurship that is the most skewed towards low expectation, low impact ‘survival’ or ‘necessity’ entrepreneurship that has the least economic and job creation impact.

In the case of limited resources and time, this argues that a concentration on high impact entrepreneurs is highly advisable and justifiable for USAID.³

attitudes coming “...from a confusion South Africans have about the meaning of entrepreneurship; **many put micro-enterprise and high-growth entrepreneurship in the same bucket.** Funding Micro Enterprises requires providing small amounts of cash, while funding high-growth ventures is based on the future value of that venture. **In most other parts of the world, especially in America, entrepreneurship is a word that depicts purely high-growth enterprises.**” (Emphasis added).

³ Erikko Autio. “Global Report on High-Growth Entrepreneurship” Global Entrepreneurship Monitor, 2007, p. 5 (<http://www.gemconsortium.org/document.aspx?id=606>), this report also observes “The analysis presented in this [report] provides further empirical evidence supporting the importance of high growth entrepreneurship for job creation. Nearly 50% of all nascent and new firms do not expect to create any jobs within five years’ time. Only some 6% of all new firms reach the size of 20 or more employees, and entrepreneurial firms expecting 20 or more jobs are responsible for some 70% of total expected job creation by entrepreneurial firms. The importance of these observations for the makers of national entrepreneurship policies can hardly be overstated. ... At the basic level, [it] suggest[s] an important difference between quantity and quality in entrepreneurship policy. Increasing numbers of entrepreneurship does not necessarily mean that growth will follow automatically. It may well be that policies aimed at raising overall levels of entrepreneurship produce even counterproductive results for high-growth entrepreneurship. There is increasing empirical evidence to suggest that the relationship between “numbers-oriented” entrepreneurship policies and subsequent job creation in the economy is not automatic and may, in some situations, even be negative (Mueller et al., 2007; Van Stel et al., 2004). Depending on context, more entrepreneurs may sometimes mean fewer jobs. In a recent policy study undertaken by participants of the GEM consortium, several potential areas of conflict between generic entrepreneurship policies and high-growth entrepreneurship policies were highlighted.” (p. 38-39); also see the 2011 report, Rhett Morris, “2011 High-Impact Entrepreneurship Global Report” Global Entrepreneurship Monitor, 2010 (<http://www.gemconsortium.org/> as its author is from Endeavor, which is one of the subjects of this note. It is nevertheless interesting further evaluation across both developed and developing markets. [document.aspx?id=1173](http://www.gemconsortium.org/document.aspx?id=1173)). This shorter report was not drawn on directly.

ADDRESSABLE STRUCTURAL NEEDS IN ENTREPRENEURSHIP

It is fair to observe that to date, no standout entrepreneurship promotion effort has emerged in Morocco. Specific promotion of entrepreneurship is admittedly young, but a number of efforts have been launched over the past ten years. There has been considerable national and international development confusion of the various types and meanings of entrepreneurs (efforts that would seem to be best destined to seeking High Impact instead focus on Survival, etc.), which seems to have resulted in considerable lack of policy and applied programmatic clarity and thus impact. In entrepreneurship promotion in Morocco, while there has been a multiplication (and perhaps duplication) of efforts by both national actors and by international development agencies, American, European and Multilateral, there is to date very little practical operational coordination, nor clearly successful models. On the contrary, the networks in place seem to suffer from significant loss of momentum after launch. It is not clear why, although none so far appear to have had significant long-term engagement by an entity with a clearly successful model from Emerging Markets, most have been copied from European (in particular French) models. Limiting any evaluation, there does not appear to have been an effective survey of the various entrepreneurship promotion programs (or entrepreneurship) nor an evaluation (never mind rigorous evaluation) of them.

With respect to the targeted entrepreneurs (High Potential Impact) and their needs, several questions present themselves. First, are there enough entrepreneurs in the target category on a national basis to make it worthwhile to address them? Second, what forms of assistance do they need? Third, what forms of assistance could USAID support given program limitations in terms of resources and time left in program?

POTENTIAL HIGH IMPACT ENTREPRENEURS, SUFFICIENCY

This question is the most difficult to answer concretely, given the aforementioned lack of any kind of real, rigorous evaluation of either entrepreneurship promotion efforts (whatever entrepreneur group is targeted) or entrepreneurship typology in Morocco.⁴ Owing to this limitation, one is restricted to anecdotal support and indirect observation.

