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# **Morocco New Business Opportunities Program**

## **Final Report**

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# Morocco New Business Opportunities Program

## Final Report

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# Executive Summary

Nathan Associates Inc. was awarded the contract for USAID's four-year Morocco New Business Opportunities (NBO) project on September 15, 2005. The purpose of the project was to develop business opportunities in the United States for Moroccan exporters in the context of a free trade agreement that became effective on January 1, 2006. Under the FTA, tariffs on a wide range of apparel and footwear are eliminated or phased out. Accordingly, the program made textiles and apparel and leather-footwear its priority sectors, working closely with the Moroccan Textiles and Apparel Industry Association (AMITH) and the Moroccan Federation of Leather Industries (FEDIC) on a demand-driven basis. The program also worked with auto parts manufacturers until it became clear that the Moroccan firms would not be able to meet the price, volume, and procurement requirements of the U.S. market. After the midterm project review recommended that NBO explore more promising sectors and analyzing U.S. market demand and the Moroccan offer, the NBO program also began working with exporters in the processed foods sector.

In the United States, four senior international market experts pursued opportunities for new business by providing business-to-business (B2B) services. Two apparel and two footwear experts helped Moroccan exporters market and sell products to U.S. buyers. One apparel expert focused on the U.S. West Coast and the other on the East Coast. Each footwear expert focused on a different market segment: men's shoes and women's and children's shoes. A business development specialist worked to establish market linkages between Moroccan processed food manufacturers and U.S. buyers. The experts, working mainly on a part-time basis under the supervision of NBO's management team in Casablanca, provided practical market intelligence and business advice to client firms. They visited Morocco periodically to implement activities in the work plan or when clients and partners requested their presence. In the last two years they also accompanied U.S. buyers—including representatives of major brands such as Ralph Lauren, Ann Taylor, Mothers Works, and William Sonoma—who wanted to view production conditions first hand and discuss business opportunities with Moroccan manufacturers.

NBO also provided technical training through seminars and workshops, coached exporters in preparing for and participating in trade shows, guided and supported image-building communication in trade media, facilitated relationships between Moroccan and U.S. trade organizations, and conducted studies. Publications are posted on the program website ([www.nbo-program.com](http://www.nbo-program.com)) and the USAID Development Experience Clearinghouse site ([www.dec.usaid.gov](http://www.dec.usaid.gov)). They are also available through partner organizations: AMITH, FEDIC, the Ministry of Industry, Commerce and New Technology (MICNT), and the National Agency for Small and Medium-sized Enterprises (ANPME).

## PROGRAM RESULTS

NBO was designed to contribute to USAID/Morocco’s strategic objective of “increased economic growth and job creation” and Intermediate Result 2, the “creation of new business opportunities outside agriculture and agribusiness.” The project exceeded most of its results targets. For example, export sales surpassed the life-of-program target of \$75 million by almost \$10 million; the number of enterprises with export sales to the United States exceeded the target of 65 by four; and the number of buyer meetings exceeded the target 15 fold. These included more than 600 face-to-face meetings, some at trade shows, and nearly 2,000 follow-up telephone conversations to plan technical packages (tech packs), sample requests, and test orders. Numbers of sample requests and test orders exceeded targets and the number of jobs created as reported by assisted firms was about 40 percent higher than the number projected. Targets for improving the quality of information on the U.S. market—as measured by NBO informative events—were met, but the target for perceived value of the information fell slightly below projected figures. This one shortfall may be attributable in part to initial overestimation of this indicator. Because most companies had been with the program since fiscal 2006 and had already been exposed to the U.S. market, additional information could not appreciably raise their awareness of market opportunities. Therefore, only companies that joined NBO later indicated having gained knowledge about the market. Table ES-1 summarizes the results of program-assisted companies.

Table ES-1  
*Results and Targets of Program-assisted Companies*

Indicators	Planned	Actual	Difference
1.1 Value of U.S. sales of NBO-assisted enterprises (US\$ million)	\$75.0	\$84.83	\$9.83
1.2 No. of enterprises with sales to the U.S. market	65	69	4
1.3.1 No. of senior international marketing expert meetings with U.S. buyers	150	2,522	2,372
1.3.2 No. of samples requested by U.S. buyers	75	445	370
1.3.3 No. of test orders received from U.S. buyers	30	42	12
1.4.1 No. of jobs created	3,300	4,637	1,337
1.4.2 No. of women’s jobs created	[2,700]	3,306	606
2.1 Quality of information on U.S. market improved	36	50	14
2.2 Value of services on U.S. market entry increased	126.25	115.38	-10.87

*Note* Meetings with senior international marketing experts includes face-to-face and phone meetings. LOP figures include more than 600 face-to face and nearly 2,000 follow up phone meetings.

In sum, results on indicators outside the control of the contractor (e.g., overall export sales and number of enterprises exporting to the United States) were moderate but surpassed targets where the contractor had more control (e.g., B2B activities in pursuit of sales). Companies reported nearly \$85 million in export sales during the life of the NBO program, and nearly \$2.5 million in firm orders are being processed as of this writing. Moreover, as the NBO program comes to an end, Moroccan exporters could still capitalize on more than \$60 million in U.S. business still on the table.<sup>1</sup>

<sup>1</sup> As reported in the NBO apparel and footwear buyer trackers. These leads will be passed on to Maroc Export and the trade associations for follow-up.

Over the life of NBO, senior international market experts brought many new business opportunities worth well over \$200 million to the attention of Moroccan manufacturers. Seven U.S.-based experts developed these opportunities through buyer alerts, tech pack dissemination, sample request, test orders, and commercial orders. Most opportunities, however, were not pursued because of a combination of general market adversity and the reluctance of manufacturers to sell products for less than they were accustomed to selling them for in Europe. Exporters were also averse to taking risks on the U.S. dollar, which was low for most of the NBO program, while the euro, the dominant currency in the Moroccan dirham exchange basket, was consistently high. Exporters, however, have been showing more interest in the U.S. market given the recent downturn in the European economy and the prospect of a rising U.S. dollar. Maroc Export and Moroccan trade associations could yet help members capitalize on export sales leads identified.

## **PROJECT IMPLEMENTATION**

Personnel and budgetary issues affected project implementation in the initial months. Implementation was delayed when USAID decided not to approve the use of third-country nationals. This setback was coupled with a budget cut of 45 percent that required a reconfiguration of the project. The NBO team deployed by Nathan Associates in May 2006 worked diligently to make up for lost time, such that all tasks required by the contract and presented in annual work plans were completed on time and at the expected quality and cost. Even tasks not in annual work plans that were added in the second half of the project—such as an automobile component study, a U.S. market comparative apparel export study, a full-package production assessment, and export guides for three sectors—were all completed successfully. Thus, the number of internal and external challenges had no lasting impact on project performance or results, as evidenced in part by USAID's midterm CPR and project midterm review, which gave NBO rather high marks for accomplishments and performance.

## **MIDTERM REVIEW**

Nathan Associates requested an independent midterm review, which was held in October 2007, for two reasons. First, internal and external forces had radically changed the project context, and second, expected export sales to the United States were lagging despite efforts to promote sales. The review assessed design assumptions, indicators, implementation tactics, preliminary results, and project implementation course and made recommendations: reviewers recommended a stronger and more streamlined and cost-effective approach to increasing export opportunities. It was also recommended that the number of expatriate staff be reduced from two to one, that a Moroccan be recruited for a second key position, and that NBO abandon work in the automobile sector for more promising sectors. This led to the choice of the processed foods sector, the third target sector for the rest of the project life. Review recommendations were incorporated into the life-of-project work plan and indicators were revised to reflect the project context.

## **PROGRAM SUSTAINABILITY**

The U.S. market remains of great interest to Moroccan decision makers. The main challenge in exporting more to the United States is persuading trade associations and manufacturers that development of opportunities in the U.S. market is a long-term proposition. The Moroccan product offer, for example, has already passed the quality test of U.S. buyers, as evidenced by the recent surge in buyer visits to Morocco to view production conditions as well as the

numerous buyer alerts and tech packs that NBO brought to the attention of Moroccan manufacturers. Buyer alerts and tech packs, however, go out to all competitors—and high quality, competitive prices, and social compliance are all preconditions for manufacturers supplying the U.S. market. Buyers now select suppliers on the basis of speed to market and trust-building communication. Firms interested in pursuing opportunities must develop a clear export strategy and communication program similar to those developed under NBO and commit people, time, and money to pursuing opportunities.

A study recently commissioned by the Moroccan Ministry of Foreign Trade recommends an export promotion strategy similar to NBO's and cites the United States as one of five target markets to be pursued. Speaking at a U.S.-Morocco FTA event,<sup>2</sup> the Minister of Foreign trade announced that the NBO approach should be extended to other market segments in the United State. Maroc Export, which is expected to implement the recommended strategy, spent the last year of NBO discussing how to follow up and follow through on program activities after NBO closed. Maroc Export is keen on maintaining the B2B momentum that the NBO team created between U.S. buyers and Moroccan firms in the three target sectors: after all, an estimated \$60 million in untapped potential with U.S. buyers is still on the table. Maroc Export has requested specific action plans and proposals from NBO's senior international market experts as a basis for its own operational strategy. That Maroc Export is choosing to continue pursuing opportunities in the U.S. market—taking an approach very similar to NBO's and using NBO's experts—indicates that the program is sustainable. Maroc Export is assessing its resource needs and costs for its 2010 annual budget; finding financial resources to continue work in the U.S. market remains a challenge.

## LESSONS AND RECOMMENDATIONS

We offer below lessons for USAID programming and recommendations for Moroccan institutions and private firms who stand to benefit from a new approach to doing business and the advantages afforded by the US-Morocco FTA.

The core lesson of NBO is this: *U.S. buyers appreciate the quality of Moroccan products and are willing to work with Moroccan manufacturers—if manufacturers meet the conditions of the U.S. market.* Buyers' frequent visits to factories during NBO indicate that the Moroccan product offer meets the quality requirements of U.S. buyers. Buyers are also willing to accept bids from Moroccan manufacturers, as evidenced by the numerous alerts and tech packs generated under NBO. And at NBO's Strategic Committee Meeting in March 2008, the director general of AMITH said "Moroccan exporters no longer fear nor are intimidated by the U.S. market." This is corroborated by program market experts who say that U.S. buyers no longer confuse Morocco and Monaco thanks to NBO's intense B2B work and image-building at trade shows and in the U.S. trade media. To capitalize on this progress, manufacturers' samples and commercial orders need to be of a consistently high quality; Maroc Export and trade associations should continue attracting buyers and supporting their visits; and image building must continue lest exporters' hard-earned visibility vanish from neglect. Most important, however, is that manufacturers meet conditions for quality, pricing, social compliance in production, speed-to-market, full-package production, and sound B2B communication and responsiveness. Claiming shelf space in U.S. retail shops means

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<sup>2</sup> Maximizing Trade with the United States under the Free Trade Agreement, Casablanca, June 9, 2009.

displacing products from existing suppliers and competing with new entrants *on terms set by buyers*.

