



**KINGDOM OF MOROCCO**

**Court of Accounts**

**Chamber IV**

**Summary Report n°2/13/CH IV**

**Performance Audit of  
The National Agency for the Promotion of Small and Medium-size Enterprises  
(ANPME)**

**February 2014**

## SUMMARY

### Presentation of ANPME<sup>1</sup>

The National Agency for the Promotion of Small and Medium-size Enterprises (ANPME) was established in 2002 pursuant to Article 56 of Law n°53-00 on the Charter of Small and Medium-size Enterprises (SME) to replace the Office for Industrial Development (ODI). It is a public corporation under the supervision of the Ministry of Industry, Commerce and New Technologies (MICNT). Its mission consists of the promotion, development and upgrade of SME.

The implementation of ANPME missions underwent two stages:

- The first phase extends from the date of its inception in 2002 until 2008. The activity of the Agency was at the time limited to providing technical and financial support to SME in difficulty. The relevant funding came from international assistance, particularly the European Union aid within the framework of the MEDA Program.
- The second phase is marked by the implementation of the National Pact for Industrial Emergence (PNEI)<sup>2</sup> signed before His Majesty the King in 2009. PNEI constitutes the reference frame leading up to the conclusion of the State-ANPME contractual framework 2009-2015 for the reinforcement of SME competitive edge. The underlying guiding principle of this endeavor is the progressive empowerment of the financing of the support activities benefiting SME. It stipulates that ANPME may benefit from an allocation of 600 million MAD to be paid into a Support Fund for the Competitiveness of Companies (SFCC).

The year 2009 constitutes a decisive turning point in ANPME strategy, since it shifted from the role of a simple body of technical assistance and advice to SME in difficulty to that of guidance for the national economic fabric as a whole, provided with significant public financial resources ensuring the management thereof.

The performance audit mission indicates some inadequacies concerning the various institutional, organizational and operational aspects related to the operation of this Agency. In this regard, the Cour Des Comptes recommends a set of actions whose application would be likely to improve ANPME management.

### I. Major inadequacies noted

#### I-1 Implementation of statutory missions

The examination of ANPME activities in the last five financial years indicates that the management of SME support programs, particularly *Imtiaz* and *Moussanada*, constitutes almost the entire activities of the Agency. However, other responsibilities,

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<sup>1</sup> L'Agence Nationale pour la Promotion de la Petite et Moyenne Entreprise

<sup>2</sup> Pacte National pour l'Emergence Industrielle

although essential, seem to be relegated to the secondary position, preventing ANPME from accomplishing all its statutory missions.

Hence, the Agency did not establish a reliable database on SME in Morocco meeting the information needs for this sector expressed by national and international public and private operators.

Indeed, pursuant to Article 5 of Law n° 53-00 mentioned above, the Agency is in charge of “collecting and disseminating the information on the role of SME, its contribution to the national economy and the development of its activity”. It is also tasked with “drafting a report on the situation of SME”.

In the same vein, the 2009-2015 Contractual Framework stipulates that ANPME is required to conduct “transverse studies, value chains/sectors and impact studies. These studies aim at improving knowledge on the environment of companies, developing programs, on the basis of a sector-oriented vision and based on the needs specified to serve as a vehicle to competitiveness and modernization, as well as allowing companies a better targeting of their development actions and investments”.

It is noted, however, that the official data on SME are rather limited and do not allow adequate information about the situation of the sector.

## **I-2. Results of the action benefiting SME**

In the framework of its mission of support to SME competitiveness, the Agency manages a multitude of programs that can be classified in the five major categories detailed below.

### **I-2-1. Actions relating to the Program-Contract 2009-2015**

#### **I-2-1-1. Imtiaz program**

Imtiaz program is intended to support the companies with strong growth potential holding development projects, through granting them material and/or immaterial investment grants. The objective is to allow these companies to achieve the following:

- Increase their turnover achieved in the domestic market or through exports, as well as the creation of employment and added-value;
- Introduce new technologies, or induce a structuring impact on the sector in which they operate;
- Lift the constraints of undercapitalization which currently penalizes many SME and improve their balance sheets to allow them a better access to bank financing.

With regard to the objectives stipulated under the Contractual Framework 2009-2015, the purpose of Imtiaz Program is to support each year fifty companies with strong

potential, granting them material and immaterial investment assistance at a total value of 20% by investment, capped at 5 million MAD. This support is conducted on the basis of a contract called “growth contract”.

The audit mission noted the following in this regard:

- **ANPME does not fully play its role of manager of SME support programs**

It was noted that at the stage of selecting Imtiaz Program beneficiaries, ANPME relies entirely on an external service provider to carry out the screening of SME benefiting from grants. This screening is generally adopted by the Private Public Committee (PPC) as the final selection. ANPME’s role is limited to ensuring the function of secretariat and coordination in this regard.