For a relatively objective indirect assessment, one can observe the emergence of a venture investment community in Morocco, and the ability of funds to place capital with entrepreneurs that meet the targeted definition. The record to date, which was presented by this author in a recent report (2010) to USAID on opportunities in venture capital for the MEC program, suggests that there is a real potential pool. The ability of a good number of purely venture funds to invest and raise 2nd and 3rd generation funds (over the period from 1998 to present) suggests that there is a real pool. This author surveyed fund managers regarding issues for the aforementioned report, focusing on VCs investing in early stage firms and/or smaller firms (SMEs).⁵ The survey found that the better quality fund managers (about half the total population of fund managers) felt that there is an emerging pool of entrepreneurs (that is they feel they can invest current funds, but are worried that growth of funds available may outpace growth of quality entrepreneurs / SMEs). Nevertheless, they universally felt that more work is needed to develop that pool of entrepreneurs to widen the number of potential High Impact Entrepreneurs, and address the clear weaknesses observed. This will be touched on below in relation to entrepreneur needs.

Overall, local VC fund managers as diverse as Khalil Azzouzi, Director General of Fonds Dayyam (seed capital); Ali Bassit of MITC Fund (seed capital); Karim Benjelloun, Director General of Viveris Maroc (venture capital, and USAID BIC study tour participant); Brahim El Jai, Morocco Director General of Maghreb regional leader MarocInvest (Venture and Private Equity, Tuninvest Group) have all been able to invest real capital successfully into early stage firms. In the case of Viveris and MarocInvest, both are working actively on venture capital funds that will either dedicate all (Viveris) or an important percentage (20% of ~€70 million fund) to start-ups / early stage firms out of the belief that there is enough quality entrepreneurship to fund. These are experienced, intelligent investment capital operators voting with their pockets on the potential.

Further, it is worth noting that one of the potential program partners to be discussed below, Endeavor, has been evaluating Morocco since 2005 and having done since 2009 three scoping trips to evaluate current entrepreneurship potential. Their evaluation and reason for direct interest in Morocco is the feeling that there is a good pool of potential high impact entrepreneurs, to quote Endeavor “a resounding yes” relative to high impact entrepreneur potential. This is of interest given Endeavor’s global reputation and track-record.

⁴ The only entrepreneurship survey data covering Morocco this author is aware of is the Global Entrepreneurship Monitor report for MENA (see e.g. <http://www.gemconsortium.org/download/1325177456764/GEM%20MENA%202009%20-%20ENGLISH.pdf>). Although this survey found high levels of entrepreneurial interest, as the GEM consortium partner highlighted in their presentation at a recent OECD MENA SME Working group meeting, the data suffers from a poor distinction between necessity and non-necessity entrepreneurship due to survey limitations. (Op cite from conference discussion; See OECD MENA Working Group 2 on SME Policy, Entrepreneurship and Human Capital Development Meeting, “Beyond the Crisis: Policies to Support Young Enterprises” in Tunis, October 2010, (Dr. Lois Stevenson, Visiting Research Fellow, International Development Research Centre, Middle East/North Africa Regional Office: <http://www.oecd.org/dataoecd/8/23/44935658.pdf>).

⁵ The vast majority of local managers invest in smaller firms, although less so in earlier stage firms.

However, it is worth noting from this author's BIC Study Tour technical report⁶, the Moroccan delegates, from a wide range of sources – University, Government, private sector and venture capital – universally characterized as “weak” and “nascent” the culture of innovative, risk-taking entrepreneurship. As noted in that report, a broad focus for Innovative Entrepreneurship (not only High Tech focus), as “the broad approach that the local venture investors” adopt, whose “analysis has been that there is not yet enough innovative entrepreneurs in any given [industry] segment to specialize). It is also advisable to avoid narrow geographic focus, for the same reasons.”

