

Modernizing the RFP and Process of Forging Productive Partnerships

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PGRI INTRODUCTION: These are interesting times on a wide variety of fronts. In spite of adversity, or perhaps because of it, the world is changing in many positive ways. The emerging markets of Africa are poised to accelerate their growth trajectory. Morocco, long viewed as the gateway to Africa for its strong ties to the rest of the world, has a lottery and sports betting market that is mature, dynamic, and growing. And now it is poised to position itself for an even more ambitious period of development. To this end, MDJS is executing an RFP process with the goal of applying best practices that support technological innovation, flexibility to adapt to new solutions as they become available in the future, and process-engineering to assure partnerships are aligned to pursue goals with a clarity of purpose and direction. We thank Younes El Mechrafi for sharing his vision for forging long-term relationships that will serve the stakeholders of MDJS and the people of Morocco.

Paul Jason: What makes this year, 2022, such an important inflection point in the development of the Gaming, Sports Betting, and Lottery markets in Africa?

Younes El Mechrafi: African sports betting and lottery markets are facing many challenges, but also provides enormous opportunities amidst untapped potential. The top-of-mind issues include: how to improve regulatory frameworks in a sector in constant evolution; how to integrate safe online gambling and avoid problem gambling; and how to maximize sales, growth, and funding for societal causes in a responsible manner.

Often, licenses to operate games-of-chance are no longer effective or up-to-date at addressing ongoing innovation and technological developments. How new technologies are integrated into existing IT infrastructures to bring lotteries into outer zones and rural areas is also a challenge.

Of course, these challenges represent opportunities for suppliers and operators who are encouraged to work together with us to forge solutions and new pathways to growth and prosperity for the African economies and people. African lotteries are in the ascending stages of their



learning curve. The good news is that Africa is also in a dynamic of heightened economic growth and development.

The success strategies that have contributed to modernization in other global regions have varied greatly according to the times they took place in, the legacy industrial and technological infrastructure, cultural mores and gaming culture in particular, and countless other factors. Economic growth and technological innovation have followed quite different trajectories in Europe, North America, Asia, and even the countries within those regions. And so it is now the case that Africa is developing its own unique success story.

We all want to learn from the past, we want our strategic planning to be informed by the best-practices as they have been applied in other regions. But we also need to recognize that African economies are following a path that is quite different from any others in history. For instance, Africa's lack of a built-out

land-based cables and wired communications infrastructure enables it to completely leapfrog an entire generation legacy technology. Africa is moving directly into satellite-based cellular technology to connect B2B, B2C, and C2C. This represents an incredible opportunity for the African market-places to expedite modernization, given the vision and technology partners to make it happen.

The process of modernizing does pose formidable challenges in Africa as it does everywhere. For one, the cooperation of commercial technology leaders is needed to unlock Africa's resources and consumer markets. For another, that cooperation needs to be based on a prudent combination of best-practices as established in more mature markets along with a keen recognition for the differences that apply to African market development. Africa's economic, social, technological, and cultural evolutionary pathway has been and will continue to be quite unique, certainly different from Western Europe and North America and other developed economies where many of the current "best-practices" have been established. And even within the continent, there are countless differences to the way local markets are evolving. We do want to learn from others who are further along in the journey towards modernization. But we also want the thought process to be informed by the character and conditions of local markets and local political/social/cultural infrastructures as well.

In sum, we need to work together to build a better and more sustainable common vision. As a young organization with a mission that is by a sound statutory structure, ALA can serve us all well as the platform to drive progress through congresses, seminars, webinars, and meetings. My goal, as General Secretary of ALA, is to nurture a deeper cooperation among the leadership of the global industry to work together to accelerate the development of the African gaming and lottery markets.

How is ALA currently supporting the development of the African gaming markets?

Younes El Mechrafi: The basis for all progress is working together to achieve mutually desired goals. We need to cooperate and collaborate to clarify those

goals and forge the alignment of purpose and process to achieve those goals. And we need everyone, all stakeholders and all of us working in this industry, to be informed and to understand the issues and acquire a thoughtful approach towards pursuing the success strategies that will serve society and the good causes that depend on lottery funding.

More specifically, the ALA can serve that end by working with the WLA to provide an educational agenda geared towards the specific needs of our African constituents. That would include webinars and in-person conferences and seminars. Those would include at least French translation for ALA members, world class experts from outside of Africa, and the younger generation of management as well as the leadership of African operators. We need a leadership vision that is informed by the insights and wisdom of the global community of leaders and technology partners. That is how we will unlock the full potential of the African markets for the benefit of society and stakeholders in government gaming. ALA and MDJS (as the member holding the role Secretariat) are dedicated to doing whatever we can to support progress in Africa, and to build a stronger network of communication and dialogue between and among the ALA and its members, along with the international community of industry leaders.

