

MOROCCO 2020/21

the business year



 **AMDIE**

الوكالة المغربية لتنمية الاستثمارات و المبادرات
MOROCCAN INVESTMENT AND EXPORT
DEVELOPMENT AGENCY

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Morocco's Investment and Export agency is in charge of promoting national and foreign investment as well as exports of goods and services. The agency is committed to supporting all economic actors throughout their entire life cycle.

AMDIE is here to :

- Follow up on you throughout your entire project, from preparation to financing and execution;
- Help you identify the best partners in Morocco and assist you during the deal-making process;
- Facilitate your access to international markets and help you sign export contracts with local players;
- Help you identify the best opportunities abroad and provide you with support during the entire investment process regardless of your country of origin.

MOROCCO NOW

INVESTMENT AND EXPORT



2nd Foreign Direct Investment destination in Africa
Ernst & Young Survey, 2019



3rd Worldwide in The Climate Change Performance Index, 2020



1st Financial center in Africa
Global Financial Centres Index, 2020



2nd Country Where to invest in Africa
2020 Rand Merchant Bank



22nd Country worldwide in liner/shipping connectivity
UNCTAD, 2019



3rd Best country for Doing Business in the MENA Region and 53th Worldwide, 2020



1st Country in Africa for Travel Tourism Competitiveness
Index WEF 2019



1st Country in Africa for infrastructure quality
WEF, 2019



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THE BUSINESS YEAR: MOROCCO 2020/21

The *Business Year: Morocco 2020* is a portrait of the Moroccan economy as seen through the eyes of its economic decision makers.

Research for this publication was carried out in a dynamic economic and political context, including a government reshuffle in October 2019, the conclusion of the First Industrial Acceleration plan, the new foundations for the 2020 Finance Bill, and the onset of the COVID-19 pandemic.

On top of the conclusion of the First Industrial Acceleration plan, which ran from 2014-2020, a number of other programs was also concluded, namely Plan Halieutis 2009-2020 for fisheries, Vision 2020 for tourism, and the Green Morocco Plan, launched in 2008 for the agriculture sector.

And it seems the programs were not in vain. In 2019, there was an increase in the contribution of non-agricultural sectors to GDP, which made it possible to compensate for the fall in agricultural production. It was also a year of reflection and debate regarding the future path of economic development following a royal call for the elaboration of a new model of development that seeks out new formulas to

stimulate growth.

Our research was also carried out in an unstable global economic context, marked by low growth and uncertainty. In the middle of the current COVID-19 pandemic, markets have plummeted, and, despite Morocco's political and economic stability, these events have had a significant impact, leading to a substantial decrease in numbers in the tourism sector and the local community's purchasing power.

As 2020 rolls on, emergency support for the economy has given way to plans, first addressed by the King during an address to parliament in October 2019, to create a more robust ecosystem for entrepreneurs and SMEs.

In partnership with the Moroccan Trade and Investment agency, and with the collaboration of the American Chamber of Commerce, we conducted over 80 interviews for this first edition. From Casablanca to Rabat, our team was able to sit down with a host of top players to take the pulse of the local economy.

The aim of *The Business Year: Morocco 2020* is to provide a platform for the country's decision makers at a time of global uncertainty and act as a guide for investors looking seriously at the North African economy. ✖

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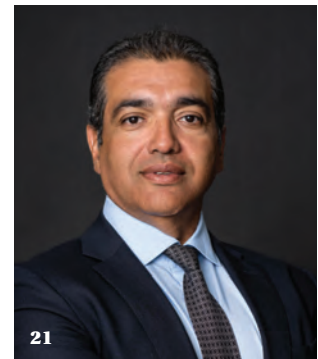
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Image: Nyari

POSITIVE TIDINGS

Morocco is growing in significance as a regional economy, well positioned as a gateway to Africa and as a stepping stone to Europe. COVID-19-related challenges aside, there is much to be optimistic about.

Recent large-scale reform plans have put Morocco on the right trajectory for progress, but a rapidly digitalizing world, accelerated by COVID-19, will test the Kingdom's ability to adapt and uphold its resiliency thus far.