Unfortunately, for infrastructure reasons and also network effect reasons, the economic pole of Casablanca-Rabat is dominant. Nevertheless, with the expanding national super-highway network, the situation is improving in the regions, and there is potential to address entrepreneur awareness issues with local partners for longer term development. For example, the emerging local VC association plans to do a national road-show in the regions to promote awareness and understanding of venture financing among firm owners, management and new entrepreneurs. This new engagement on the part of the VC community to build and promote entrepreneurship outside of Casablanca- Rabat is an interesting resource to tap and potentially support. This parallel effort, which may be worth supporting from the USAID point of view, as they are working to generate accessing capital and financing educational materials for entrepreneurs, including a “success stories” media campaign, provides some comfort regarding the potential to source High Impact Potential Entrepreneurs and generate success stories.

⁶ William C. Fellows “Research Triangle Innovation Study Tour: Technical Trip Report”, Contract Number: EEM-I-00-07-00009-00: Task Order Number: EEM-I-07-07-00009.

ENTREPRENEUR NEEDS, OBSERVED

Here again, the lack of specific surveys – let alone a rigorous evaluation of the subject matter – somewhat hampers a Morocco-specific comment. International lessons in entrepreneurship promotion (again noting the emphasis taken in this note as to the specific meaning of entrepreneurship) are useful, but should be taken with caution. In this context, emerging markets lessons are particularly valuable

First, relative to global needs typically provision is made along the following broad lines (excluding here global environment reforms):

- Business or industrial skills training/education;
- Business incubation support (incubator/accelerator spaces) sponsorship
- Peer driven coaching and mentoring;
- Firm marketing support;
- Business networking;
- Creation / development of joint ventures or technology accessing or franchising with international entities;
- Firm or micro-economic support to private sector business development services; and
- Access to financial services support.

Generally these can take the form of

- General information provision
- Access to general counseling / mentoring
- Market development orientation (general programming)
- Targeted technical assistance (TA) (more in-depth or intensive technical mentoring and consultancy)
 - Mentoring by peers on ongoing basis
 - Consultancy to solve specific issues, support
- Management training
- Access to finance assistance (might be part of TA or counseling / mentoring or might be specific intervention).

Second, to place these in context, relative to observations on entrepreneurs in the Maghreb from experienced venture investment operators, Moroccan entrepreneurs tend to be either solo operators or have weak or narrow (in terms of experience and business depth) teams, tend to have weaker than desirable networks – most particularly outside of Morocco. They generally have an underdeveloped technical business skill set and a very underdeveloped understanding of international markets⁷ with an attendant lack of sophistication as to how to develop market strategy (by-product development, strategic marketing or similar skills) internationally. There are real reasons for these issues, importantly including fundamental market limitations that new entrepreneurs of any profile find challenging to overcome. They also generally have a very limited effective sense of how to communicate with potential investors, and a limited knowledge of how to approach financing sources. These issues largely tie back to the limited networks (ex-family) and structural limitations to their exposure (unless they have expatriate experience or connections) to international models and experiences.

⁷ The lack of effective appreciation of international markets has the limited exception of immediate traditional markets like France, Spain or Italy, which itself becomes a hindrance as they tend not to effectively appreciate the specificities of these markets relative to other markets like the Americas or Asia.

These issues are neither particularly surprising nor unique to Morocco. They are not limited to emerging markets.⁸ However, among the key binding constraints in overcoming these issues is the overall supporting ecosystem as well as specific supporting mechanisms. The recent USAID-sponsored study tour examining issues relative to promoting innovation and entrepreneurship highlighted some key lessons from the history of a region that developed an entrepreneurial culture from more or less zero (over, it must be emphasized, a forty-year time frame, and with significant outside capital). Among the most applicable, the need for very market centered (even where there is government sponsorship) and private actor driven efforts (with significant practical direction from the latter), and the importance of peer-to-peer (experienced entrepreneur to new entrepreneur) learning in a focused, practical framework. This corresponds with the general literature on entrepreneurship of this nature.⁹

Further, it is worth noting that in Morocco the overall business environment relative to this type of entrepreneurship and in particular relative to start-ups, remains far from conducive. At the market level, the ecosystem – service providers – remains poorly developed and fragmented even in the economic capitals. There remains a limited effective support system for the targeted class of entrepreneurs (with subsidized / developmental resources being lost in trying to achieve scale without focus or clarity on model or effectiveness – trying to run before crawling in short).