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Further to that end, MDJS wants to invite everyone to work together to forge a new way forward. MDJS is working to engender a deeply collaborative relationship between the ALA, the WLA and GLMS, and other sport related organizations.

How do you envision the Moroccan market evolving over the next years?

Younes El Mechrafi: MDJS, just like Morocco itself, occupies a place that connects Europe and Africa, and endeavors to leverage that role to help in whatever ways we can to smooth the pathway for technological progress in Africa. First of all, there is the new business approach we have set up at MDJS.

The last 10 years have seen an incredible growth of the gambling industry in Morocco, led by the sports betting market rise.

Besides the organic growth of sports betting (18% per year) the Moroccan gambling market shows a lot of potential evolution factors:

The evolution of online gaming: Online gaming represents only a very low share of the overall lotteries' revenue today. But the very fast digital transformation the country is facing shows that the Moroccans have a very high appetite for the digital. With the rise of new, bank less, payment methods (e-wallets, mobile payment, vouchers) the opportunities of an online gaming growth are real.

The low payouts: The overall payouts in the local lotteries are still quite low compared to the worldwide benchmarks. It means that there is a big market growing potential by strategically rising those payouts and still staying in the responsible gaming standards.

Addressing new targets: By developing an offer and communication more appealing to a new kind of target such as women and others social classes, with the promotion of leisure (and responsible) gaming there is a big market growing potential for the lotteries in Morocco

Diversify the offer: The overall gaming offer in Morocco is quite simple compared

to what is available worldwide. And the development of new games and new ways to enjoy lottery games offers a big room of growth for the market. There are plenty of things to establish in Morocco like scratch tickets, more betting options, more virtual gaming, e-sports betting etc.

Second, there is the Macolin Convention. Morocco is the first African country who signed this very important international Treaty to fight match fixing and promote integrity in sport. MDJS, as observer member, cooperates with the Copenhagen group in monitoring big international sport events. Together with ALA & GLMS, MDJS will encourage other African countries to join.

MDJS is strongly committed to actively participating in the different lottery fora and organizations. MDJS staff is participating in a wide range of seminars and educational programs, while I myself assume responsibilities in the Executive Committees of both the WLA and GLMS.

MDJS has fulfilled the highest standards of responsible gaming and operational excellence for many years. And you hold influential positions in international associations. This would seem to represent an opportunity for leadership in the development of the ALA.

Younes El Mechrafi: MDJS does aspire to leverage its historically unique role as the bridge between Africa and the international lottery community for the benefit of ALA members and the technology partners so key to our success going forward. MDJS has been in the market for 60 years. MDJS understands the nature of operational challenges and how to assess and optimize the competences and strengths of its suppliers/providers/managers.

MDJS has signed several partnership agreements with African lotteries. The objective is to create a framework for the exchange of experiences and expertise in the respective fields of activity, to work on projects of common interest and to strengthen existing relationships between the institutions, with a view to increasing the necessary funds that they collect.

MDJS has accompanied some lotteries in their certification projects in the field of security and responsible gambling.

Your RFP is attempting to address the concern that vendors/technology partners have long expressed about contracts that are so cost-centered and restricted that they impede innovation and inhibit investment in initiatives that are key to driving success in the future.

Younes El Mechrafi: Yes, exactly. The new RFP is indeed completely different from the previous RFP's of MDJS but also from the RFP's launched in the past jointly with our Moroccan colleague, SGLN.

“MDJS wants to work with its partners to unlock the investment and resources that enable progress and innovation.”

The RFP has been drafted with the support of international and Moroccan experts. Also the evaluation team will be comprised of a combination of very experienced MDJS team members and various top experts who will collaborate to provide an objective marking.

We learned a lot from previous RFPs and also from the COVID pandemic. The new RFP is fundamentally different from the previous RFPs. It includes:

1. WLA standards based on the knowledge of, and in fact drafted by, international experts in this field
2. More open to innovation. That requires a contractual platform that allows suppliers to implement new solutions during the contract. The RFP promotes a dynamic and business-driven approach that is highly responsible according to the WLA and EL RG and CSR standards
3. Experience and a successful track-record are highly valued. But this RFP also opens the door for young, innovative companies to be a part of the process and contribute to the success of MDJS

The process enables us to listen to

potential partners regarding issues that have emerged too recently to provide “best-practices” templates. For instance, the pandemic has accelerated trends and ushered in completely new factors and market-place dynamics. What are the new solutions that enable gaming operators to effectively adapt and succeed to this new world order?

It is our hope that our approach to this RFP will constitute a new model that will be helpful to other members of the ALA and WLA members.

So I understand that you are looking to remove the barriers to entry to select the best operator(s). How does this translate into your tender?