TIME FOR AN UPGRADE

Morocco is hopeful that reclaiming its MSCI emerging market status, after being downgraded to frontier status in 2013, will open up new opportunities to an expanded pool of investors. And to revamp its equities market and build a more diverse investor base, Casablanca Stock Exchange, looking to boost the number of listed companies, enacted its Elite Program in 2016. A partnership with the London Stock Exchange, the program aimed to facilitate IPOs by 2020. Although COVID-19 has put somewhat of a damper on these efforts, the longer-term outlook looks positive. Elsewhere, Morocco recently welcomed a new player to its Islamic banking scene in the form of Umnia Bank. While Fitch noted in 2019 that progress in Islamic finance has been limited of late, a new sharia-compliant players that is focusing on digital services could act as a portent for things to come.

GREEN PROGRESS

A fact recognized by the World Economic Forum (WEF) and the stakeholders we interviewed, Morocco has made incredible progress toward sustainable energy over the last year. This is due, in large part, to the increased political will and investment in renewables. WEF's Energy Transition Index 2020, which was published in mid-May and benchmarks 115 national energy systems, put Morocco at the top for the MENA and African regions. What's more, the 2019 Climate Change Performance Index ranked Morocco second globally.

There is incredible potential for renewable energies, namely solar, hydro, and wind power, to play a more pronounced role in the country's energy matrix should such frameworks come about. The northwest African powerhouse aims to reach 52% renewables in its national energy matrix by 2030. A decade away, and Morocco currently sources 42% of its energy from renewables.

MANUFACTURING HUB

Thanks in part to its strategic location as both a gateway to Africa

and close to Europe, Morocco is developing strongly as a manufacturing hub. In 2014, Morocco launched its Industrial Acceleration Plan to map out the arc of the sector through 2020. Now in the final year of the plan, we have the unique opportunity to evaluate its implementation and look toward the future.

Within the industrial sector, the automotive, aerospace, and textile segments stand out. Mohamed Lahlou, President of the Board of the Higher School of Textile and Clothing Industries (ESITH), highlighted the importance of the textile sector as a segment that creates jobs and boosts exports. He noted in an exclusive interview with TBY, “Textiles and clothing has always represented a particular importance in terms of employment and exports, with more than 180,000 jobs and USD3.8 billion in exports.”

DIGITAL FUTURE

COVID-19 has heralded a new digital era, accelerating trends toward remote working and learning and putting the cloud at the forefront of every business owner. For Morocco, digitalization has been a key priority for the government since 2009, when the first strategic plan laid out key e-government objective to reach by 2013. Maroc Numeric 2013 was launched as part of a royal initiative to establish the country as a continental tech hub.

Progress in recent years has been noticeable. Today, applications for identity documents and passports are fully digitized, and the payment of bills and processes for establishing a business can be done online. Morocco ranks among the top-10 countries in the world in the Universal Postal Union’s ranking of countries that have succeeded in achieving true digitalization.

And with the latest strategic plan, Maroc Numeric 2020, coming to an end, stakeholders are first evaluating impact thus far and the current reality of digital transformation to more effectively draft the next plan, which is certain to be shaped by COVID-19.

LEARNING TO LEARN

Morocco has invested heavily in education in recent years, with mixed results. Before the COVID-19 pandemic, inequality in education was a critical problem, and the onset of distance learning has only further highlighted the challenges that exist in poorer, more rural regions that often lack reliable ICT infrastructure.