Additionally, the legal and regulatory environments are fairly restrictive and make it more difficult to have entrepreneurs and capital providers, particularly Angel and Venture type capital providers on the same page given the risk profiles, lack of sophistication and tools available, and the cultural reluctance to open up to outside shareholders. As an example, the SARL is the preferred legal form for entrepreneurs, although it is considered essentially non-investible by outsiders owing to its lack of ability to respond to governance needs, while the S.A. is considered by entrepreneurs and investors as a rigid, expensive and generally heavy vehicle – with the key problems arising around flexibility in arranging control rights.¹⁰ Other examples abound, such as the limitations on raising non-traditional debt (venture debt) for start-ups or lack of clear and easy means to issue share options, a typical means of compensating staff in high-risk endeavors, highlighting the environmental limitations. These are not trivial issues, but in fact are key long-term binding constraints that need addressing and merit USAID consideration for future programming cycles.

⁸ However, the limitation as to understanding and being able to develop an understanding of international markets in markets with applied capital controls is specific to them – as this is a clear barrier to new exporters, new entrepreneurs and non-elites prospecting markets insofar as accessing sufficient foreign exchange to prospect markets becomes an added barrier beyond just having sufficient funds. This evidently negatively impacts start-ups more, and particularly start-ups coming from already disadvantaged backgrounds (either by sponsors or by being non-traditional firms).

⁹ See for example, Fred Ahwireng Obeng and Associates, Witwatersrand University, “Entrepreneurship Skills Development and Business Support Needs of Potential and Existing Young Entrepreneurs” The Umsobomvu Youth Fund June 2002, p. 25: “*the UK, the US, Australia, The Netherlands, Finland, Ireland and Taiwan have all launched mentoring programmes that link experienced entrepreneurs and business leaders with newcomer entrepreneurs. This is consistent with research suggesting entrepreneurs’ preference for peer learning. Experience from these initiatives has shown that whatever the expertise of professionals and entrepreneur mentors, it is always advisable to put them through mentor orientation programmes.*”

¹⁰ Ironically, Morocco’s primary legal model, France, recognized these limitations and interpreted the Delaware LLC model (which has become the international reference) into Civil Code to create a vehicle which allowing entrepreneurs and outside investors or non-managing partners to better ‘slice and dice’ on a specific, bespoke basis, firm rights and control. This was partially adopted in Morocco, but with modifications that have rendered the vehicle largely unused in practice, in contrast to France where the original law has become a dominant vehicle in start-ups that aspire to venture type financing in France.

It is useful to cite the observation of a South Africa analysis to barriers to youth entrepreneurship, Fred Ahwireng Obeng and Associates, Witwatersrand University, “Entrepreneurship Skills Development And Business Support Needs Of Potential And Existing Young Entrepreneurs” The Umsobomvu Youth Fund June 2002, p. 21 “*Cross-country studies suggest a negative correlation between extensive regulatory barriers and firm entry, measured by the number of procedures required, the time it takes to comply and the cost involved (Djankov et al.:2000). Stricter regulation of entry is associated with lower profitability of firms or lower quality of products.*”

CONTEXT FOR SELECTING POTENTIAL INTERVENTIONS THAT SUPPORT ENTREPRENEURS

In evaluating the potential choices for intervention, it is worth highlighting some key observations from the general literature – that match quite well the critiques of experiences of entrepreneurship (in the sense of this note) operators in Morocco: First, that research suggests that entrepreneurs in this note’s sense prefer and do better from peer learning – that is organized and sustained learning from mentors or peer advisors.¹¹ Evaluations from emerging markets also highlight that the “greatest need for entrepreneurs is skill in “spotting and taking market opportunities”, which itself is a function of “networks and industry knowledge,” that is both derived from professional and wider social networks. This ties into the utility of having well-targeted mentoring for both industry / business knowledge and for building market networks. It is worth quoting from a South Africa evaluation of entrepreneur issues that while focused on the professional services industry, is equally true more broadly: *“The old adage around supporting the “jockey and not the horse” rings true with regard to mentoring entrepreneurs. Entrepreneurs are central to the success or failure of their business – internal and external mentorship to the entrepreneur guarantees the business a higher chance of survival. There are many ‘grey hairs’ – retiring or retired executives with a wealth of experience that would make the most suitable mentors. Entrepreneurs often have a limited understanding of the risks they are exposed to within the professional services industry. Such entrepreneurs would benefit from forums where they can gain insight from seasoned executives, who are looking to plough back their experience and skills.”*