***Moroccan apparel and footwear firms need to adapt to market trends in traditional as well as new markets.*** In adhering to traditional production methods and services, exporters are not only missing significant opportunities in the U.S. market but risk becoming obsolete in the traditional European markets as well. At the Maroc in Mode Show in Tangier in June 2009, French Fashion Institute experts declared that Morocco needs to “upgrade to full-package production and speak English”! The German and British markets now require full-package production almost exclusively, while markets in France, Italy, and Spain are increasingly doing so.

***To benefit from the FTA the apparel industry needs to upgrade to large-scale, full-package production.*** Morocco’s apparel industry would do well to study the experience of Jordan and Egypt in order to benefit from the FTA with the United States. These two countries have succeeded for two main reasons: large-scale, full-package production of high quality, low-cost apparel, and massive foreign direct investment that has provided both capital and marketing expertise. In Morocco these conditions prevail only with regard to denim and jeans products. The small producers who dominate Morocco’s apparel industry—much of it also informal—are not able to scale-up production without FDI. Possible sources include traditional partners in France, Spain, Italy, and even Turkey, and investors in Asia or nearby countries who have long experience in full-package production (e.g., joint ventures between Moroccan and Portuguese investors should be explored).

***Specialty foods manufacturers must adopt business models specific to the U.S. market.*** The business model of the U.S. specialty foods trade puts a heavier burden on foreign suppliers than most Moroccan companies are accustomed to. For example, products such as couscous and olives will be more desirable to U.S. buyers when they are branded, attractively labeled in English, and supported by well-designed marketing materials including English-language websites. Suppliers are expected to spend money to promote the brand regularly in trade journals and at trade shows. As with the apparel and footwear industries, U.S. buyers require manufacturers to go beyond simple production and selling at the factory door.

***Succeeding in the U.S. market requires long-term commitment and is not a matter of short-term transactions.*** Manufacturers in the NBO target sectors have been exporting to Europe for decades, but shifting to the U.S. market is not merely a matter of shifting product flow but of convincing buyers to take a risk on a new supply source. This understanding now informs the Maroc Export program and needs to be shared with trade associations and firms. Companies interested in U.S. market opportunities need a clear export strategy, similar to the U.S. export action plans and communications kits developed for NBO, and to commit people, time, and money to pursuing opportunities over the long term.

***Top-level strategies must include encouraging small businesses to upgrade to full-package production.*** Morocco’s leaders have shown the vision and taken concrete steps to raise the sector-level competitiveness necessary for entering global markets (e.g., Plan Emergence and the Maroc Export Plus). Most small and medium enterprises in the NBO program, however, live day to day and hence lack a longer term market development view. Maroc Export and trade associations should strive to show firms how developing products for new markets and upgrading production methods to full-package standards will, in the long-term, lead to new

business in new markets such as the U.S. AMITH and FEDIC should work with ANPME on programs for upgrading to full-package capability.

***Only firms offering full-package production services have a chance of succeeding in the U.S. market.*** The U.S. buyer seeks manufacturers providing full-package services and finished products. However, it is estimated that only about 30 percent of companies in the NBO program's priority sectors of apparel and footwear had this capability. To be cost-effective, programs similar to NBO should admit only U.S. market-ready firms that can meet program targets and act as models for less-capable firms. Firms with the potential to be market ready in the near to medium term would benefit from a full package upgrade program, perhaps developed with the support of a Moroccan organization such as ANPME.

***The NBO approach works.*** The approach to entering the U.S. market proposed by Nathan Associates has been proven during the life of NBO. That approach has five elements: B2B marketing, trade show participation, image building in the trade media, promoting U.S. buyer visits to Morocco, and offering technical seminars and workshops.

In sum, we recommend that the U.S. market entry model continue as it is today in its streamlined version, with institutions and firms making a concerted effort for near-term and long-term results. Firms are naturally more concerned with near-term results, so institutions such as Maroc Export should sustain a long-term vision and help trade associations encourage members to become more competitive by upgrading to full-package capability and acquiring international certification in the area of social compliance. With the right business model, Moroccan exporters in the NBO target sectors can succeed in the U.S. market, especially given the advantages of the U.S.–Morocco FTA. As the Minister of Foreign Trade said at the MEPI seminar on maximizing trade with the United States under the free trade agreement in June 2009, “The NBO approach should be extended to other sectors.”

# 1. Introduction

The Morocco New Business Opportunities (NBO) Program (SEGIR Economic Policy Contract No. PCE-I-00-00-00013-00) began September 15, 2005, and ended September 30, 2009. It 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). NBO aimed to help Moroccan exporting enterprises realize their economic potential and overcome the challenges created by the liberalization of Morocco's trading environment, particularly those resulting from entry into force of the U.S.–Morocco free trade agreement (FTA).

NBO sought to help exporting enterprises in non-agribusiness manufacturing sectors interested in the U.S. market expand their export activity and generate new jobs. The elimination and phase-out of tariffs through the FTA on a wide range of manufactured products in Morocco's textile-apparel and leather-footwear sectors made these sectors the two major beneficiaries of the program. The NBO program therefore supported Moroccan enterprises in these two sectors and worked with their professional associations, the Moroccan Textile and Garment Makers Association (AMITH) and the Moroccan Leather Industry Federation (FEDIC). It worked with these business support institutions and public agencies to enhance these organizations' responsiveness to the needs of export-oriented business expansion and job creation.

NBO was a demand-driven project that aimed to establish lasting business-to-business linkages between U.S. buyers and Moroccan manufacturers. In addition to business development activities, NBO provided technical training through seminars and workshops and coaching for participation in trade shows, guided and supported image-building communication in trade media, facilitated relationships between Moroccan and U.S. trade organizations, and conducted studies.

Chapter 2 of this report summarizes the implementation approach and challenges of the NBO program. Chapter 3 summarizes and analyzes the results of the program year by year. Chapter 4 highlights the achievements and successes of the program, and Chapter 5 presents the lessons learned and recommendations for the program.



## 2. Implementation

### APPROACH

***Demand-driven.*** NBO was a demand-side program that identified new product or market opportunities for Moroccan manufacturing exporters and helped the exporters meet the demand characteristics of the U.S. market in the particular product segments. NBO was not a supply-side capacity building program like others implemented in Morocco to help enterprises upgrade and modernize.

***U.S. Market-focused.*** The NBO program's links with U.S. markets were its major comparative advantage over other technical assistance programs in Morocco's private sector. NBO's only focus was to work with Moroccan exporting firms to compete in the markets for manufactured goods in the United States. Helping firms export to Europe and other markets was left to other programs.

***Transaction-oriented.*** NBO's orientation was commercial—to assist Moroccan firms in making U.S. export sales and building relationships with U.S. partners. Direct promotion of transactions (RM1 Business Development) accounted for the principal share of NBO activity. All NBO institution-building activities (RM2 Business Support Institutions) were also designed to facilitate commercial transactions.

***Selectivity by sector.*** In principle, NBO was open to working with any promising manufacturing sector outside agribusiness, but in practice, in view of advantages provided by the FTA, Morocco's *Plan Emergence* industrial policy, and its own resource limitations, NBO worked in two priority sectors, determined by USAID and Moroccan officials: textiles and apparel and leather and shoes. In addition to the two priority sectors, NBO also worked with a secondary sector—first the automobile spare parts sector, and then after the midterm review, the processed foods sector.

***Triage by firm readiness.*** Firm export readiness was emphasized in the provision of NBO program services. Not all firms that applied to the program possessed the same technical, financial, and managerial capacities to compete in the U.S. market, and in light of the time and resources required to become ready to compete in the U.S. market, NBO focused on enterprises that were highly motivated to succeed in the U.S. market.

***Use of market experts.*** Implementation of NBO's demand-driven U.S. market-oriented strategy relied on senior international marketing experts. These technical experts, based in the United States, were export business-to-business linkage facilitators. The marketing experts made periodic visits to Morocco and maintained regular, direct contact with U.S. buyers and Moroccan enterprises in designated market segments. They worked under the direction of the Casablanca-based team, which maintained daily contact by e-mail and telephone. They

provided practical U.S. market intelligence and business advice to client firms and opened doors to U.S. buyers to show the Moroccan product offer.

## SERVICES OFFER

NBO worked with two client bases: enterprises and trade associations. For enterprises, NBO provided services individually and in groups. Individual services included technical assistance and coaching while group services included seminars and workshops. Senior international marketing experts assisted firms in developing business-to-business linkages with potential U.S. buyers; coached firms in participating in trade shows and trade missions; provided market intelligence, marketing, and promotion technical assistance; conducted seminars and workshops; disseminated information on U.S. market opportunities through buyer alerts (see Accomplishments, p. 20), and a quarterly program newsletter. Besides providing programmed technical assistance, NBO also worked with companies to identify additional service offerings on a demand-driven basis.

For trade associations—mainly AMITH and FEDIC in the two priority sectors—NBO focused on capacity building and sustainability of U.S. market focus after the end of the program. Coordinators provided support to the textile-apparel and leather-footwear trade associations with respect to major service delivery, including marketing expert support, participation in trade shows and trade missions, seminars and workshops. Coordinators in the trade associations worked with NBO staff to ensure close collaboration and knowledge transfer. Trade associations were to have created physical and virtual spaces where firms could obtain market intelligence and find business opportunities in the United States — *Espace USA*—but physical locations, besides a desk for the coordinators, were never made available. The associations’ websites do provide links to U.S. market resources.<sup>3</sup>

## CLIENT FIRMS

A thorough process was developed at the beginning of the program to recruit and select enterprises to participate in the program. The program published announcements in July 2006 in the major newspapers (*L’Economiste*, *Le Matin*, and *La Vie Economique*), and advertised itself on the NBO website, through MICNT, ANPME, AMITH, FEDIC, CMPE, and AMICA, and at regional events held by the trade associations. Interested enterprises completed a specially designed questionnaire that was screened and processed by the NBO program. Firms were vetted by their respective trade association, and NBO senior international marketing experts verified firms’ production capability to meet U.S. buyer demands for quality, experience, and social compliance. The program Monitoring Committee made the final selection.

Not all firms possessed the technical, financial, and managerial capacities to compete in the U.S. market. In the first year 147 enterprises applied and 74 were chosen to take part. This was approximately 85 percent higher than the 40 companies the NBO team had expected to work with during the first year of the program.