- **ANPME does not ensure that some banks respect their financial commitments**

It was noticed that banks’ commitments are not always respected, particularly with regard to the release of investment plans funds in amounts inclusive of all taxes.

These practices led to inconsistency in terms of the financial packages of these projects, since Imtiaz grant is allocated as an amount including all taxes, whereas the banks release their appropriations excluding taxes.

Consequently, the financing of these projects is posted with the value corresponding to taxes, which can reach 8% of the financing of projects that the relevant SME should cover.

#### **I-2-1-2. Moussanada Program**

Moussanada Program aims at supporting 500 companies per annum with a view to improving productivity and accelerating the use of information technologies within companies, inducing the reinforcement of their competitive edge, particularly in terms of cost, quality and timeframes.

The analysis of the launch of the implementation of Moussanada Program raises the remarks below:

- **Failure to keep an exhaustive and updated statement on Moussanada actions**

It was noted that ANPME does not keep an exhaustive and updated statement on Moussanada actions outlining the activities initiated, completed, or underway, specifying those which show unjustified delays.

- **Hardly usable deliverables of the actions relating to studies**

The service providers hired in the Moussanada actions usually deliver their reports in three phases. Some of these reports do not propose concrete measures to the SME concerned in order to achieve the objectives stipulated in service agreements.

This remark relates especially to the studies targeting quality improvement, which are in fact typical and very similar though they deal with sectors as varied as textile, agri-food and construction materials.

▪ **Inadequacies of the justification by SME of the payment of their shares**

Reviewing several Moussanada files does not indicate that the companies have actually contributed by 40% to the financing of the program activities. Indeed, the Agency does not require evidence as to the effective implementation of such share of 40%.

**I-2-1-3 Program of support to the sector of textile**

The support program to the textile sector is promoted by the Ministry of Finance, MICNT, Central Guarantee Fund, General Confederation of Moroccan Enterprises<sup>3</sup> (CGEM), Moroccan Textile and Clothing Industry Association (AMITH) and ANPME. It aims at reinforcing the integration of the Moroccan sectors of textile and clothing as well as encouraging the emergence of three business models within the fabric of the companies in this sector.

Support to the textile sector, within the framework of this program is composed of providing financial assistance to the companies known as “distributors” and “converters”, and incentives to export calculated on the basis of additional turnover, granted for export over five years for the benefit of the companies known as “aggregators”.

A study conducted by a consultancy firm concluded that, for a better integration of the textile sector, the support program should plan such accompaniment, over the period 2012-2016, of five (05) “Aggregators”, five (05) “Distributors” and three (03) “Converters”.

The examination of the design and implementation of this program indicates the following:

- The results of the call for expression of interest show that the evaluation made by the consultancy firm was based on a limited number of files, which reduces the margin of selecting qualified companies to benefit from the program.
- For the selection of a distributor, the successful company was the unique candidate during the evaluation. Moreover, it turned out that out of the four aggregators selected only two maintain their commitment with regard to ANPME.

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<sup>3</sup> Confédération Générale des Entreprises du Maroc

Hence, the course of the call to expression of interest and the progress of beneficiaries' projects make it possible to conclude that such program seems hardly attractive to textile manufacturers. The poor attractiveness of this program raises the question of the relevance of its design and alignment with the real needs of the sector.

#### **I-2-1-4 Program INMAA: School factory**

This project aimed to support 300 to 600 Moroccan SME with great potential to succeed their large-scale operational transformation thanks to the implementation of "lean manufacturing" techniques, conducted in a simulated context within a model factory.

ANPME ensured the establishment of this program and the creation of the company in charge of its steering (INMAA S.A), whose capital amounts to 20 million MAD, in which ANPME contributes by 20%. The remainder is distributed at equal shares of 26.7% among three banks (AWB, BCP and BMCE).

The examination of this program raises the remarks below:

- **INMAA Company records poor achievements and a loss-making financial position**

At the end of 2012, the analysis of INMAA Company accounts reveals a loss-making financial position illustrated by the following observations:

- net loss of 3.4 MMAD;
- staff-related costs amounting to 7.65 MMAD, exceeding the turnover (excluding taxes);
- trade receivables amount to 6.13 MMAD, or more than 90% of the turnover (excluding taxes).

At the quantitative level, INMAA program targeted the support of 100 companies per annum. However, at the end of 2012, only 87 companies were registered on the program since its launch in February 2011; that is achievements lower by 50% compared to the set objectives.