Beyond this, the lack of developed support ecosystems (business services accessible by SMEs / entrepreneurs) is also critical, as well as lack of well-developed business skills. The former may require significant resources and longer time frames to address (although this author did suggest a targeted program in association with the VC association as an attempt to overcome the screening and adverse selection problem frequently encountered in stand-alone TA-to-firms/sectors programs). It may also require an engagement on the regulatory and related environment as some of the reasons that SMEs or entrepreneurs are not accessing may be more driven by the overall environment than industry for firm specifics.

The mentoring citations all highlight a key issue for both entrepreneurs and building a culture of entrepreneurship: success breeds success, learning from successful peers generates more successful imitation and innovation off of past imitations. However, as past Moroccan experiences in promoting entrepreneurship (in the broad sense) demonstrate that if there is not effective support in a sense of plugging the nascent entrepreneur into a wide network – national but imperatively international – it will not be sustainable.

¹¹ Fred Ahwireng Obeng and Associates, Witwatersrand University, “Entrepreneurship Skills Development And Business Support Needs Of Potential And Existing Young Entrepreneurs” The Umsobomvu Youth Fund June 2002, p. 25

PROGRAMMATIC SUGGESTIONS IN ENTREPRENEURSHIP

Within the relatively limited time left in the MEC Program areas that could be considered (depending on availability of funds, one or more in parallel could be adopted) include a number of practical choices. Depending on the level of funding available, and the desired impact or result level, more than one could be selected and pursued in parallel in a portfolio approach. It may also be productive to think of some efforts as stage setting for the next program season, on the assumption that entrepreneurship is highly likely to remain a USG focus over the foreseeable policy cycle:

I. Technical support to one or more existing entrepreneurship focused networks, such as by providing outside advisors to diagnose their weaknesses and help correct errors, and build improved engagement. Although theoretically attractive, it is not clear how viable such an approach could be as there is not clear current demand (i.e. buy-in and desire to reform and change what has impeded past development) from any given party. Nor is it clear why past efforts in entrepreneurship promotion have not taken off. Impressionistically, and tentatively, there appears to have been a lack of adaptation of models (largely Franco-European) to the specifics of an emerging market generally or the Moroccan market specifically. There is rather more clearly a confusion of focus in many efforts, with programs not clearly and rigorously distinguishing types of entrepreneur, e.g. Growth / High Potential, or load expectations of Growth / High Potential entrepreneurship on survival / necessity entrepreneurship. As rigor in this area has been identified by many entrepreneurship actors as essential for long-term success, this is a key problem.

The clear risk in this approach is that a focused assessment would have to be done, taking up to some months spent on assessing if there are viable partners, selecting a viable partner and building an effective program with that partner. Currently available information is not encouraging overall relative to 'plug and go' capacity and chances of producing reportable successes in program lifespan.

Within this area, illustratively, broad and currently active programs that would reasonably touch on the entrepreneur focus proposed include (in a non-comprehensive listing):

Injaz, which already has US government support. However, Injaz focuses on high-school students, and while a successful program, even with an expansion to college / university students that this author understood was planned, the focus would be quite limiting. Further, as noted above, university student entrepreneurs are not an optimal choice in the Moroccan environment (indeed as a core impact driven choice, highly unrealistic even in a US environment). Injaz expansion to Universities however could be an interesting development if Injaz decided to pursue (at time of writing it appeared this was not clear).

Centre des Jeunes Diregeants (CJD), which has a real operational track record, although it is neither specifically focused on entrepreneurship development specifically, nor the type of development focused programming discussed here. However, they have an interesting program in "Transition" (general transition) that while not per se entrepreneurship, is a worthy policy and program area relative to Moroccan economic competitiveness. It also does boast a relatively wide network and has a serious membership base.

Reseau Maroc Entreprendre, based on the French Reseau Entreprendre model, began well c. 2005, but post 2007 seems to have petered out. Its original manager, Hicham SMAD left circa late 2010 and his replacement, Mr. Mehdi BOUZIANE, was apparently only active in early to mid-2011 before leaving, being replaced recently by Ms. Meryem ZOUHRI, who responded to this author's attempts to contact Mr. BOUZIANE just prior to end of year holidays (end December). Prior to Ms. ZOUHRI, contacts by the author to RME went unanswered. The author will be following up with new director and will explore their current focus and potential.