After the midterm review, the program classified companies into three groups according to information collected by market experts and other NBO staff. Group 1 was made up of

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<sup>3</sup> [http://www.textile.ma/Amith/Fr/SitesWeb/NBO/Info+FTA.htm?wbc\\_purpose=Basic](http://www.textile.ma/Amith/Fr/SitesWeb/NBO/Info+FTA.htm?wbc_purpose=Basic) and <http://www.cuirmaroc.com/FEDIC/Fr/MenuHaut/EspaceUSA/>

capable and highly active and committed firms; Group 2 was made up of capable but moderately active enterprises; and Group 3 was made up of firms lacking capacity to export to the United States within the life of the project or that had capacity but did not demonstrate commitment to pursuing U.S. export opportunities.

There were annual recruitment campaigns during the first three years, but not in the last. Firms joined the program on an annual basis at first but in the final year an open enrollment was adopted on a very selective basis to replace firms that became less active or dropped out.

Given attrition and the change in target sector after the midterm review, NBO worked with 70 to 80 companies at any one time and ended the program with 74 active clients. Over half the firms were in the textile-apparel sector during most of the project. Leather and footwear accounted for almost one-third of client firms, and the remainder were either automobile parts manufacturers or processed foods producers, depending on the year.

## **EXPORT ACTION PLANS AND MOUs**

During Years 1 and 2 of the program the U.S. export action plan was the main tool for guiding client firms. NBO worked with firms on a one-to-one basis to develop the plans. The export action plan specified what the firm needed to do to enter and succeed in the U.S. market. It identified products in which the firm had in-depth production experience and a clear advantage and identified the appropriate target market segment. Each firm carried out an internal assessment of strength and weakness, including organization, staffing and resource needs required to enter the U.S. market. An export action plan was drafted on the basis of this assessment. NBO program staff discussed the draft action plan with the firm's managers to validate the accuracy of the information and the market entry strategy. Feedback was incorporated in a final plan establishing the NBO program's and the participating firm's responsibilities, and the plan was approved by the firm's management and NBO management.

By April 2007, 66 export action plans had been developed and signed by NBO client firms. Firms' implementation of the action plans was monitored regularly, normally during quarterly site visits. NBO management quickly realized that most firms were not implementing their action plans (e.g., not sending staff to business English courses, developing an English version of their website, or participating in trade fairs in the United States). When shortcomings were raised in review meetings, the firms' management inevitably said they had little time to address these matters but that as soon as order fulfillment pressure eased they would do so.

The midterm review team found "The export action plan is too long term to be successful as a roadmap for NBO interactions with most client firms," and "NBO should abandon the export action plan as a mandatory program tool."<sup>4</sup> NBO offered to firms entering the program the option of developing an in-depth U.S. export action plan or a memorandum of understanding (MOU), which did not require the extensive assessments and long development process of the export action plan. MOUs were a much simpler and focused only on the services agreed to by the firm and NBO. The simpler MOUs became the preferred mechanism for establishing NBO–firm commitment and relationship in the latter half of the program.

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<sup>4</sup> Mid-Term Review of the Morocco New Business Opportunities Project, USAID, November 2007, pp. 23 and 24

## MIDTERM REVIEW

The midterm review, conducted in October 2007 by USAID, had a strong impact on the NBO program. Nathan Associates requested the review by independent reviewers because results were lagging behind targets. It became apparent that project design assumptions, indicators, and implementation tactics may not have been adjusted appropriately when the scope of the project was reduced so greatly at project start-up. Preliminary results and the general course of project implementation needed to be independently assessed and corrections made in time to maximize project impact in the remaining time.

The midterm review called for a stronger, more streamlined approach. It recommended that the program reduce long-term expatriate staff from two to one, replacing the second position with a Moroccan national who would carry out field work, including marketing support to client enterprises. It also recommended that the program concentrate in the two priority sectors (textile-apparel and leather-footwear) and changing the secondary sector.

Reviewers also recommended categorizing the program client base into groups according to degree of commitment and participation and providing program services accordingly. Reviewers also recommended that NBO provide business-to-business linkage services to only the first two groups, especially the first group, while the third group should receive only training, information and communication services about the U.S. market and buyers' requirements.

The midterm review evaluators looked closely at project indicators and made recommendations for recalibration of some and replacement of others. Some indicators were revised downward to take into account the reduced size of the NBO program; others were eliminated because of their limited relevance to project goals and objectives. New indicators were introduced to measure project outputs resulting from the intense activities NBO directed at finding business opportunities and assisting Moroccan manufactures in their quest to export to the U.S. market.

More appropriate output indicators were recommended to measure contractor performance: number of senior international marketing expert meetings with buyers, number of product samples requested by buyers, and number of test orders received from U.S. buyers. With the exception of test orders, all the new indicators more accurately measure contractor performance than the previous outcome indicators. Additionally, indicators were revised to reflect the adverse economic and market conditions in which NBO operated. Such was the case, for example, in the reduction of expected export sales from \$175 million to \$75 million. Similarly, employment figures were revised downward, from 9,500 to 3,300.

## RESULTS INDICATORS

The original indicators were primarily of an outcome rather than output nature. Indicators, for example, such as export sales made by assisted companies, level of investment made by companies, number of jobs created, quality of information provided by trade associations to its members and, so on were all outcome indicators which the contractor had little control over. At best, project activities can contribute to the materialization of such indicators or might be considered as proxies to expected results. No causality can be inferred from export sales transactions, for example, when program staff put buyers and sellers in contact with one another but do not participate in negotiating orders. Hence, outcome indicators are a poor measure of contractor performance.

Table 2-1 summarizes the results targets established after the midterm review after approval by USAID and Moroccan counterparts. The work plan and budget were revised accordingly, and the task order was revised and the contract modified in the last quarter of USAID fiscal 2008.

Table 2-1  
Summary of NBO Indicators and Targets

Results Package and Indicator	Measured by	Results Targets				
		Y1	Y2	Y3	Y4	Total
<b>MODULE 1—BUSINESS DEVELOPMENT SALES AND BUSINESS OPPORTUNITIES EXPANDED AND JOBS INCREASED AMONG PARTICIPATING FIRMS</b>						
1.1 Value of sales to U.S. of NBO assisted enterprises (\$ million)	Annual export sales	5	20	25	25	75
1.2 No. of enterprises with sales to the U.S. market	No. of enterprises	8	18	20	19	65
1.3 No. of senior international marketing expert meetings with different U.S. buyers(in person or by phone)	No. of meetings	-	-	50	100	150
1.4 No. of samples requested by U.S. buyers <sup>a</sup>	No. of product samples	-	-	25	50	75
1.5 No. of test orders received from U.S. buyers <sup>a</sup>	No. of test orders	-	-	10	20	30
1.6 No. of jobs increased	No. of new jobs	285	755	950	950	3,300
1.7 No. of women's jobs increased <sup>b</sup>	No. of new jobs	155	625	755	755	2,700
<b>MODULE 2—BUSINESS SUPPORT INSTITUTIONS RESPONSIVENESS OF INSTITUTIONS IMPROVED</b>						
2.1 Quality of information on U.S. market improved	Change in quality <sup>c</sup>	6	10	10	10	36
2.2 Value of services on U.S. market entry increased	Index value <sup>d</sup>	100	130	135	140	--

<sup>a</sup>Not applicable in the first two years before the midterm review

<sup>b</sup> These figures are a subset of the total number of jobs increased.

<sup>c</sup> To be measured by the number of NBO-sponsored information dissemination events.

<sup>d</sup>To be measured by changes in an association's satisfaction index.

The expected results pertained only to firms and support organizations directly assisted by NBO, but the success of NBO clients was expected to provide replicable business and institutional support models for other Moroccan exporters to the U.S. market in particular and to new markets in general.

## UNEXPECTED EVENTS AND ADVERSE CIRCUMSTANCES

NBO was implemented in a challenging environment, both internally and externally. Some of the events that the program encountered had profound impacts on project implementation.

### Internal Events

After contract award, as key personnel were being deployed, the USAID regional contract officer (RCO) questioned the use of long-term, third-country nationals for key personnel as Nathan Associates had called for in its winning proposal to implement the NBO program. USAID required that Nathan Associates instead recruit U.S. or Moroccan long-term experts. But because of project requirements for sector and language expertise and because a budget cut (size unknown) was looming, finding American experts to fill these positions was virtually impossible. After two months of searching, a Moroccan specialist was identified, but

Moroccan counterparts did not approve this solution, arguing that the program required intimate knowledge of the U. S. market that Moroccan nationals did not possess. Almost four months after contract signing, the program was at an impasse.

In the meantime, in early March 2006, the reduction in the project budget ceiling was announced, and it was drastic: from \$14.7 million to \$8.0 million. The radical budget reduction, besides causing instability in the first five months of the program, required a profound scaling back of the program. In mid-May 2006 USAID approved the fielding of a senior Nathan staff as COP who helped redesign and reconfigure the program. The program and work plan were completely revised, and the number of sectors was cut from six to three, and indicators were revised accordingly. Staffing of four long-term expatriates was cut to two long-term expatriates and one local marketing specialist. The smaller, reconfigured NBO program was approved by USAID and the Monitoring Committee in mid-June and officially launched June 27, 2006.

A final factor internal to program workings that deserves mention is that the NBO program had four COPs in four years. Changes in COP, however, never had a negative impact on project implementation. None of the COPs was dismissed, and none left because of poor performance. Hand-over of responsibility from one COP to another was orderly and did not affect the momentum of program activities. Nathan Associates ensured that changes in COP were not disruptive by fielding strong personnel at all times. Three of four were permanent employees with significant project management experience. The second change in COP, necessitated because the second COP had to return to the United States because of terminal family health problems, had no negative impact on project implementation—not only because of the expertise that the third COP brought to the project, but also because the second former COP continued to serve as technical adviser and provide guidance to the program. Indeed, four months before the end of the program, when the third COP left NBO to launch a project for another firm, the second COP returned to Morocco to close out the NBO program.

After the lengthy delay in program launch, the core NBO team worked hard to make up for lost time and succeeded in surpassing first-year work plan indicator targets. NBO met or exceeded all but enterprise perceived value of services about the U.S. market (which were beyond NBO control). The USAID midterm CPR and the midterm review gave NBO program implementation rather high marks.

## **External Events**

The principal unexpected external factors faced were a (1) strong European market demand and strong euro, (2) depressed dollar/dirham exchange rate, and (3) challenges presented by the unique characteristics of the U.S. market in the target sectors.

European buyers, which typically pay up to 30 percent more at the factory door than U.S. buyers for similar products, kept demand for Moroccan products strong for most of the life of NBO. This strength of the European demand and offer made exporting to the United States less interesting for Moroccan manufacturers, despite the potential size of the U.S. market.