- **Strong dependence on the aid granted within the framework of Moussanada Program**

It was noted that a significant number of training courses delivered by INMAA are financed by ANPME within the framework of Moussanada program. Indeed, for the financial year 2012, out of a total of 53 companies having benefited from INMAA training, 32 were financed by the Agency within the framework of Moussanada Program. Such funding reached an amount of 4.8 MMAD in 2012, or nearly 70% of the annual turnover (excluding operating subsidy) of INMAA.

### **I-2-2. Infitah component of Moroccan Digital Strategy**

The support opportunities provided by Infitah constitute a component of the Moroccan Digital Strategy. It was initiated by MICNT and steered by ANPME with the operational involvement of the Federation of the Moroccan Chambers of Commerce, Industry and Services (CCIS) and the Association of the Professionals of Information Technologies (APEBI).

It consists of freely introducing very small enterprises (VSE) to information technologies (IT), with a view to enabling them to discover IT benefits for the development of their activities and improvement of their competitiveness. At the conclusion of such training sessions, the companies obtain a digital license entitling them to an Infitah IT pack and a promotional purchasing guide adapted to their needs with advantageous offers.

Targeting licensed VSE with a turnover lower than 10 MMAD, the objective of Infitah project is to deliver 10.000 "Infitah" digital licenses to beneficiary companies, by 2013.

A fund dedicated to this program called "Funds for the computerization of SME" was created in 2010 and its closure is planned for the end of Digital Morocco 2013. It is funded by MICNT and managed by ANPME.

The examination of the design and implementation of this program makes it possible to note that the objectives expressed in terms of the number of companies to benefit from the program fall short of expectations. Indeed, in June 2013 and six months away from its estimated closure, the achievements in terms of the number of digital licenses and packs delivered do not exceed 40%.

### **I-2-3. Interventions of the ministry in charge**

In addition to the programs presented above, other actions within the framework of the promotion of SME are designed by MICNT and are the subject of agreements stipulating that ANPME is tasked with managing funds open in its name and ensuring the disbursements authorized by the Ministry departments.

The examination of the design and implementation of these programs within the framework of the promotion of SME designed at MICNT, whereby ANPME is only tasked with managing funds, shows that the Agency ensures merely a passive role. The content of the agreements concluded by ANPME for the implementation of these programs shows that the Agency is called upon only to ensure the follow-up of the disbursements authorized by the Ministry departments.

This situation makes the Agency look like an entity affiliated to MICNT for non-statutory accounting and financial management. For example, Rawaj program, mainly targeted at modernizing proximity trade, is adapted neither to the mission of ANPME nor to the contractual framework concluded with the State.

## **I-3 Governance**

### **I-3-1 Governance bodies**

Governance as regards the support offered to SME operates at two distinct levels: Emergence Plan and ANPME.

At the level of Emergence Plan, two steering bodies are planned: the steering committee and follow-up committees for each field of PNEI. They relate to the section on “SME Competitiveness” of the Emergence Plan.

The audit mission of the Cour Des Comptes noted that the follow-up committee met only once, in order to discuss the progress of Moussanada and Imtiaz projects.

The non-regular aspect of the meetings constitutes a breach of the obligations concluded by each of the parties of this committee within the framework of PNEI (Measure 109) and the contractual framework for the reinforcement of the competitiveness of companies.

### **I-3-2 Reporting and information: lack of an entity dedicated to the reception and follow-up of complaints**

The architecture of the Agency web site indicates the absence of a section dedicated specifically to the consultation of files and reception of complaints. Such complaints are not the subject of any follow-up by an entity devoted to this task within ANPME. This situation involves a communication gap with respect to SME.

### **I-3-3 Inadequacy of ANPME structure and organizational functions**

The examination of ANPME structure and organizational functions indicates the following:

- **The Agency does not have its own regional network**

In spite of the scale of its activities and the importance of the place which it now occupies in the national economic policy, the Agency does not have its own regional network. It relies mainly on third parties for the implementation of its programs. The channels used do not adequately contribute to the “marketing” of such programs.

The international benchmarking on this aspect in other countries (Turkey, Malaysia, Tunisia...) shows that the agencies of SME promotion often have local and regional development departments in charge of the direct implementation of support programs, hence ensuring consultation and proximity.

- **Inadequate organization chart and procedures manual**



It was noted that the organization chart approved by the Ministry of Economy and Finance currently in force at ANPME as well as the administrative and accounting procedures manual applied date back to 2006. Since then, the Agency has witnessed large-scale changes, especially with the coming into effect of the Contractual Framework 2009-2015, making the organization chart and procedures manual unsuited to these developments.

- **Inadequacies of the steering system**

Within the contractual framework concluded with the State, it is stipulated that ANPME is required to reinforce its management and steering control system, in order to make sure that the intervention strategy is well implemented, specifying the differences between objectives and achievements, and repairing them by suitable actions if required.

