

AID-FOR-TRADE CASE STORY

The UNIDO Export Consortia Programme: the case of Morocco

THE UNIDO EXPORT CONSORTIA PROGRAMME: THE CASE OF MOROCCO

Region: the UNIDO Export Consortia Programme has a worldwide coverage – this specific case refers to North Africa

Country: Morocco

Type: Programme

Author: Mr. Fabio RUSSO, UNIDO Export Consortia Programme Manager

Contact details: Mr. Fabio RUSSO, Senior Industrial Development Officer, Business, Investment and Technology Services Branch, United Nations Industrial Development Organization, Vienna International Centre, P.O. BOX 300 – A 1400 Vienna

Tel. + 43 1 26026 3611 – email: f.russo@unido.org

BACKGROUND

It is a difficult job for SME to compete effectively in the global, regional, and even their own domestic markets. Without extensive market knowledge and preparation, knowhow and financial resources, attempts to export are doomed to failure and may even put at risk the financial stability of the enterprise. Firms wishing to export must identify suitable foreign markets, contact local distributors and/or major consumers, accurately identify consumer preferences and adapt the quality and price of products accordingly. Finally, it is difficult to achieve a significant level of exports without offering a comprehensive product range. The skills needed and the costs of meeting these challenges are often beyond the capacities of individual SME.

One effective way of entering export markets is through the development of a specific type of SME network, known as an **export consortium**. This is a voluntary alliance of firms with the objective of promoting the export of goods and services through joint actions. Most consortia are non-profit entities with members retaining their financial, legal, managerial and commercial autonomy. By cooperating with other firms within an export consortium, SME can effectively penetrate and increase their share of foreign markets at reduced cost and risk. At the same time, members can improve their profitability, achieve productivity gains and accumulate knowledge through various types of joint action that are not directly related to export marketing, such as joint management training programmes, joint certification programmes, and improvement of shop floor procedures. In essence, the objective is to create an enabling environment which will make it easier for SME to export their goods and services.

Although the concept and the benefits of grouping together with the aim of exporting are relatively straightforward, creating the conditions for consortia development is, in practice, a demanding task. Attempts to establish SME export groups in developing countries often fail as a result of poor knowledge and weak institutional and regulatory frameworks.

THE UNIDO EXPORT CONSORTIA PROGRAMME

Building further on its extensive experience in developing SME networks, in 2003, UNIDO set up a programme to assist developing countries in promoting export consortia. Since then, the Organization has been promoting export consortia in a wide range of countries in North and West Africa, the Middle East, South Asia, and Latin America. The sectoral composition has been equally diverse, ranging from garments

through car components to tourism, and demonstrates a flexible approach that can be adapted to varying country contexts. However, there are two vital pre-conditions for success and these are that the public and private sectors in the countries concerned are willing to work together and that a critical mass exists of SME with the capacity to export.

UNIDO assists beneficiary countries at both the enterprise and institution level by:

1. Supporting the creation of export consortia in different sectors: groups of SME are identified and coached during the whole process of export consortia development: identification of common objectives, services to be provided by the consortium, choice of legal form, development of the business plan, implementation of the first pilot promotional activities. UNIDO assistance also includes the identification of existing technical and financial schemes that can be beneficial for the development of export consortia. Export consortia are then assisted in preparing their requests to access the above mentioned schemes.
2. Building the capacities on export consortia promotion of public and private support institutions: representatives of ministries of trade and industry, export promotion agencies, business associations, chambers of commerce, and other public and private organizations are trained to support SME in the development of their export consortia activities.
3. Supporting the development of an enabling regulatory framework for the creation and development of export consortia: national partners are advised on the most appropriate financial and technical incentive schemes and regulatory framework for export consortia
4. Benchmarking and dissemination of good practice: study tours, expert group meetings and field training sessions are organized in countries with a consolidated experience on export consortia.

THE CASE OF MOROCCO

Since 2004, UNIDO has been supporting the Moroccan Ministry of Foreign Trade and the Moroccan Exporters Association (ASMEX) in establishing an export consortia initiative with funding by the Italian Development Cooperation. The first step has been the organization, jointly with sectoral associations and chambers, of a national awareness raising campaign for SME. As a result 20 export consortia have been legally formalized so far and 13 are under development. More than 120 enterprises, accounting almost 14 000 jobs, covering 9 different sectors in 10 cities of the country are actively involved in the project.

All consortia have developed their promotional image (logo, catalogues, web sites), negotiated preferential agreements with service providers (logistics, banks, insurance, etc.), and participated in trade shows and business missions.

The following examples can show the impact of export consortia on member firms:

- Members of the textile-garment consortium MOSAIC have increased their exports for an average of 22% between 2004 and 2007; in the same period, the Moroccan textile-garment sector's exports have increased by 10%.
- Through their consortium, Travel Partners Morocco, 7 travel agencies from Casablanca, now represent the third operator in the sector in Morocco (which includes international major players).
- Women's member cooperatives of the Argan oil consortium VITARGAN, have attended for the first time international trade fairs, developed joint communication tools and obtained organic certification for their products.

Export consortia are considered by the Moroccan authorities to be an effective tool not only for market access but also for SME upgrading and modernization. Some of the consortia have also jointly undertaken activities such as the organization of a shared training facility, the restructuring of compliance departments, the introduction of a strategic information system, and the development of new products.

Important results have been obtained thanks to the efforts undertaken to create a national incentive framework for export consortia:

- Set up of an export consortia support scheme by the Ministry of Foreign Trade: this fund mainly co-finances promotional activities of consortia during the first three years. It is an excellent example of public-private partnership: the fund management is actually entrusted to ASMEX and its management board. The latter is chaired by the Ministry of Foreign Trade and includes representatives of ASMEX, Maroc Export (the Moroccan export promotion agency) and ANPME (the national agency for the development of SME).
- Maroc Export offers consortia a preferential rate for the participation in trade fairs and business missions in comparison to those granted to individual companies.
- SMAEX (the Moroccan export insurance company) has established a preferential premium for insurance policies issued to export consortia and offers them wider coverage for the participation at fairs.
- ANPME subsidizes consultancy costs for group-based modernization and upgrading activities.
- The consortium concept is listed under the priorities and in the action plans of private sector organizations, particularly of the Moroccan Garment Association (AMITH). This association represents 25% of Moroccan exports and has included export consortia development explicitly in its development strategy. Furthermore, it has created a specific consortia promotion unit. AMITH organizes periodically events for the promotion of the concept among its member companies.

Both public and private players are strongly committed to ensure the sustainability of the export consortia initiative after UNIDO project's completion: the Ministry of Foreign Trade is dedicated to improving the legal and incentive framework for export consortia and the Moroccan consortia have established an association following the example of the Italian Federation of Export Consortia (Federexport).

CONCLUSIONS

The export consortia project in Morocco was assessed in 2008 by an independent evaluation. The project was considered to be extremely relevant to Morocco's national priorities, as underlined by an active public-private partnership throughout its implementation. In Morocco, export consortia are now viewed as an effective tool for boosting SME's exports and promoting enterprise upgrading, with member companies recording benefits in both areas.