Furthermore, currency exchange rates favored Morocco's exports to Europe. When NBO started in October 2005, the exchange rate was 9.2 dirhams to the dollar. Declining steadily, the exchange rate reached a low in August 2008 of 7.2 dirhams to the dollar—a fall of almost 22 percent in less than three years. Today the dirham trades at about 8 to the dollar—still

some 13 percent below the 2005 level. With the appreciation of the euro during the same period and the dirham's close link to the euro, which is the principal currency in the dirham basket—not to mention the prime that Europeans pay for products—exporting to the U.S. market was less attractive for Moroccan manufacturers than exporting to the European market.

Finally, the inability of most Moroccan client companies to meet U.S. buyer requirements for full-package production posed a unique challenge and, in part, prevented them from taking advantage of the hundreds of millions of dollars in potential business that NBO brought to their attention. The study conducted by NBO during the final year of project implementation confirmed that only about 10 percent of client firms in the apparel sector had complete full-package capability, although 20 percent were aiming to develop such capacity but needed considerable work to reach this production level.

## MONITORING AND OVERSIGHT

***USAID Project Progress Meetings.*** Throughout the life of the project USAID and the NBO management team held regular meetings with the Economic Growth Team at USAID to discuss project progress. Although there was no fixed date for the meetings, they were held regularly, at least once a month. In the first year, meetings were held almost weekly to address all the challenges facing NBO. With the introduction of monthly reporting, the frequency of meetings diminished to about monthly. The NBO team usually traveled to Rabat for meetings at the USAID office. On occasion when the USAID Economic Growth team traveled to Casablanca, meetings were held at the NBO office. These meetings were important to keep USAID informed of project implementation progress and to address issues before they were brought up at Monitoring Committee meetings. They also gave the NBO team important guidance in implementing the project in a constructive and proactive way.

***Briefings of the American Ambassador and USAID Mission Director.*** NBO management briefed the U.S. ambassador and USAID director on NBO implementation progress annually. These briefing typically took place at the USAID Mission office and included a presentation followed by questions and answers. On one occasion, the ambassador, mission director, and Economic Growth team accompanied the NBO Director of Enterprise Assistance on a tour of a client footwear company. The ambassador and the mission director encouraged the NBO team to help the Mission meet expectations for the U.S.-Morocco FTA.

***Ministry of Industry, Commerce and New Technology Progress Meetings.*** The NBO management team held periodic meetings with the team from the Division of Textile and Leather at MICNT. Although there was no fixed date for these meetings they were held when needed. The Moroccan officials provided important guidance to NBO managers in dealing with the trade associations early on when the program had a challenging relationship with the former FEDIC president, who showed little interest in cooperation during project start-up and the hiring of the leather coordinator. The division head of Textile and Leather and her team were always helpful in providing guidance and serving as intermediary with trade associations. The NBO team is grateful for the support received from the ministry.

***NBO Monitoring Committee Meetings.*** The monitoring committee, made up of NBO partners and stakeholders, oversaw project implementation closely, in particular during the challenging first year and a half. During that time, the committee met monthly and gave useful guidance on important issues such as the method of selecting client. A monitoring

committee task force helped the NBO team design the application questionnaire and export plan template and approved the final versions of these documents. The Monitoring Committee had authority for approving the final selection of new client firms, thus ensuring a high level of project ownership on the part of the textiles-garment and leather-footwear associations and Moroccan government officials. Monthly meetings continued through most of year two, but during most of year three as implementation progress stabilized, meetings occurred bimonthly, and in the final year, quarterly. The NBO team felt privileged to work with such a dedicated and engaged monitoring committee and benefited greatly from its guidance.

***NBO Strategy Committee Meetings.*** The highest level of NBO program oversight was provided by the Strategy Committee. The Strategy Committee was made up of all NBO partners and stakeholders. It was co-chaired by the minister of Industry, Commerce, and New Technologies and the U.S. ambassador. The Strategy Committee met twice: first for the project launch in June 2006; second at the midpoint of project implementation in March 2008 (shortly after the midterm review); a final meeting anticipated before project close-out did not take place due to scheduling problems. Strategy Committee meetings were coordinated closely with the Monitoring Committee, which provided the green light on meeting agenda. The meetings took place at MICNT, and the media were invited, to ensure diffusion of the NBO program message. The minister expressed his appreciation for the NBO program to the U.S. ambassador and to USAID and requested that the program activities continue after the end of NBO.

## FINANCIAL STATUS

Exhibit 2-1 summarizes the estimated project financial status as of September 30, 2009.<sup>5</sup> NBO faced no financial management problems after the original 45 percent budget cut. USAID obligations were met timely and provided the project with adequate funds to operate. From a contract management point of view there was no issue with project implementation. The midterm CPR gave the project high marks for prudent and cost-effective financial control.

### Exhibit 2-1

#### *Fiscal Data and Financial Status of NBO as of September 30, 2009*

<b>Title</b>	Morocco New Business Opportunities	<b>Contract Amount</b>	\$8,000,000
<b>Contractor</b>	Nathan Associates Inc.	<b>Obligated</b>	\$8,000,000
<b>Start Date</b>	September 15, 2005	<b>Unobligated Balance</b>	\$ - 0 -
<b>Finish Date</b>	September 30, 2009	<b>Est. Exp. + Accruals</b>	\$7,950,000
<b>Project Life</b>	48.5 Months	<b>Unexpended Balance</b>	\$50,000
<b>Elapsed Project Time</b>	48.5 months; 100%	<b>Budget Expenditures/Accrued</b>	<b>99.004%</b>
<b>Time to Project End Date</b>	0 months; 0%	<b>Est. Budget Remaining</b>	<b>0.006%</b>

*Note projected estimate figures based on project accrual data.*

<sup>5</sup> Project accounting remains open as of the date of the final report. Nathan will present the final project invoice within six months, according to USAID regulations. Data in Exhibit 2-1 may differ slightly from final project data.

# 3. Results

## REPORTING METHODOLOGY

As noted in the annual work plans, monitoring and evaluation plan, and annual reports, the project had to report on a U.S. fiscal year cycle while primary data from companies were available on a calendar year cycle. The difference between the two reporting cycles meant that NBO did not have company data until April the following year. NBO client companies are privately owned and do not carry out financial reporting on a quarterly or midyear basis, but only by calendar year at the end of March for Moroccan fiscal authorities. To meet contractual reporting obligations, NBO had to use both actual and estimated figures based on data reported by client companies. This limitation was discussed with USAID at regular performance monitoring workshops and was a standard footnote on project documents. This data quality problem is not unique to NBO but is common for USAID and other donor-financed projects that report on a non-calendar year basis.

To comply with project and USAID reporting requirement, NBO examined export sales data for two consecutive calendar years and extrapolated data from the calendar years to arrive at fiscal year figures. First, data for the previous calendar year were divided into four quarters. Next, data were gathered for the first half of the current calendar year (January–June). These data were usually limited because Moroccan companies do not make semiannual fiscal reports and only a limited number of companies responded to requests for data. Third, one-quarter of the previous calendar year data was added to the current January–June data to create a nine-month figure. This figure was multiplied by 33.3 percent (equivalent to 25 percent of 12 months) to arrive at a projection for the final fiscal year quarter (July–September). These figures were added together to arrive at projected figures for the full USAID fiscal year. The projected figures tended to be lower than actual data, but a conservative estimate was preferred to a more optimistic estimate. Corrections were made the following year according to actual data.

Gathering information from client companies was extremely challenging throughout the life of the project. Companies became increasingly reluctant to share sales and export data despite assurances that sales data were aggregated and that no individual firm data would be shared. Indeed many of the companies still in the program that had significant exports to the United States in 2006, the watershed export year since the FTA came into effect, did not submit data for subsequent reporting periods, despite NBO insistence.

Table 3-1 shows the evolution of NBO results over the four years of the project.

Table 3-1  
*NBO Results Fiscal 2006–2009, Plan vs. Actual*

Results Indicators	FY06			FY07			FY08			FY09			Total		
	Plan	Actual	Diff	Plan	Actual <sup>a</sup>	Diff	Plan	Actual <sup>b</sup>	Diff	Plan	Actual <sup>c</sup>	Diff	Plan	Actual	Diff
1.1 Value of sales to the United States of NBO-assisted enterprises (US\$ million)	\$5.0	\$18.38	\$13.38	\$20.0	\$15.23	-\$5.23	\$25.0	\$26.23	\$1.23	\$25.0	\$25.0	\$0	\$75.0	\$84.83	\$9.83
1.2 No. of enterprises with sales to the U.S. market	8	13	5	18	16	-2	20	19	-1	19	21	2	65	69	4
1.3.1 No. of senior international marketing expert meetings with U.S. buyers <sup>e</sup>	--	--	--	--	--	--	50	1,268	1,218	100	1,554	1,454	150	2,522	2,372
1.3.2 No. of samples requested by U.S. buyers	--	--	--	--	--	--	25	71	46	50	374	324	75	445	370
1.3.3 No. of test orders received from U.S. buyers	--	--	--	--	--	--	10	15	5	20	27	7	30	42	12
1.4.1 No. of jobs created	285	755	470	1,175	1,488	313	950	1,544	594	950	850	-100	3,300	4,637	1,337
1.4.2 No. of women's jobs created <sup>f</sup>	155	629	474	705	839	134	755	1,176	421	755	662	-93	2,700	3,306	606
2.1 Quality of information on U.S. market improved	6	15	9	10	10	0	10	11	1	10	14	4	36	50	14
2.2 Value of services on U.S. market entry increased	100	124.5	24.5	130	119	-11	135	105	-20	140	113	-27	126.25	115.38	-10.87

<sup>a</sup> Data are from 54 of 66 companies.

<sup>b</sup> Data are from 40 of 74 companies.

<sup>c</sup> Estimated—actual data are from 32 of 74 companies. As of the writing of this report data are still being collected. Actual estimated sales figures from 32 companies were \$18,324,019. Actual fiscal 2009 sales figures for NBO client companies are estimated to be above \$25 million.

<sup>d</sup> Figures reported in annual reports have been corrected to conform to new reporting method measuring total export sales to the U.S. market. This change was made after the project midterm review and approved by USAID to be consistent with the agency's internal reporting system.

<sup>e</sup> Include both face-to-face and phone meetings. Total project figures include over 600 face-to-face and close to 2,000 follow-up phone meetings.

<sup>f</sup> Subset of total number of jobs created.