However, it was noted that this mission is fulfilled only partially. Indeed, although there is a weekly reporting of Moussanada Program, it does not include any proposal for corrective measures to be undertaken. Similarly, no reporting is established for Imtiaz Program.

Moreover, the Management Control Department does not produce formalized dashboards relating to the programs managed by the Agency.

- **Impact study: lack of an evaluation scheme**

In addition, as regards the impact study relating to its actions of support to SME, the contractual framework stipulates that the follow-up and evaluation conducted by the Agency should be based on several indicators such as resources, effectiveness, efficiency, impact and quality.

However, the Agency does not plan a scheme for the assessment of the impact of its actions.

- **Internal audit**

It was noted that the functions of internal audit and management control are gathered in the same department attached to the head office. These two functions should be distinct entities.

In addition, under the terms of the contractual framework, ANPME is required to develop an internal audit function targeted, on the one hand, at granting the Agency assurance as to the degree of control of its activities via systematic and methodical evaluations of the processes of internal control and risk management, and on the other hand, at contributing, through proposals, to the realization of the set objectives and the improvement of the performance of the Agency.

With a limited manpower, it goes without saying that this function is not endowed with human resources that would conduct internal audit missions so as to effectively satisfy this requirement prescribed by the contractual framework.

- **Lack of a department dedicated to cash management**

In spite of the significant number of the operational accounts managed by ANPME and the volume of cash which they generate, it was noted that the Agency does not have a unit dedicated to cash management.

### **I-3-4 Budgetary and accounting management of ANPME**

#### **I-3-4-1. Accounting and financial management**

In terms of assets' cash flow, it should be noted that the accounting system does not establish any demarcation between ANPME's own cash flow and that of the funds of the Agency dedicated to the programs of support to SME. Consequently, the amount of ANPME net cash flow proves distorted.

This situation is due mainly to the slow pace as regards the release of grants, and to a lesser extent to the existence of frozen funds inherited from ex-ODI.

Generally, the accounting diagrams of ANPME combine the operations directly related to its activity and those relating to the programs managed by its office. The accounting treatment of the entire operations is not subjected to any separation making it possible to constitute an individualized picture on the Agency's own assets.

While the operations linked directly to the activity of ANPME are well reflected in its assets and the results it achieves, those relating to the accounts that it manages are outlined only in the balance sheet.

#### **I-3-4-2. Management of public purchasing: excessive recourse to the negotiated procedure**

The Agency concluded, excluding the contracts relating to the construction of the head office, 52 contracts over the period 2008 to 2012, for the total amount of 158.38 million MAD.

The entire amount of the contracts awarded by negotiated procedures amounts, over the entire period 2008 to 2012, to 114.6 million MAD, or 72% of the entire amount of the contracts concluded by the Agency over the same period, excluding the contracts relating to the construction of the head office.

Consequently, recourse to the negotiated procedure seems to be excessive.

## **II. Major recommendations**

**Concerning the core business of the Agency, i.e. its action benefiting SME, ANPME should do the following:**

1. Strive to have a new definition of SME, which is precise, accepted and in conformity with the law, insofar as it is determining as to the targeted population of Agency.
2. Collect and disseminate information on SME to provide a better visibility of the sector, investing more efforts in the creation of a reliable database on SME as required by the law.
3. Intensify and diversify its interventions as regards the promotion, development and upgrade of SME, serving as a better listener to these companies, and to adapt its action resources to the development of its activities and the change of its environment.
4. Invest more efforts in the process of designing and implementing its programs and, following the example other countries, gradually develop its own network of communication and distribution of its service packs.
5. Devote its efforts mainly to its statutory mission and avoid dispersing resources in non-adapted programs that would overload its mission.
6. Conduct the evaluation of the impact of its action benefiting SME, particularly more than 4 years after the coming into effect of State/ANPME contractual framework, at two levels:
  - With regard to the companies supported within the framework of this program;
  - With regard to the performance indicators as to the achievement of SME sector, particularly as regards investment, job creation and the volume of exports.

**Concerning its own management, ANPME should do the following:**

7. Update its organization chart and procedures manual with a view to taking account of the important changes that it has witnessed, especially following the signature of the contractual framework 2009-2015 with the State in 2009, as it is extended up to 2020.
8. Establish cost accounting to help the Agency evaluate the impact of its actions and better manage and control the costs of its programs of support to SME.
9. Set up a separate account for managed funds by keeping individual accounts for each operational account.

10. Create a unit dedicated to cash management for a better financial management of the liquidity surplus it has.
11. Keep to a minimum the conclusion of contracts via negotiated procedures and more frequently resort to competition in order to benefit from the best bids.