Despite the challenges wrought by a rapid shift to online education, there are many bright spots in Morocco’s education sector. Some noteworthy trends are higher education’s proactive and enthusiastic approach to partnering with industry, as well as supporting SMEs, entrepreneurship, and women’s empowerment. ✖

GDP PER CAPITA (2019)

SOURCE: THE WORLD BANK

USD3,204

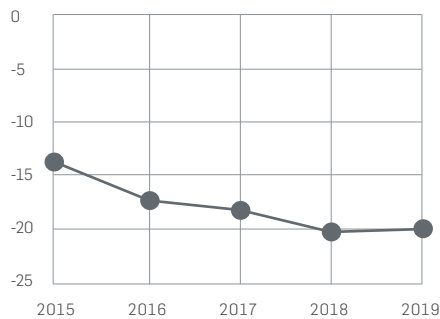
INFLATION (2019)

SOURCE: STATISTA

-0.05%

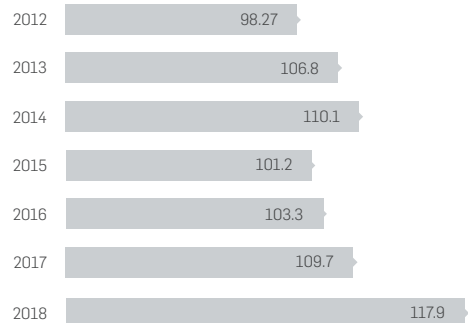
TRADE BALANCE (USD BLN)

SOURCE: FOCUS ECONOMICS



GDP (CURRENT PRICES, USD BLN)

SOURCE: THE WORLD BANK



JULY 30, 2019

King Mohammed VI celebrates Throne Day, marking 20 years since his ascension to the throne.



AUGUST 2019

Maroc Telecom signs a USD1-billion investment deal with the Moroccan government.



OCTOBER 2019

Morocco rises to 53rd spot out of 190 countries on The World Bank's annual Doing Business 2020 review.



NOVEMBER 2019

Ivanka Trump, daughter and advisor of the president of the United States, visits Morocco to promote the US initiative in favor of the economic emancipation of women.



DECEMBER 2019

The 14th France-Morocco high-level meeting is held in Paris under the co-chairmanship of former French Prime Minister Édouard Philippe and Saâd Dine El Otmani, Head of the Government of the Kingdom of Morocco.

MARCH 13, 2020

After the WHO's labeling of the COVID-19 outbreak as a pandemic, the Kingdom of Morocco moves to suspend all air and sea passenger travel between France and Morocco until further notice.

NOVEMBER 2020

The Spanish Institute for Foreign Trade reports that the number of Iberian agricultural firms registered in Morocco has reached 37, highlighting a trend of Spanish farmers moving to the country to take advantage of cheap land and labor.

AUGUST 21, 2020

Morocco begins to reinforce lockdown restrictions in certain areas and cities as COVID-19 cases begin to spike.

JUNE 2020

King Mohammed VI undergoes successful surgery in Rabat for a heart rhythm disorder.

A photograph of the Parliament building in Rabat, Morocco. The building is a grand, classical-style structure with a red facade and numerous tall, light-colored columns. A large Moroccan flag flies from a tall pole in front of the building. In the foreground, a black metal fence runs across the scene, with several people walking past. The sky is clear and blue.

The Building of the Parliament in Rabat

POPULATION

SOURCE: HCP, WORLD BANK

2014	33.8 MILLION
2018	36.03 MILLION
2050e	43.6 MILLION
Average annual growth until 2050:	270K

LANGUAGES SPOKEN

SOURCE: TRADE PORTAL, GRAPHIC MAPS, TBY RESEARCH

Arabic (Darija)	60%
Tamazight	30-40%
French	33%
Spanish	21%
English	14%

TOP TRADE PARTNERS (2018)

SOURCE: WITS

TOP EXPORT PARTNERS

Spain
France
US
Italy
India

TOP IMPORT PARTNERS

Spain
France
China
US
Italy



Diplomacy

A NEW DAWN

A geographic link between Europe and Africa, the Kingdom of Morocco is very much interested in maintaining good international relations, both economic and diplomatic. In many cases, these interests overlap and lead to fruitful relations, particularly with Europe.