Atlas Business Angels, an aspirational Angel Network it has not appeared to attain overall traction since foundation. Despite close relations with the organization, it is difficult to evaluate real performance since foundation in 2008. Impressionistically relatively little classic “angel investor” activity has occurred, but it could have potential. It is certainly key to involve the organization in any USAID supported efforts in developing the targeted entrepreneurship and given US government (NAPEO) interest in angel type financing, intelligent and focused technical assistance may have a potential to take the organization to a more sustainable and impactful level.

Other choices include the various university networks, such as REEM (Casablanca), and entrepreneurship efforts by entities like AFEM. These programs have not appeared to be particularly well focused (suffering, impressionistically, from the aforementioned confusion of meanings of entrepreneur with the attendant dispersion of effort and resources in low-chance of impact and success projects) or are fairly narrow, which raises risk.

Programming to address these entities might include an activity that would be a CED (or similar entity) visit and setting up a technical exchange and support program. An issue in this area is the probable lead time, as with 20 months, it is hard to envision an effective technical assistance program in upgrading capacity, given a start-from-scratch situation.

2. Support to entry of an emerging markets proven entrepreneurship program. The rationale for this choice is three-fold. First, a program that has proven its ability to adapt or is specifically successfully proven in emerging markets presents an interesting potential to have a double effect of having direct real impact and providing a demonstration effect to help pull current languishing models towards a more impactful approach. It is also useful to have more successful entrepreneurship stories that are properly communicated, to help support policy changes and further improvement in the environment. To cite several potential choices to invite or engage with:

Endeavor has invested its own resources in intensively scoping /evaluating Morocco since 2005, when this author had initial contact with them, and since 2010 has determined based on their tracking of developments that Morocco has the proper potential for a sustainable Endeavor program. Their criteria are close to USAID’s desired criteria as to sustainability and Endeavor’s strong evaluation record and brand investment in countries where they launch operations (as their effort is long run and self-funded¹²) provides a degree of comfort.

In general, the potential for Endeavor to enter into the market appears to be good. However, unsurprisingly it is not risk free. It seems clear that Endeavor would probably not be open to USAID or other DFI type sponsoring – which they generally avoid – if it were not for the challenges presented by the Moroccan market, particularly for the entry of “Anglo Saxon” actors. On the positive side of the equation, Endeavor has a long experience in the field, and is frequently cited as among the most successful models, if not the most successful, for promoting entrepreneurship in emerging markets. There are, as yet, relatively few competitors. The successful track record in markets with similar hurdles, Latin American in particular, but also Turkey, South Africa, Jordan, etc. does suggest an ability to mitigate risk and successfully implement. Current entrepreneurship efforts in Morocco seem to suffer from significant loss of momentum. It is not clear why, although none so far appear to have had significant long-term engagement by an entity with clear success in Emerging Markets.

Regarding results for USAID / MEC, it would seem on its face a legitimate result to have a successful international model (particularly emerging markets proven) in entrepreneurship come to Morocco for both its direct effect and the probable demonstration effect. If one metric of success is operational launch in 2012 and some first reportable activities by end 2012 / early 2013, there seems to be a decent opportunity here. From a USAID image point of view, bringing a renowned entrepreneurship promotion organization with a proven track record – and one also engaged in supporting the wider State Department GEP and NAPEO initiatives would appear to have utility. Further, from an impact perspective, given that no Moroccan entrepreneurship promotion organization so far in existence seems to be working particularly well, it could be argued that a

¹² The Endeavor model is to have a self-funded, non-development aid driven operation. In a few instances, such as South Africa, they have drawn on DFI funding for their start-up or seed-financing phase (pre-operations), which is the case of the proposition relative to Endeavor.

“demonstration” effect of what effective practice looks like would have utility and could produce copy-cat efforts, inducing improvement.

Launching within MEC program lifespan would appear to be realistically feasible. The typical launch in a country takes 12 to 18 months, although this timing includes in part some scoping (which has already been done in Morocco) and in part fund-raising to identify the funding for the start-up.