## **FISCAL YEAR 2006**

Fiscal 2006 was the first year that all indicators exceeded targets in the annual work plan. Export sales figures were higher than targets because this was the first year that the FTA came into effect, which seemed to have produced an export sales spike in that year among firms that had been exporting to the United States before the NBO program. This high success rate is also due in part to the fact that targets, taking into consideration start-up difficulties and delays, were more modest during the first year of the project. Results for the indicators measuring quality of information and the perceived value of services received from trade associations were highest for fiscal 2006, as companies were introduced to the U.S. market systematically for the first time through NBO services, such as business-to-business linkages, technical seminars and workshops, newsletter, attendance at trade shows, and the like.

## **FISCAL YEAR 2007**

In fiscal 2007, all key indicator results except job creation and number of NBO information sharing events were below targets. Actual sales figures of \$15.23 million were about one-quarter below the target of \$20.0 million. In part this may have been due to the sliding dollar value and corresponding rise in the Euro, making the European market much more attractive than the U.S. The number of companies in the program with export sales in fiscal 2007 was 16, two below the target of 18. The high figure for job creation may have been propelled by the high demand in the European markets, lead by France and Spain and followed by high demands and strong pound sterling in the United Kingdom. These two factors – consistently high Euro and heavy European demand -- which plagued NBO for most of the rest of the program, were absent in 2006. Job creation continued to be reported positively as client companies were busy supplying European clients. The results for indicators of quality of information, based on the number of NBO training and information events offered, met targets. The value of services received from trade associations, however, was ranked lower in fiscal 2007 than fiscal 2006. This is understandable because most companies had been with the NBO program since the previous year and therefore had already received U.S. market information, so that learning more about the U.S. market did not appreciably improve their awareness of U.S. market opportunities.

## **FISCAL YEAR 2008**

For fiscal 2008, export sales figures increased significantly over fiscal 2007 as companies in the processed foods sector—whose sales were not as affected by the downturn in U.S. retail sales as were sales of clothing and footwear—joined NBO. Total export sales of companies in the NBO program were \$26.227 million, \$1.227 million above the target of \$25 million. The number of companies with sales to the United States was 19, which was 1 short of the 20 forecast for this period. For indicator categories introduced after the midterm review, actual results surpassed planned figures significantly, especially the number of buyer meetings conducted by senior international marketing experts. These included face-to-face and phone meetings. Over 500 of these meetings, including meetings with potential buyers at trade shows, took place in person. The rest were follow-up phone calls. Number of sample requests and test orders both exceeded targets in fiscal 2008.

Companies continued to report high employment numbers significantly above targets. But employment numbers are gross figures because companies tend not to report reductions and job transfers. Although quality of information, based on the number of NBO training and

information events offered, was slightly above the target, the value of services received from trade associations was lower than in the previous two years. Again the reason for this decrease over fiscal 2007 was mainly because most client companies had been with NBO since 2006 and were well acquainted with the U.S. market through information already provided by the program.

## **FISCAL YEAR 2009**

Although fiscal 2009 data were not complete as of the writing of this report, the available data show that most results have already exceeded targets. The export sales indicator, for example, is an estimated figure that is expected to exceed \$25 million when data for the last quarter of fiscal 2009 are reported—actual three quarter sales calculated as of end of June already exceed \$18 million. Likewise, for the number of companies with export sales, buyer meetings, sample request and test orders—all these indicators surpassed the target figures. This attests to the intense effort on the part of NBO marketing experts to reach potential buyers and stimulate sales. Employment figures were below the targets for the first time, owing principally to the downturn in the European market beginning late 2008. The lower overall exports and consequent impact on job losses has been widely covered in the press during the first half of 2009. Quality of information met targets on the basis of the number of NBO information events. Collection data on value of information has yet to be completed, although it is expected to be below targets for 2009 for the reasons mentioned above.

## **LIFE OF PROJECT**

Over the life of the project, many indicators surpassed the target figures: export sales, for example, surpassed by almost \$10.0 million the life-of-project targets of \$75.0 million, and the number of enterprises with export sales to the United States exceeded the target figure of 65 by four. In the indicator categories introduced after the midterm review, actual results greatly surpassed targets, especially for the number of buyer meetings conducted, which exceeded targets some 15-fold. These included face-to-face and follow-up phone meetings. Over 600 of these meetings took place face-to-face, including meetings with potential buyers at trade shows. The rest were follow-up phone calls. The number of sample requests exceeded the life-of-project target five-fold, and the number of test orders exceeded the target by 40 percent. Likewise, job creation reported by participating firms was some 40 percent over the projected figures for the four-year period. Quality of information also met targets based on number of NBO information events offered.

Value of information provided by the trade association as perceived by the client is the only indicator that did not meet the life-of-project target, primarily because the target may have been overestimated. This is so because most companies had been with the NBO program for three years by then and additional information could not have appreciably improved their awareness of U.S. market opportunities in subsequent years. Only companies joining the program later indicated having gained greater knowledge about the U.S. market in fiscal 2009.

# 4. Accomplishments

In this chapter we describe the main accomplishments and activities of the NBO project.

## LEGACY OF SALES AND POTENTIAL SALES

### New Business and New Opportunities

We conservatively estimate that NBO presented Moroccan firms business opportunities worth well over \$200 million. In the apparel sector alone, NBO client firms reported \$79.4 million in export sales during the project, and \$50 million per year in export sales could result from companies that have already expressed an interest in sourcing from Morocco. Orders worth nearly \$2.5 million are in process and another \$60 million in potential business can still be tapped.<sup>6</sup> Exhibit 4-1 highlights some ongoing deals facilitated by the NBO program.

Exhibit 4-1

*Success in the Leather Footwear and Apparel Sectors of the U.S. Market*

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#### **Test Order for High-Quality Dance Shoes**

U.S.-based Ballet Makers has been making and selling ballet shoes for 100 years, and its Capezio brand represents the highest standard of quality. During the Marocuir trade show in October 2008, NBO invited Pat Barklow, Ballet Makers' sourcing manager, to visit the factory of the Moroccan shoe manufacturer Romain. Mr. Barklow expressed keen interest in Romain's products and his firm's product developers spent six months testing Romain's dance shoes. Then, at FFANY show in New York, June 10 -12, 2009, Didier Ferrali of Romain met with Ballet Maker's senior executives and product developers at the firm's headquarters in New Jersey. The result: a test order of 5,000 pairs of dance shoes from Romain to be delivered in early 2010. This new opportunity could result in US\$2 million per year in new sales.

#### **Moroccan Shoes Selling in High-End U. S. Retail**

Benson Shoes, a state-of-the art factory making Goodyear Welted shoes is committed to developing trade with the U.S. market. Benson participated in all trade shows supported by NBO and their persistence paid off: now this leading Moroccan shoe manufacturer displays the "Benson" brand in upscale footwear stores, such as Hides in Shape in New York City (Madison Avenue), Gentlemen Jodhpur in Washington D.C. and at Bob Jones in Kansas City. Benson expects to export up to US\$750, 000 worth of product in 2010. (see Figure 4-1)

#### **Publicity in U.S. Trade Media Leads to Apparel Sales Deal**

Woven Mod had long specialized in woven apparel for the European market. After NBO publicized Morocco in the United States trade media, J Jill and Talbot's negotiated a US\$ 2.9 million deal with Woven Mod.

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<sup>6</sup> As reported in the NBO apparel and footwear U.S. buyer trackers. These leads will be passed on to Maroc Export for follow up.

Significantly more export sales could have resulted if Moroccan firms had been more interested in the U.S. market. However, firms chose not to or could not take advantage of opportunities because the dollar was low for most of the life of NBO and production capacity was devoted to filling orders for their principal clients in Europe.

Figure 4-1

*Products of Moroccan Shoe Manufacturer Benson on Display in High-end Retail Stores in the United States*



## Successful Transition to Maroc Export

NBO staff met regularly with the Director General of Maroc Export and his U.S. market team during the last year of the project to prepare for closeout and hand-off. Maroc Export is intent on maintaining business-to-business relationships cultivated by NBO in the target sectors and on pursuing the estimated \$60 million in opportunities still on the table. It is developing a strategy for U.S. operations on the basis of action plans provided by NBO's senior international marketing experts and is assessing its resource needs for its 2010 budget. Securing resources for the last quarter of the 2009 calendar year will be a challenge. Maroc Export, in fact, will lead export promotion for the U.S. market in keeping with the export strategy recommended by a study commissioned by the Ministry of Foreign Trade. The strategy is similar to NBO's and names the U.S. market among the top five target markets for Moroccan exporters. Speaking at a U.S.-Morocco FTA event<sup>7</sup> the minister of Foreign Trade announced that the NBO approach should be extended to other market segments as well.

During the last year of NBO, Maroc Export sent its U.S. market team to trade shows to work closely with the NBO team to study details of program transition. Specifically, these entailed participation at MAGIC, FFANY and Fancy Foods Show in the United States. Additionally, the NBO processed food expert recently accompanied the director general of Maroc Export to New York City to negotiate a promotional agreement with a the Food Emporium, a supermarket chain ranking second in sales in New York City. Under the agreement, Moroccan food products (including handicrafts and cosmetics) will be promoted for two weeks in September 2010. This establishes a direct sales channel from Moroccan

<sup>7</sup> Maximizing Trade with the United States under the Free Trade Agreement, Casablanca, June 9, 2009.

manufacturers to the Food Emporium and will be the first time Moroccan food products have been promoted directly among consumers.

## TRADE SHOWS

### Apparel—Best in Show Award at MAGIC

Held twice a year in winter and in summer in Las Vegas, the apparel industry's MAGIC trade show draws thousands of exhibitors and typically attracted more than 200,000 visitors. For new show entrants the purpose of the show is simply to establish business contacts; buyers rarely place orders with new manufacturers at the show, preferring to develop a rapport with manufacturers and confidence that a factory can meet quality standards and order schedules. More than 40 Moroccan firms participated in five shows in Las Vegas during the NBO program, and in February 2007, show organizers awarded the Moroccan pavilion a "Best in Show" prize for booth design (see Figure 4-2).

Figure 4-2

*Representatives of Moroccan Apparel Firms, AMITH, CMPE, and the NBO Program Enjoy the Best in Show Award at the MAGIC Trade Show in Las Vegas*



NBO support included a promotion campaign, design and financing of the pavilion booth, and a marketing expert who helped firms prepare collection samples. Some Moroccan exhibitors reportedly received orders and requests for samples. One received an order for 300,000 pairs of jeans worth more than \$11 million at the first show attended under NBO auspices in August 2006. The order was never realized for reasons that are not clear, though it has been suggested that the Moroccan company was afraid to follow through on such a large order. All in all, the shows led to many sales leads, and several buyers visited Morocco to place orders.