Morocco's European ties go beyond historic and linguistic links with France or its proximity to Spain. Emma Wade-Smith, Her Majesty's Trade Commissioner for Africa in the UK's department for International Trade, sat down with TBY for a virtual interview a few months into the pandemic. She emphasized the need for further alignment between the UK and Africa in light of the global health crisis, with increased interest on the part of British companies in finding new trade markets and investment opportunities. Wade-Smith added that for the UK, Morocco is one of the most dynamic African markets; it is the sixth-largest economy on the continent and one of the easiest for doing business. The World Bank's Doing Business 2020 report highlights Morocco as one of the 42 countries that saw significant progress across at least three criteria. Notably, some of those criteria in which Morocco improved include dealing with construction permits, getting electricity, protecting minority investors, paying taxes, trading across borders, and enforcing contracts, all good news as far as the UK is concerned.

Morocco has spent several decades building

strong ties not only across the Mediterranean but also the Atlantic. Much like the UK, the US is keen on opportunities in Africa, especially Morocco, as it is seen as a gateway for many American companies. A formal FTA with the US was established in 2004, with bilateral trade accounting to USD450 million at that time. 15 years on, this figure has skyrocketed to USD4 billion.

The only area where relations remain strained is with Algeria. Despite Morocco's attempts at diplomacy and reconciliation, the dispute over the Western Sahara continues to be intertwined with Moroccan and Algerian tensions, and progress has been stunted by Morocco's comparative advantage in terms of economic diversification. One bright spot is Air Algérie, Algeria's national airline, and its noted increase in the number of passengers between Casablanca and Algiers. This is part of a broader strategy to fill the demand for more inter-African routes.

This trend toward more cooperation within Africa is exemplified by Morocco's readmission into the African Union (AU) in 2017 after leaving more than three decades ago. Though reconciliation efforts surrounding the Western Sahara disputed territory have stalled, Morocco's contributions to the AU amidst the COVID-19 crisis shows potential for the country to take a more proactive role in regional and continental collaboration, particularly within the Sahel and the Economic Community of West African States. ✖

INSIDE PERSPECTIVE



PEOPLE *first*

Parliament must focus on building a country that is committed to progress and development and that responds to the concerns and aspirations of all its citizens.

His Majesty Mohammed VI
KING OF MOROCCO

Praise be to God, prayer and salvation to the Prophet, His family, and His companions. Distinguished members of Parliament, we are pleased to preside over the opening of the fourth year of the present legislature. It is, for us, the opportunity to meet you again, you the elected representatives of the nation. Because it intervenes in the middle of the current parliamentary mandate, this legislative year must be stamped with a sense of responsibility and seriousness. It also has the particularity of being some time away from the election period, which is generally punctuated by tensions. It is up to you, therefore, to seize this favorable conjuncture to best fulfill the mission entrusted to you by the citizens. Your duty is also to act in a spirit of constructive emulation in order to serve their interests and defend national causes. You must also approach this legislative year with a view to the new stage, which we outlined in the last King's speech. If our concern has been to define the essential challenges as well as the major economic and developmental challenges of this stage, the responsibility of the political class, more specifically that of the government, parliament, and political parties, is to create the conditions needed for its completion.

Ladies and gentlemen, distinguished members of Parliament, the new stage, which begins now, requires unanimous involvement, based on redoubled confidence, a firm will to work in a spirit of collaboration and unity, and vigilant mobilization. It must also be characterized by the concern to transcend unproductive quarrels and stop any loss of time and energy. Its top priorities are to implement reforms and follow up on decisions and project execution. This is the mission of the executive and the legislative branches. This is also the responsibility of the private sector, particularly when it comes to funding—not to mention the important role dedicated civil society organizations should play. In fact, it is incumbent upon the government to develop rigorous plans on the basis of which decisions and projects of national, regional, or local significance can be carefully conceived, meticulously carried out, and monitored over the long term.

Since the administrative apparatus is put at its disposal, the government should tap all the means available to it, especially statistical data and inspection and control mechanisms, in order to guarantee the efficient implementation of decisions, making sure stakehold-

ers work with one another in a transparent and harmonious manner. In this regard, there can be no shirking of responsibility, especially if the principle of public accountability is strictly enforced. As far as Parliament is concerned, the Constitution has given it broad powers in the field of legislation, oversight of the government, and assessment of public policy.