Mowgli and Silatech are two potential actors in this area that are looking at Morocco. In the former case, this is an organization out of the UK, although it works via a donor-funded model and does not establish, in general, permanent presence in host countries. Although focused on providing mentoring to high potential entrepreneurs, in a fashion similar to Endeavor, it rather works in partnership with a local organization as its host, and focuses on providing a mix of local and international mentors, with the core value proposition being intensive orientations to the local mentors (and new international mentors), and a pro-active match-making model between entrepreneurs and mentors. There is an insistence on ‘high potential’ entrepreneurs (i.e. the target type of entrepreneur recommended here), but there is a wider range of entrepreneurial stages than Endeavor typically undertakes.

Further, as an update to an interim memorandum submitted in early December 2011, Mowgli has recently begun developing ideas for presenting a program to the United Kingdom’s Arab Partnership Fund for seed funding for a program in both Tunisia and Morocco, as well as Egypt – where they may also approach USAID in that context. Although the model is younger and less intensive than the Endeavor model, they appear to have a decent early track-record in the Middle East, and have a proven resource base. The Mowgli model focuses developing via training and orientation mostly local mentorship to entrepreneurs, supplemented by international entrepreneurs, with the same hypothesis that entrepreneurs learn best and most profitably from successful peers, both in terms of skills and in expanding their business networks.

In the case of Silatech, there is an active desire to come to Morocco and implement a Business Development Services (BDS) program supporting high potential entrepreneurs. They also have active conversations with both Endeavor and Mowgli for partnerships in the region. Conceptually much of what Silatech desires to establish, in creating a legally independent BDS entity in-country focused on high-potential entrepreneurs / SMEs, partnered with VC type investor, strongly resembles this author’s proposal in the VC report regarding TA windows (pre and post investment support to entrepreneurs). Silatech, however, is a new entity and the SME and BDS efforts are still in a start-up phase. This presents the evident execution risk and model risk, although they are mitigating this in partnering with proven organizations in seeking synergies as well, such as with Endeavor. This author’s conflict of interest precludes further comment, although the option is raised as there is a positive potential that should not be precluded as such.

3. Alternative forms of entrepreneur support, such as the VC Association education efforts in re entrepreneurs and how to access financing. Although somewhat limited, the mentioned proposition has the advantage of being a currently live effort and having active development, and as well as partner that has worked with US TA before (FSVC), and would be low cost. Among the options in this case would be to support development of entrepreneur education materials, including multi-media based around actual success stories (a current project of the local VC association) and possible re-adopt support to the national venture capital caravan, as part of a wider strategy in entrepreneur education.

4. Adopting the NAPEO / MEPI efforts in entrepreneurship promotion, as a variety of entrepreneurship promotion efforts currently exist either in a Moroccan format or in a Maghreb format. However, to date they have been fairly superficial and low-impact, perhaps in part due to limited funding that would appear to be too limited to support effective programming.

Although NAPEO has a local board, the NAPEO program has not overall appeared to be well rooted or strategic. It is not evident that there is programmatic planning behind the otherwise events-driven activities and entrepreneur coaching activities have not had a permanent or strategic aspect, but have been essentially tied to one-off business plan events. This has produced a degree of event-fatigue. However, it may be useful to explore the concept further officially. This author did not do so owing to the various sensitivities involved.

5. Sponsoring an entrepreneur in residence type structure for the remainder of the program charged with undertaking an in-depth survey of entrepreneurship organizations and efforts (neither this author nor Matt Meredith from working on the GEP effort could identify anything coherent and up-to-date) and building a clearinghouse of information (website), as well as working to build an entrepreneur mentoring network. For the former concept, which is a suggestion of Matt Meredith, a ready-made long-term partner and sustainer of the clearinghouse would naturally be the VC association, which is building (has built but not launched) a website for itself, but also having a significant section on entrepreneurship, success stories and other material. This project is now about two years behind schedule, mostly due to lack of band-width as the VC association is only staffed by one part-time professional.

There is a painful lack of coherent information on entrepreneurship promotion in Morocco and no signs of real coordination among any parties. There is a strong argument, given a complete deficit in information to address this so that the next round of efforts – USAID, EIB, AFD, etc. can benefit from a coherent, unbiased analysis of the state of play, the actors and other programs.