### Leather—On-the-Spot Sample Requests at World Shoes Accessories

With NBO support, Maroc Export and FEDIC attended two World Shoes Accessories (WSA) shows in Las Vegas. The first, and the first ever for Moroccan leather manufacturers, was in July-August 2007. Thirty-seven booth visitors showed interest in Moroccan products and production in Morocco. Eight U.S. buyers asked for samples on the spot and two more asked for samples later. One then came to Morocco to meet with four exporters, resulting in small

test orders. Maroc Export and FEDIC also participated in the WSA show in February 2009. NBO provided marketing experts who developed visitor attractions; provided guidance on sample, production, and selection trends; set up appointments between buyers and producers; and assisted at trade show meetings and with following up on show contacts. In addition to participating in the shows, NBO also oversaw trade media publicity and development of printed marketing materials. The Moroccan firms considered the shows a success and FEDIC has expressed a strong interest in other U.S. shoe trade shows.

### **FFANY Shoes**

NBO collaborated with FEDIC, Maroc Export and local footwear companies to exhibit the Moroccan offer at two FFANY Shoe Shows in New York City. The first was held in December 2008 and the second was in June 2009. At the December session, five NBO client companies were present and exhibited at the show. The Moroccan display was one of the most visited during the event. A number of companies received written orders. Moroccan exhibitors were pleased with their participation at FFANY. At the June show, seven companies provided samples and sent representatives. Two others sent samples but did not attend. Through NBO support, FEDIC and American Apparel and Footwear Association (AAFA) signed an MOU establishing the basis of cooperation between the two organizations. Guided by the two senior international marketing experts for footwear, many excellent contacts were made during these events. Sample shipment was financed by Maroc Export, and FEDIC covered the costs of FFANY show rooms. The NBO team and the two footwear marketing experts provided organizational support and coached companies in the selection and merchandizing of products. The marketing experts arranged business-to-business meetings between U.S. buyers and Moroccan exporters present at the event. Before the NBO program, FEDIC had never participated in a trade show in the United States but is now committed to continuing to participate in collaboration with Maroc Export.

### **Fancy Foods Trade Show**

NBO assisted Moroccan firms in the processed foods sector in participating at the summer Fancy Foods show in New York, the most important trade show in the U.S. specialty foods sector. The business development services (BDS) expert attended and facilitated business-to-business contacts between 12 U.S. buyers or sales agents and the four Moroccan companies from the NBO Program. Five buyer meetings facilitated by the BDS expert resulted in promising sales leads. Maroc Export, relying on preparation and support from NBO, assumed a prominent role at this event in preparation for leading future trade delegations to the show. NBO also arranged meetings between Maroc Export and entities in the specialty foods segment, including representatives of leading trade journals and organizers of the show to enhance Morocco's future participation. Another important result was the agreement between Maroc Export and The Food Emporium, a chain of 18 high-end supermarkets in New York, to host a two-week promotion of Morocco in their stores.

### **DOCUMENTED EXPORT GUIDANCE**

Although not included in the annual work plans, NBO was able to respond to USAID's request at the end of the project to produce three export guides for the U.S. market in the three target sectors. Two of the three guides—for apparel and footwear—were similar to other export guides in existence. The NBO guides, however, focused exclusively on the U.S. market—regulatory requirements, FTA benefits, buyer demands, and U.S. resources available

to exporters. The third guide, for processed food exporters, was less conventional in its approach and content because another export guide produced in Morocco recently focuses on the U.S. foods market.<sup>8</sup> To avoid duplication, the NBO guide focused on processed foods, FTA benefits, and market segments, and assembled a directory of U.S. processed foods buyers and resources available to Moroccan exporters.

Guides were produced in French and Arabic. Limited copies of the English versions were produced for documentation and limited distribution. The guides were attractive, practical reference documents for any exporter interested in exporting to the United States in any of the three sectors. They were first distributed at the NBO closeout event on September 28, 2009 in Casablanca. The main distribution channels were Maroc Export, AMITH, and FEDIC. Other distribution channels were ASMEX, ONCE, EACCE, and ANPME, a key NBO partner. These entities will be responsible for distributing the guides after the NBO program closes.

## STRENGTHENED IMAGE IN TRADE MEDIA

A successful image-building campaign was developed and implemented to reach potential U.S. buyers. Early in the program, the NBO team realized that Morocco had no presence in the trade media in the United States. Thus, in August 2006 NBO and AMITH created a high-impact graphic image and presented it at the MAGIC Show in Las Vegas (see Figure 4-3).

Figure 4-3

*Entrance to the MAGIC Trade Fair Featuring Morocco Promotion*



The media kit for MAGIC 2006 included a large billboard affixed at the entrance of the Main Exhibition Hall at the Las Vegas Convention Center where the principal MAGIC Show event was held. Banners were placed strategically throughout the hall as well, guiding visitors to the Morocco pavilion, where large, colorful posters displayed Morocco's apparel products. The

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<sup>8</sup> Etablissement Autonome de Controle et de Coordination des Exportations published « Exportations Alimentaires sur le Marche des Etats-Unis d'Amérique—Guide de l'opérateur » in April 2006.

pavilion itself, housing 10 companies, was a lively hub of sights and sounds of the Morocco fashion industry displayed on two large flat-screen monitors. Brochures were also produced and distributed. This first image-building experience was so successful that leading apparel-producing countries asked organizers to prepare the same level of visibility for them at the next MAGIC show.

From that point on, NBO negotiated a special rate with the apparel and footwear industry media to have regular (almost monthly) presence in print and electronic media targeting U.S. buyers. Since mid-2009 Maroc Export has picked up the cost of trade media publicity, a cost previously incurred by NBO. Because NBO negotiated discounted rates for trade media publicity, these cost savings were passed on to Maroc Export. It has been recommended that Maroc Export continue the monthly publication of specific information in the trade media, especially in the apparel and footwear magazines and electronic media.

## **COMMUNICATION WITH CLIENTS**

A communications toolkit was developed to help NBO client companies develop a professional and attractive face to present to potential U.S. buyers. The toolkit included practical examples of marketing materials targeting an American audience both on the Internet and in person at trade show events. Separate toolkits were developed for the leather and apparel sectors. The kits included samples of websites, brochures, business letterhead, and business cards. In addition to the samples in hardcopy, a CD-ROM with the examples and other templates were included in the toolkit, allowing each company to use the template to generate a unique communications kit. Because the toolkit is interactive it enables a company to decide on its marketing communications package and also to guide potential website developers to create a company website rapidly. A seminar to introduce and distribute the toolkit was delivered in October 2007 to some 20 company representatives. The NBO marketing specialist conducted follow-up visits and provided technical assistance on a one-to-one basis. In following up, NBO learned that some of the companies have tried to implement the best practices of the toolkit such as improvement in websites and tailoring of informational brochures to the U.S. buyer.

## **BUYER ALERTS, TECH PACKS, AND SAMPLE PRODUCTION**

A key tool used to present early-stage business opportunities to Moroccan companies was buyer alerts, or notices for manufacturers to present bids for products that U.S. buyers were looking to source. Senior international marketing experts gained notice of buyer alerts through direct contact with key people at the U.S. companies. According to NBO data, over 1,000 buyer alerts were sent out during the program. On the basis of response to buyer alerts, marketing experts attempted to obtain technical packages, or tech packs, from the issuing companies for NBO client companies. All NBO client companies in a particular product category received the buyer alerts, but only companies that expressed an interest in pursuing the potential business received the tech packs, which contain the technical specifications needed to prepare samples and price quotations. Over 250 tech packs were sent out during the NBO program. Tech packs and price quotations often led to sample requests and sample production for companies in the competitive range. Over the life of NBO, it is estimated that over 1,000 samples were presented to potential U.S. buyers. In fiscal 2009 alone, 374 apparel

and footwear samples<sup>9</sup> were produced by Moroccan companies to show to U.S. buyers. Sample requests resulted from tech packs as well as marketing experts' visits and U.S. buyer visits to Morocco.

NBO marketing experts assisted client firms with quality control to ensure that only high-quality samples reached the U.S. buyer. Experts often traveled to Morocco to assist companies with samples production. When a large number of samples was involved or to aggregate samples, marketing experts personally were responsible for collecting and delivering samples, holding in person meetings with U.S. buyers representatives to discuss sample details and production facility conditions and operation. Some of the most successful samples led to small test orders to assess the manufacturer's production process, logistics, and delivery speed. Program marketing experts were intimately involved in the process as facilitators and coached Moroccan manufacturers on the preparation and presentation of samples.

## **BUYER VISITS**

Representatives from 20 U.S. buyers visited Morocco to meet with local company owners and representatives and visit factories. Buyer visits were primarily stimulated by senior international marketing experts based on intensive business-to-business contacts in the United States. Most buyer visits took place in fiscal 2008 and 2009. NBO coordinated buyer visits closely with AMITH and FEDIC and programmed visits to factories that most closely matched buyer preferences. In late 2008 and 2009, AMITH and FEDIC began to assume more financial responsibility and shared in costs with buyers and NBO. In addition to the marketing experts' costs, NBO typically covered local transportation costs for factory visits and sometimes local lodging costs. Marketing experts normally accompanied U.S. buyers on a guided tour of the factory to make sure that the visit was successful.

The primary purpose of buyer visits was to view production capacity and facility production condition and processes, meet staff, and view sample products. Some of the buyers who visited represent major U.S. brands, such as Ann Taylor, Ralph Lauren, and Williams Sonoma. Ralph Lauren sent three sourcing specialists to carry out preorder due diligence for new country sourcing, including technical, production, and social compliance. This is standard practice for major U.S. brands when a new country is targeted. Moroccan manufacturers do not fully understand U.S. buyers' insistence on social compliance because European buyers do not seem to emphasize social compliance as much. Other visitors representing brands such as J Jill and James Perse also visited Morocco. In addition to marketing expert support in the identification, guidance, and assistance of U.S. buyer visits, NBO also covered local costs for U.S. buyers while AMITH covered international travel expenses for several U.S. buyers.

## **TRAINING**

NBO conducted 28 workshops and seminars. These half-day practical training sessions covered a variety of topics of interest to NBO client companies. Early in project implementation, a survey of companies participating in the program was conducted to gauge topics of interest. Training topics included rules of origin, fashion trends, sales planning,

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<sup>9</sup> Number of samples is usually greater than number of buyer alerts because multiple companies in typically respond with samples for the same buyer alert.

sourcing of raw materials, working with U.S. buyers, interpreting vendor manuals, client relationship management, transport logistics, and production standards and certification. Seminars were presented by senior international marketing experts and other technical experts, including U.S. buyers, U.S. Customs officials, Maersk logistics experts, and WRAP (Worldwide Responsible Accredited Production) social compliance experts. According to evaluations from seminar attendees, the content and delivery of subject matter were consistently of high quality. Seminars and workshops targeting apparel, footwear, and automobile parts producers were held separately. Some workshops were planned and implemented in collaboration with the relevant trade association.