As members of Parliament, you are responsible for the quality of the laws passed to implement projects and decisions on the ground, making sure they are attuned to the pulse of society, fulfill citizens' aspirations, and address their concerns. It is also your responsibility to monitor government action concerning all matters relating to the management of public affairs and scrupulously ensure they are in line with the real concerns of citizens.

No matter how appropriate the decisions are, and regardless of the quality of the projects planned, implementation will always hinge on the availability of resources. This is why I have always insisted on the need for sound preparation of programs and projects, especially matters relating to funding and to the settlement of real estate issues. Government efforts alone will not suffice in this regard. This means the private sector should be involved in the development process. We are referring in particular to the banking and financial sector, which constitutes the keystone of any development strategy. Implementing projects and decisions and ensuring their follow up goes beyond just signing contracts and agreements. These operations also involve a moral contract, drawing from reason as much as conscience.

This is a matter of shared responsibility for all the stakeholders concerned. Each party is duty-bound to fulfill its obligations and honor its commitments. Such a contract does not involve government institutions and elected officials alone. The private sector—especially financial institutions and the banking sector—is also concerned. Morocco, God be praised, has a banking sector combining robustness, dynamism, and professionalism, all of which contribute to the resilience and development of the national economy. In addition, Morocco's financial system is subject to strict regulatory controls undertaken by independent and competent national institutions. This enhances trust in our banking sector and reinforces its credibility,

BIO

His Majesty King Mohammed VI, the son of the late King HM Hassan II, was born in Rabat in 1963 and was crowned King of Morocco on July 30, 1999. He acquired a BA in 1985, his first certificate of high studies in political sciences in 1987, and a second certificate in public law in 1988, the last two with honors. In order to complete his training, and to practice the principles and rules of law, the Late King Hassan II sent him to Brussels in 1988 to work with Jacques Delors, president of the Commission of the European Economic Communities, for a few months. His Highness has also taken part in many international and regional conferences and has authored a book and many articles on Euro-Maghreb cooperation. He received a doctorate in law with distinction from the University of Nice-Antipolis in France and an honoris causa doctorate from the University of George Washington. He is fluent in Arabic, French, Spanish, and English.

both domestically and abroad. Its level of development has enabled it to invest in a number of foreign countries, especially in Africa; however, certain categories of the population still have a negative perception of the banking sector, considering banks are only interested in instant, guaranteed profit. This representation is evidenced, for instance, by the difficulty young entrepreneurs have in obtaining loans and by the limited financial support provided to graduates and for the creation of SMEs. I am fully aware that it is difficult to change certain mindsets within the banking sector. In this regard, I have already stressed the need to change mentalities within the civil service and put an end to behavior that impedes development and investment. We, therefore, urge the national banking sector to show greater commitment and be more effectively involved in the country's development dynamic. This effort must focus especially on financing investment projects and supporting productive activities that create jobs and generate income.

In this respect, and in addition to the financial support banks give to large businesses and companies, we call on them to fulfill their crucial role in promoting development. To achieve it, they must in particular simplify and facilitate access to loans by being more open to self-employment projects and by financing the creation of SMEs. To this end, we ask the government and Bank Al-Maghrib to coordinate with the Professional Group of Moroccan Banks in order to develop a special program to provide financial support to young graduates and fund small self-employment projects. Given their positive impact on a number of families and on society as a whole, it is worth drawing inspiration from the fruitful experiences carried out by organizations that finance projects developed by young people, thereby facilitating their integration into social and professional life. Our wish is that this plan, the different phases of which I will be monitoring with the government and the parties concerned, revolves around the following:

First, enable as many young, qualified project holders as possible, from various social backgrounds, to obtain bank loans in order to launch their projects, and provide assistance to make the plan as successful as possible. Second, give financial support to export-oriented SMEs, especially those trading with Africa, and

enable them to benefit from the value added offered by the national economy. Third, facilitate public access to banking services and to opportunities for professional and economic integration, particularly for people involved in the informal sector.