There could be a vision to eventually position the Entrepreneur in Residence concept as something that a private foundation could pick up along the lines of Blackstone Foundation effort with CED (see RTP Study Tour report).

6. Sponsoring a seed capital funding effort, using the MEC Grant Mechanism as grant capital to be managed by qualified venture financing groups to be invested on an equity or quasi equity (quasi-debt) basis (under their brand, rather than as a USAID grant).

This program, the suggestion of Andrew Watson could have very interesting potential, particularly if coupled with one or more parallel efforts (Endeavor, Entrepreneur in Residence, etc). However, rather than partnering with a Bank – as banks do not know how to look at early stage entrepreneurs, it is not their business – but rather one of the qualified venture managers.

Without having undertaken a substantive analysis, there are at least four qualified choices that are interested and capable of working in this area (and have the track record and bona fides to qualify with USAID): **Fonds Dayyam, MCT Fund (Technopark), Viveris Maghreb, MarocInvest.** There may be other choices (for example, the new Nebatou Fund, which is exclusively focused in agriculture and agri-business), but these four have track records (the latter two deeper) and have a clear fit.

7. Support development of in-depth, localized entrepreneur training curriculum for universities and graduate schools. Although as noted in the Innovation / BIC Study Tour report, a university based approach to entrepreneurship is not recommendable or realistic, there is an interesting potential to develop a localized Master's Program in entrepreneurship for either graduate (MBAs, advanced technical degrees like engineering, professional) or professional continuous education programs. There does not appear to be any rigorous, locally adapted entrepreneurship curriculum that is widely and practically available. Development of more hands on curriculum with real practical cases rooted in the Maghreb has clear value, given the lack of practical, and truly localized (with an emphasis on truly localized) entrepreneur training materials.

A truly localized program with a solid base of local entrepreneurial business case studies could present interesting value add to wider efforts, although the literature differs as to the impact of such efforts (the effect appears to be longer term and as such may be difficult to reconcile with current time frames and resources as the development of truly localized curriculum with substantive entrepreneurial business cases is time consuming).

CLOSING, CONTEXT

It is also worth repeating for this reflection, the observation from the Study Tour technical report that the *“the Moroccan delegates noted that they were impressed by the focus on market-oriented services and on developing entrepreneurs and programs that were either led by or heavily oriented by the private sector, which contrasted with the Moroccan experience.”* This was *“an area several representatives felt could be much better developed in Morocco.”* Another lesson of utility from that effort is the lesson that there needs to be a clarity of focus of innovation and entrepreneurship in Research Triangle, in contrast with the loose definitions used in the Development Community and by many (not all to be sure) Moroccan actors.

A further lesson of utility in this reflection is the importance of targeted network services, *“in particular targeted entrepreneurial services such as mentoring and specific managerial expertise.”* As noted in the study tour technical report, mentoring and managerial linkages on a professional (rather than family) basis are really the key weak points in the current market. There is a general lack of sustained professional networking around entrepreneurship to link up efforts in an effective manner. In the RTP region, this was a key focus on RTP regional entities: targeted quality networking. A consistent recommendation by the VC expert, which the VC Association is only just now picking up, was for there to be more VC sponsored or associated entrepreneurship focused networking and mentoring.

In considering the choices here, it is also useful to note *“the importance given in the RTP region to targeted (focus on high impact, innovative companies) very pragmatic, peer-to-peer (entrepreneur to entrepreneur) based support.”* Endeavor, Mowgli and Silatech fit well with this observation, and while it was recommended in the report to try to construct a CED type entity in partnership with CGEM, given the amount of time left in the MEC Program, the likely delays involved given current Moroccan politics, and that this would be very much a 100% green-field initiative, the Endeavor/Mowgli/Silatech option is actually better than that concept.

This author had suggested in the study tour report that it *“be wise to undertake a survey and inventory the various entrepreneurship / innovation support activities to understand why efforts like Reseau Maroc Entreprendre have not worked, as there seem to be a variety of disconnected efforts that are not gelling together in a consistent fashion.”* This is clearly a value-additive endeavor, although it would have to be part of a strategic effort (such as the entrepreneur in residence concept with a view to future programming).