Although seminar topics were based on client demand, attendance was always moderate and consistently below numbers of confirmations received. During follow-up to verify why more confirmed companies did not attend, invariably the answer was that unexpected circumstances, usually at the factory production level, prevented attendance. Over time, NBO learned that production problems on the shop floor in apparel and footwear factories took precedence over any other planned activity. For those who were interested but who did not attend when senior international marketing experts delivered the seminar, materials and abbreviated content were usually delivered during site visits.

## **STUDIES**

Although NBO was a transaction-based project whose primary goals were to implement activities leading to export sales of Moroccan products in the U.S., the program undertook three important studies. The first was an automobile parts and components study to gauge interest in the U. S. market for Moroccan products and the Moroccan ability to fulfill opportunities identified. The study was carried out in response to slow progress in export sales in this sector, a major concern by project midpoint. The study revealed that although there were considerable export opportunities in the U.S. automobile sector, successful access to this highly specialized and formally structured market would require a long-term development approach that would not bear fruit during the life of NBO. Study findings corroborated the project midterm review, which recommended dropping the sector in favor of more promising sectors.

Two other studies focused on challenges in the apparel sector. The first, requested by the NBO Monitoring Committee, was a comparative study of the Moroccan, Jordanian, and Egyptian apparel sectors and their U.S. export sales. Morocco and Jordan both have FTAs with the United States, and Egypt has a qualified industrial zone (QIZ) agreement that offers similar duty-free benefits if a minimum amount of Israeli inputs is used in garment production. The study showed that although Jordan had a QIZ agreement as far back as 1998, it was not until the U.S.-Jordan FTA came into force in 2001 that export sales began a rapid climb. Similarly, although on a smaller scale, Egyptian garment exports increased sharply after the QIZ agreement entered into force and continue to grow 10 percent per year.

The entry into force of the U.S.-Morocco FTA in 2006 seems to have contributed to an increase in Morocco's apparel export sales to the United States of over 25 percent that first year, but in later years sales were below the 2006 figure. In fact, preliminary 2009 figures suggest a drop of more than 37 percent over 2008 figures because of the economic downturn in the United States.

Two reasons have been advanced to explain the sharp contrast in export performance among the three countries. The first is the significant foreign direct investment in Jordan and Egypt involving large production facilities. In Jordan, Asians are the largest investors, while in Egypt, growth in the sector is associated with Turkish investment. The second important factor is the capability to produce full-package products rather than carry out the simpler CMT (cut make and trim) process.

Neither FDI nor full-package capacity is abundant in the Moroccan apparel sector. Moroccan apparel manufacturers are usually small enterprises that are family owned and owner managed. There is relatively little foreign direct investment in the apparel sector, except for denim and jeans. As for full-package production capability, NBO had doubts about the extent of capacity, although most enterprises generally claimed to have it. After NBO learned that two U.S. buyer orders faced serious difficulties during the production process, a decision was made to look deeper into the problem. This led to the third study, which assessed full-package capability among client apparel companies.

The study was referred to as a U.S. market readiness study. It looked at a stratified sample of 16 apparel and five footwear producers in the NBO program and assessed their production capacity. Using a detailed questionnaire, two apparel engineers surveyed factory production processes, and mapping out the steps against a full-package standard. The mapping exercise assessed companies with a range of capabilities. The factories' internal organization, staffing and sourcing procedures were also assessed. The assessment revealed that only four of the 21 companies had full-package production capacity and an additional four were close to reaching full-package capacity. Eight others were in the middle, still requiring substantial development to reach full-package capacity. The remaining five were limited to CMT production capability and had no plans to develop full-package capability. This meant that less than one-third of the apparel companies in the program have or are near to having full-package production capacity. The lack of full-package capability among Moroccan manufacturers may explain in part why so few of the numerous opportunities offered to Moroccan exporters by NBO were exploited.

The studies can be found on the NBO website ([www.nbo-program.com](http://www.nbo-program.com)) and the USAID Development Experience Clearinghouse ([www.dec.usaid.gov](http://www.dec.usaid.gov)).

## **BUSINESS COLLABORATION**

NBO facilitated contacts between FEDIC and the American Apparel and Footwear Association (AAFA). In June 2009 the two organizations signed an MOU to mutually support and foster business development between Morocco and the United States. NBO also facilitated contacts between AMITH and AAFA; a similar MOU will be signed in during the U.S.-Morocco FTA Joint Committee meeting in October 2009. The signing ceremony is expected to take place in the presence of the Moroccan minister of Foreign Trade.

At the end of 2008, NBO funded a technical seminar in Casablanca to introduce the certification requirements and procedures of the World Responsible Apparel Production Organization. WRAP's certification program is gaining acceptance as the international standard among major brands. At the same seminar AMITH presented its Fibre Citoyenne certification program. Both organizations have since drafted an MOU to promote each other's

certification program to the extent possible. The MOU will be signed in October 2009. AMITH and FEDIC have developed websites and pages devoted to the U.S. market.<sup>10</sup>

To promote the benefits of the US-Morocco FTA, NBO shared its annual work plans with the U.S. Office of Textiles and Apparel (OTEXA) and worked closely with OTEXA in preparing the Morocco Sourcing Show in November 2007 in Casablanca. Collaboration continued throughout the program, including OTEXA's periodic referrals of U.S. buyers to the NBO program.

## OTHER KEY PROJECT ACTIVITIES

NBO implemented hundreds of activities. Below are a few samples of the types of other activities carried out by NBO over the life of the project.

***Promotion of Morocco at the Food Emporium.*** The NBO BDS expert was instrumental in facilitating contacts between Maroc Export and the Food Emporium in New York, leading to an agreement for the Food Emporium to host a two-week promotion of Moroccan food products, handicrafts, and cosmetics in their stores in September 2010. The Food Emporium is a high-end grocery retailer in New York City with 18 stores in Manhattan alone, and is the second grocery outlet in New York City in terms of annual sales. The event will establish a direct sales channel from Moroccan manufacturers to the Food Emporium while serving as the first-ever consumer-level promotion of Moroccan food products. Many Moroccan food suppliers will supply products leading to guaranteed export sales and the possibility of reorders.

***Participation in AMITH Road Shows.*** Key NBO personnel participated in AMITH Road Shows through six cities (Fez, Taza, Tangier, Rabat, Casablanca and Marrakech). The Road Shows are annual events which AMITH puts on to increase outreach to its membership as well as to the textile and apparel manufacturer, as a whole, in the principal cities with textile and apparel industry tradition. The NBO representative was introduced at each location and made a brief presentation of the program and announced to the participants that questionnaires were available for applicants interested in the NBO program. Following the main event, NBO would set up a desk to receive interested parties in order to further explain the program and its benefits and distribute the application questionnaire. Additionally, copies of the NBO Newsletter and the program brochure were also distributed. The Road Show drew relatively large numbers of participants and permitted further communication and outreach of the NBO program to potential participants.

***Participation in the Maroc in Mode Shows.*** Key NBO personnel also participated in AMITH Maroc in Mode Shows held annually in Tangier in late June. While this event typically focuses on sourcing for the apparel sector and draws heavily on Morocco's European partners, especially the Spaniards, NBO took advantage of the opportunity to inform exhibitors and visitors about the program. Some program participants have entered the program based on this initial contact and some buyers catering to the United States markets have also used this opportunity to work with the NBO program. Because the Maroc in Mode event is shortly before the MAGIC summer show, the event has also served as an important

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<sup>10</sup> For AMITH, [www.textile.ma/Amith/Fr/SitesWeb/NBO/Info+FTA.htm?wbc\\_purpose=Basic](http://www.textile.ma/Amith/Fr/SitesWeb/NBO/Info+FTA.htm?wbc_purpose=Basic); for FEDIC, [www.cuirmaroc.com/FEDIC/Fr/MenuHaut/EspaceUSA](http://www.cuirmaroc.com/FEDIC/Fr/MenuHaut/EspaceUSA)

locus to recruit potential MAGIC show participants. Similar to the Road Shows NBO would set up a desk to receive interested parties in order to further explain the program and its benefits and distribute the application questionnaire. Additionally, copies of the NBO Newsletter and the program brochure were also distributed.

***ITC Training.*** Early in program implementation, NBO hosted a two-day training session delivered by the Geneva-based International Trade Center to a dozen participants from partner and stakeholder organizations. The training focused on two specialized trade software databases—Trade Map and Product Map—whose rights were purchased by USAID/Morocco for use by Morocco institutions and enterprises. The databases facilitate analysis of some 30,000 products by country, enabling detailed competitive analysis for the purpose of product development and international marketing. Since the initial purchase of the database, Moroccan entities such as Maroc Export have renewed their subscriptions and used Trade Map regularly.

***Workshop on Apparel Sales Trends for Spring 2008.*** During her trip to Morocco, the senior international marketing expert for apparel delivered a workshop to NBO clients on apparel sales trends for spring 2008. This workshop was one of the most highly rated of the NBO program. In preparation for the buying season, a voluminous binder of handouts was distributed to attendees to be used as references by their design and marketing departments, including styles, designs, prices, and potential buyers' profiles. Eleven participants attended, although some represented two to four companies. Although this event was requested by client apparel companies, the participation was below expectations. After the workshop the marketing expert made visits to a select group of companies that had requested this service to discuss one-on-one the collection and apparel trends for Spring 2008 with their respective design and production teams.

***Home Textile Design Technical Assistance.*** A New York textile designer travelled twice to Morocco in 2007 to provide design assistance to 10 client textile companies. The designer advised the companies on U.S. trends and preferences in upholstery fabrics, examined their inventories to find fabrics that would appeal to U.S. buyers, and provided design assistance for new collections of fabrics to be promoted in the U.S. market. This activity was in response to a technical assistance services offered to these companies in their export action plans. In addition to the individual training provided, the design expert presented a seminar on doing business with U.S. buyers in the home fabric furnishing market and presented samples of hot sellers. Samples were made available to Moroccan companies for in-depth design study. Multiple representatives from each company attended the seminar. The textile designer returned to Morocco for a second time in July and August 2007 to work with counterpart designers in select client companies. The follow-up visit focused on aspects of fabric design with the design team of each company. A wide variety of samples of fabric designs in vogue in the U.S. market were brought and given to each company to inspire their own creations.

***Companies Listed with Cotton Inc.*** On the basis of contacts with its affiliated organization, the Cotton Council, the following NBO client companies have been listed as suppliers in the Cotton Inc. directory: For knits, Caulliez Maroc, Iboma, Movitex, Petit Poussin, Polymaille; and for wovens, only one company, LGM Denim. (They can be seen under "Sourcing" on the Cotton Inc. website at [www.cottoninc.com](http://www.cottoninc.com).) The goal of Cotton Inc. is to ensure that cotton remains the first choice among consumers in apparel and home products. Cotton Inc works in

close relationships with such affiliated organizations as the Cotton Board, Cotton Council International, and the National Cotton Council.