Needless to say, economic activity hinges mostly on the development of banking services. In this regard, I applaud the results achieved in this area over the past two decades, given that the number of citizens who opened a bank account has increased three-fold. Banks are expected to keep up efforts and invest in modern technology and innovative financial services to increase the number of Moroccans with access to financing and banking services, thereby serving the interests of banks as well as those of citizens in a balanced and equitable way and contributing to development.

However, this plan will not achieve its goals without the effective involvement of citizens, who should shoulder their responsibilities and honor their loan terms and conditions. Likewise, financial regulatory and control institutions and mechanisms should monitor the various operations involved and make sure there is a balanced, trust-based relationship between finance institutions and borrowers. I shall highlight the social responsibility of financial institutions and the need for them to contribute to constructive initiatives, whether they concern social or humanitarian issues, the preservation of the environment, or the promotion of sustainable development.

Building a country that is committed to progress and development and that responds to the concerns and aspirations of the citizens requires all stakeholders to take concerted action. From this forum, I call on the legislative institution you represent as well as on the executive branch and the private sector—especially the banking sector—to be actively involved in this national development endeavor and ensure the success of the new phase we are embarking upon.

Be, may God keep you, up to this task that requires a keen sense of responsibility and commitment and put the nation's best interests above all other considerations for the prosperity of the country and the good of its people.

* Speech given in the Houses of the Parliament, October 11, 2019

The Moroccan flag flies at Jemaa el-Fnaa square



THE UNKNOWN PRICE OF INTEGRATION

Though persistent in its efforts to join the Economic Community of West African States since 2017, Morocco has yet to convince the rest of the bloc's 15 members that its membership will benefit them as much as it does Rabat.

THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS) was founded during a pivotal year for West Africa, 1975, coinciding with the end of centuries of Portuguese and Spanish rule along the continent's western littoral. Of the 15 member organizations, whose official languages are English, French, and Portuguese, Cabo Verde, which joined the bloc in 1977, was emerging from over five centuries of colonial rule, while Guinea-Bissau had only been independent for a year. The rest of its members, including its largest, Nigeria, had only been independent for a decade and a half.

Created to promote economic integration among its members, whose population now exceeds 350 million, making it the fourth-most populous economic bloc in the world after China, India, and the EU, ECOWAS has also participated in peacekeeping missions across the region, including Ivory Coast in 2003, Liberia in 2003, Guinea-Bissau in 2012, Mali in 2013, and The Gambia in 2017.

Though its dream of allowing complete freedom of movement has fallen short of EU-like standards, it does offer 90-day visa-free travel for all participating nations. Furthermore, it has also been crucial to allowing Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo to all use the West African CFA franc, a currency pegged to the euro that is also guaranteed by the French treasury.

With all this taken in mind, it is little surprise that Morocco is keen to join the flourishing organization in one of the fastest-growing regions on earth, both economically and demographically. Since launching its application for membership in early 2017, Morocco has been keen to leverage its privileged position as a conduit to Europe and North America to play a more comprehensive economic and diplomatic role within West Africa. Already enjoying free trade deals with the US and EU, the kingdom is uniquely well-placed to leverage

its privileged position—economically, culturally, politically, and geographically—to become the world's gateway into West Africa.

Unfortunately, it is precisely for these reasons that a number of ECOWAS' most important members, chief among them Nigeria, are wary of its entry. As Mansur Ahmed, president of the Manufacturers Association of Nigeria, told the FT in 2019, Morocco could easily become a Trojan horse for American and European companies entering the market, dumping products, and giving Moroccan middlemen a significant advantage over other members. "What is Morocco going to bring to the table," he asked reporters, and "what will be the benefits to the members of the community, particularly [Nigeria]?"

With a common tariff program applicable to all member states, it is unclear how Morocco's free trade deals with the US and EU would be affected by potential membership. One solution is to give ECOWAS member nations unreciprocated tariff-free access to the Moroccan market.