Several criteria have been relaxed to have maximum competition and remove barriers to entry, among them:

Financial capacity criteria and length of history of activity of bidders revised downwards and Join-venture:

For instance, while we still want experienced operators, the number of years of experience required has been reduced from ten down to five, and experience in three jurisdictions instead of more. Additionally, we encourage operators to enter into joint-venture constructions to allow the entry of new, younger suppliers bringing innovative solutions. This joint-venture (JV) approach is something we really advocate for. We accept that partners within the JV pool their references and experiences to meet the selection criteria set in the RFP. MDJS strongly believes in joint collaborations to bid for the project.

It is our intention to consider such joint ventures to operate and promote MDJS games in Morocco market. We hope that this progressive approach will create confidence and trust from the players and recognition from the international market.

At the same time such partnerships will take advantage of joint experience and know-how of Operators in different product areas and different markets for the benefit of Moroccan players and good causes. We hope that this approach may even serve as an example for others to learn from, and for us in turn to learn from others going forward.

Separation into two lots: We also split the RFP into two lots: sport betting (still our core business) and lotteries to grant more operators the opportunity to enter our market. JVs can share the references required to participate on an aggregate manner and can also share the risks of a new business that they may be asked to operate. JV's can be formatted to support lot 1 or lot 2 (i.e. sports betting or lottery), or jointly lot 1 and 2, in order to take advantage of synergies. We expect internal corporate structure of such special purpose vehicles to be fair and transparent, and shared responsibilities to be clearly articulated.

No minimum investment amount: We are not setting in advance any obligations on minimum investment and/or specific budgets. We leave it to the candidates to include their reasoning in their business and technology proposal.

More flexible penalty system: The penalty for late receipt of the system is equivalent to the loss of revenue of the MDJS (1 day of gross gaming revenue), and 3 times less than the one foreseen in 2020

No requirement for the deployment of conventional equipment, and encouragement of innovative solutions, especially for lottery lot.

The technology proposal can be cloud-based and make use of tablets as long as normal security standards applicable to our sector are respected. To that end, we are allowing more flexibility to set the pay-out ratio.

The functionality and performance of MDJS systems and terminals meets the highest standards and we want our customers to always receive the best-of-breed services, as well as enjoy a wide selection of channels to participate in our games. We have worked hard to integrate

into this RFP Tender an understanding of and respect for the concerns of technology partners. And we have tried to remove the obstacles to ongoing innovation.

We recognize that it is in our common interest to explore the wide variety of solutions to deliver the best service to our players, and to minimize system failures and maximize efficiency and effectiveness – and so we are open-minded to the variety of approaches that our bidders might propose.

We invite everyone who is interested in our approach and to the building of a successful future with MDJS to join us in our effort and co-construct a mutually agreeable contract. Participating in our new RFP with an open and positive mind-set, looking not only at the hurdles of working within a governmentally imposed regulatory structure, but willing to engage in a constructive dialogue with MDJS to find appropriate solutions and create a new, post-pandemic, future for all.

Finally, well performing operators can benefit from a 2-year extension.

Could you elaborate on the mechanisms that allow investment in innovation and technical solutions that are unknown at the time the contract is executed.

Younes El Mechrafi: Today the evolution in technology and variance in games is so rapid that lottery organisations need to adopt flexible platforms ready to accommodate new games from new studios, new game technologies, and new functionalities relating to customer penetration, POS Marketing, CRM, retailer reports, etc. We are enlisting the input from bidders on how to craft platforms that enable us to integrate new games or adopt new technologies. We want to work with bidders to identify parameters in terms of time and material, as well as to be proposed with methodology/processes to accommodate such technologies. MDJS wants to work with its partners to unlock the investment and resources that enable progress and innovation, all within the context of RG and according to the WLA standards.

A few more specifics on this MDJS RFP, please ...

Younes El Mechrafi: The process is also very different, much more open than RFP's in our industry have historically been. Submissions are accepted in English and French. We established an electronic-rich data room where recourse to answers to all questions and lots of other information is made available.

We are also establishing with the selected operator "a gaming observatory" enabling us to implement new technologies during the contractual term.

You mentioned the ongoing impact of Covid and the transition period. How do you address this matter?

Younes El Mechrafi: We are aware that the disruptions of the pandemic may create complications during the transition period. We installed a "transition committee" to assist the selected operator(s) with finding the necessary local partners and facilitating the cooperation. We are prepared to work with our new partners to overcome issues that may not have even existed two years ago.

We were ready to launch the RFP earlier last year but elections in the country obliged us respectfully to wait for a new government. Everyone involved in the lottery sector understands this as we have seen this happen in other jurisdictions.

In the meantime we have been able to review our RFP schedule. The deadline for submission of bids is now 31 May 2022 (instead of 4 April 2022), while the commencement date of the operations is scheduled for 1st January 2024 (instead of 1st January 2023). This extension of time is in line with the MDJS' constant willingness to establish a trustworthy and sustainable partnership with the global community of operators and technology providers.

We are really looking to establishing a trustworthy and sustainable partnership with the vendor community and invite them to look at our RFP with an open mind and positive attitude. Dialogue between lotteries and vendors is of crucial importance for me. ■