***FTA Seminar.*** A seminar to promote the U.S.–Morocco FTA, *Maximizing Trade with the United States*, was held in Casablanca June 9–10, 2009. The NBO COP made a presentation about the comparative study of Jordan, Egypt, and Morocco’s exports to the United States. The minister of Foreign Trade cochaired the event with the U.S. Embassy chargé d’affaires. The minister spoke highly of the NBO approach and said that the NBO model of promoting Moroccan products in the United States should be extended to other sectors.

## 5. Lessons Learned and Recommendations

The NBO program turned out much different than envisioned in Nathan Associates' proposal. A budget cut of 45 percent in the first few months of the project reduced the program to almost half its original size and replacing long term third-country national experts significantly delayed launch. Once the program was scaled down and reconfigured, the NBO team deployed in May 2006 worked diligently to make up for lost time. Recommendations arising from a USAID midterm review of October 2007, conducted at Nathan Associates' request, led to a revised work plan and results indicators that more accurately reflected the changing context of the project.

As a result of NBO staff diligence and the adjustments afforded by the midterm review, initial setbacks had no lasting impact on overall project performance. All tasks required under the contract and in the annual work plans were completed on time and at the expected quality and cost levels. Even unplanned tasks—such as an automobile component study, a U.S. market comparative apparel export study, a full-package production assessment, and production of three U.S. export guides—were executed on time. USAID's midterm CPR as well as the midterm review gave NBO rather high marks for accomplishments and performance. In sum, results on indicators beyond NBO's control (e.g., overall export sales and number of enterprises exporting to the United States) were moderate but where NBO had control (e.g., B2B activities in pursuit of sales) targets were surpassed. NBO assisted firms reported nearly \$85 million in export sales over the life of the program; nearly \$2.5 million in orders are being processed; and an estimated \$60 million in potential business with U.S. buyers is still on the table for Moroccan exporters as NBO comes to an end.

In this concluding section of our final report we offer lessons from and recommendations based on the NBO experience—for Moroccan decision makers, leaders, and businesses—as well USAID Mission programming.

### **RECOGNIZE AND BE PREPARED TO ACT ON U.S. MARKET OPPORTUNITIES**

It is estimated that NBO and its market experts brought well over \$200 million in potential business to the attention of Moroccan manufacturers over the four years of the program. Many opportunities were not pursued for a number of reasons: overall adverse market conditions, exporters' reluctance to sell products below European price points to price-sensitive U.S. buyers, and exporters' understandable desire to avoid risking profits on a poorly performing U.S. dollar when the Euro—the dominant foreign currency in Morocco's exchange rate basket—remained consistently high. Still, the U.S. market continues to be of great interest to Moroccan decision makers. Stimulating similar interest among manufacturers

and trade associations will depend on the ability of entities such as Maroc Export to persuade associations and manufacturers that developing opportunities in the United States is a long-term proposition and not a short-term gamble. Thus, any company interested in pursuing U.S. market opportunities needs to develop a clear export strategy and communication program similar to those developed under NBO and commit the necessary resources in staff, time and finances. This is what competition in the U.S. market requires and what producers from countries competing with Morocco in the United States market do.

## **BEGIN ADAPTING TO MARKET CONDITIONS, TRENDS, AND MODELS NOW**

The core lesson of NBO is this: *U.S. buyers appreciate the quality of Moroccan products and are willing to work with Moroccan manufacturers—so long as manufacturers meet the conditions of the U.S. market.* Buyers' frequent visits to factories during NBO indicate that the Moroccan product offer meets the quality requirements of U.S. buyers. Buyers are also willing to accept bids from Moroccan manufacturers, as evidenced by the numerous alerts and tech packs generated under NBO. And at the March 2008 Strategic Committee Meeting of AMITH, the Director General said "Moroccan exporters no longer fear nor are intimidated by the U.S. market." This is corroborated by senior program international market experts who say that U.S. buyers no longer confuse Morocco and Monaco thanks to NBO's intense B2B work and image-building at major trade shows and in the U.S. trade media. To capitalize on this progress, manufacturers' samples and commercial orders need to be of a consistently high quality; Maroc Export and trade associations should continue attracting buyers and supporting their visits; and image building must continue lest exporters' hard-earned visibility vanish from neglect. Most important, however, is that manufacturers meet conditions for quality, pricing, social compliance in production, speed-to-market, full-package production, and sound B2B communication and responsiveness. Claiming shelf space in U.S. retail shops means displacing products from existing suppliers and competing with new entrants *on terms set by buyers.*

*Moroccan apparel and footwear firms need to adapt to market trends in traditional as well as new markets.* In adhering to traditional production methods and services, exporters are not only missing significant opportunities in the U.S. market but risk becoming obsolete in traditional European markets as well. At the Maroc in Mode Show in Tangier in June 2009, French Fashion Institute experts declared that Morocco needs to "upgrade to full-package production and speak English"! The German and British markets now require full-package production almost exclusively, while markets in France, Italy, and Spain are increasingly doing so.

*To benefit from the FTA the apparel industry needs to upgrade to large-scale, full-package production.* Morocco's apparel industry would do well to study the experience of Jordan and Egypt in order to benefit from the FTA with the United States. These two countries have succeeded for two main reasons: large-scale, full-package production of high quality, low-cost apparel, and massive foreign direct investment that has provided both capital and marketing expertise. In Morocco these conditions prevail only with regard to denim and jeans products. The small producers who dominate Morocco's apparel industry—much of it also informal—are not able scale-up production without FDI. Possible sources include traditional partners in France, Spain, Italy, and even Turkey, and investors in Asia or nearby countries who have long experience in full-package production (e.g., joint ventures between Moroccan and Portuguese investors should be explored).

***Specialty foods manufacturers must adopt business models specific to the U.S. market.*** The business model of the U.S. specialty foods trade puts a heavier burden on foreign suppliers than most Moroccan companies are accustomed to. For example, products such as couscous and olives will be more desirable to U.S. buyers when they are branded, attractively labeled in English, and supported by well-designed marketing materials including English-language websites. Suppliers are expected to spend money to promote the brand regularly in trade journals and at trade shows. As with the apparel and footwear industries, U.S. buyers require manufacturers to go beyond simple production and selling at the factory door.

## **TAKE THE LONG VIEW AND A STRATEGIC VIEW**

***Succeeding in the U.S. market requires long-term commitment and is not a matter of short-term transactions.*** Manufacturers in the NBO target sectors have been exporting to Europe for decades, but shifting to the U.S. market is not merely a matter of shifting product flow but of convincing buyers to take a risk on a new supply source. This understanding now informs the Maroc Export program and needs to be shared with trade associations and firms. Companies interested in U.S. market opportunities need a clear export strategy, similar to the U.S. export action plans and communications kits developed for NBO, and to commit people, time, and money to pursuing opportunities over the long term.

***Top-level strategies must include encouraging small businesses to upgrade to full-package production.*** Morocco's leaders have shown the vision and taken concrete steps to raise the sector-level competitiveness necessary for entering global markets (e.g., Plan Emergence and the Maroc Export Plus). Most small and medium enterprises in the NBO program, however, live day to day and hence lack the longer term market development perspective. Maroc Export and trade associations should strive to show firms how upgrading production methods to full-package standards will, in the long-term, lead to new business in new markets. AMITH and FEDIC should work with ANPME on programs for upgrading to full-package capability.

***Only firms offering full-package production services have a chance of succeeding in the U.S. market.*** The U.S. buyer seeks manufacturers providing full-package services and finished products. However, it is estimated that only about 30 percent of companies in the NBO program's priority sectors of apparel and footwear had this capability. If our full-package assessment had been conducted early in the program, would the NBO approach and technical assistance have been different? No—but the number of client firms would have been cut by about half, with assistance limited to firms with or close to having full-package capability. Companies interested in exporting to the United States but not ready to do so would have been advised to first seek production upgrading support such as that previously provided by ANPME before joining the NBO program. To be cost-effective, programs similar to NBO should admit only U.S. market-ready firms that can meet program targets and act as models for less-capable firms. Firms with the potential to be market ready in the near to medium term would benefit from a full-package upgrade program.

## **SUSTAIN NBO'S EFFECTIVE APPROACH**

The approach to entering the U.S. market proposed by Nathan Associates has been tested and proven during the life of NBO. That approach has five elements: B2B marketing, trade show participation, image building in the trade media, promoting U.S. buyer visits to Morocco, and offering technical seminars and workshops. We recommend that the U.S. market entry model

continue as it is today in its streamlined version, with institutions and firms making a concerted effort for near-term and long-term results. Specifically, this entails

- Having senior international marketing experts working in each target sector on a half-time basis;
- Participating in major U.S. trade shows;
- Publicizing Moroccan suppliers in trade media on a monthly basis with quarterly highlights, especially before trade shows;
- Attracting U.S. buyers to Morocco to view factories and production facilities; and
- Offering technical training in seminars and workshops.

A study recently commissioned by the Moroccan Ministry of Foreign Trade recommends an export promotion strategy similar to NBO's and cites the United States as one of five markets to be pursued. Speaking at a U.S.-Morocco FTA event,<sup>11</sup> the Minister of Foreign trade announced that the NBO approach should be extended to other market segments in the United States. Maroc Export, which is expected to implement the recommended strategy, spent the last year of NBO discussing how to follow up and follow through on program activities after NBO closed. Maroc Export is keen on maintaining the B2B momentum that the NBO team created between U.S. buyers and Moroccan firms in the three target sectors: after all, \$60 million in untapped potential with U.S. buyers is still on the table. Maroc Export has requested specific action plans and proposals from NBO's senior international market experts as a basis for its own operational strategy. Maroc Export is assessing its resource needs and costs for its 2010 annual budget; finding financial resources to continue work in the U.S. market remains a challenge.

Firms are naturally more concerned with near-term results, so institutions such as Maroc Export should sustain a long-term vision and help trade associations encourage members to become more competitive by upgrading to full-package capability and acquiring international certification in social compliance matters. With the right business model, Moroccan exporters in the NBO target sectors can succeed in the U.S. market, especially given the advantages of the U.S.-Morocco FTA. As the Minister of Foreign Trade said at the MEPI seminar on maximizing trade with the United States under the free trade agreement in June 2009, "The NBO approach should be extended to other sectors."

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<sup>11</sup> Maximizing Trade with the United States under the Free Trade Agreement, Casablanca, June 9, 2009.