Other fears abound that Morocco will not adhere to the body's general rules on everything from tariffs to free movement of people. A far more developed country than the rest of ECOWAS, would it be willing to adopt the West African CFA franc? Moreover, how can it square the fact that many of ECOWAS' members, including Nigeria, recognize the Polisario Front's claims to Western Sahara, a former Spanish colony (1884-1976) that Morocco annexed after the death of Franco, sovereignty over which the local Sahrawi people have been fiercely fighting for nearly 50 years?

That Morocco left the Union du Maghreb Arabe (UMA) in 2017 only bolstered its appetite for integration with West Africa. But it still has a ways to go before it convinces the region of its peaceful, treaty-abiding intentions. ✘

FOCUS

Becoming a continental leader

THE FACE OF MODERN AFRICA

A major regional player on many fronts, Morocco has become an indispensable actor in Africa under King Mohammed VI, who has placed business expansion and diplomacy across Africa at the center of the government's development strategy.

AFTER LEAVING THE AFRICAN UNION (AU) IN 1984 over territorial disputes, Morocco expanded its external focus on Europe and ceded influence on pan-African affairs to other regional powers such as Nigeria, Egypt, and South Africa. But that, and much else, has been changing under the leadership of King Mohammed VI, who marked 20 years in power in 2019.

As one of the five-largest African economies, Morocco made rounds globally before the turn of the 21st century to sign FTAs with the EU in 1995 and then with four European Free Trade Association countries in 1997. And under King Mohammed VI, the country has continued to tick boxes in terms of trade liberalization, becoming the first African country to sign an FTA with the US in 2004 and then re-joining the AU in 2017. In addition to all that, Morocco's application to join the Economic Community of West African States (ECOWAS) was accepted in principle in 2017.

King Mohammed VI has expanded the multilateral scope of his diplomatic action and strengthened Morocco's involvement in the African continent. His vision has been supported by significant investments in African by Moroccan banks, which operate in more than 25 African countries, as well as investments by commodities, construction, energy, and telecom companies; a strategy to promote Casablanca as a regional transport and logistics hub; and a stronger partnership with Nigeria, another key regional player, on the basis of religious diplomacy and a mega gas pipeline project.

From the start, King Mohammed VI expressed his intentions to make Morocco a key player in shaping the Africa of the future. Soon after Morocco rejoined the AU, he said in an address, "Africa is the future. And the future starts today."

Over the years, he has made well over 50 visits to African countries, signing more than 1,000 agreements across a broad range of sectors and filling a regional vacuum. And the government has backed up its plans with hard cash. Not only is Morocco the second-largest investor in Africa, its government has encouraged the private sector to invest in sub-Saharan Africa to an extent that 90% of the total FDI went to the region between 2010 and 2018, according to a report by the *Financial Times*. Ethiopia and Ivory Coast were the prime destinations for Moroccan investment.

Morocco's role in regional and global affairs has grown in impor-

tance mainly because of strong policies on the domestic front. The government has steered significant resources toward key economic sectors and increased productivity. Sectors such as aerospace, electronics, automotive, and renewable energy have benefited from substantial public resources and a host of incentives to attract FDI. In doing so, Morocco's Doing Business environment has also improved, moving up nine places in the 2019 Doing Business ranking to 60th out of 190 countries, and up 129 in 2009, reflecting years of sustained reforms.

Under King Mohammed VI, the government has rolled out mega infrastructure projects such as the USD2.2-billion Concentrated Solar Power tower, Africa's only high-speed rail network, and the continent's largest port complex, making Morocco a role model for African countries hungry for development projects. Notably, the new Tangier Med port is currently capable of handling 9 million TEUs per year, three times more than Port Said in Egypt, the next largest in Africa. Through investment in infrastructure, the government aims to leverage Morocco's geographic and cultural links with sub-Saharan Africa, the Middle East, and Europe to make it a regional business and export hub.

Another sector that is worth writing home about is automotive, which has spearheaded the emergence of value-added exports over the past decade. Between 2009 and 2018, automobile shipments grew at an average of 39%, from USD224 million to USD3.9 billion. The sector as a whole is the largest export category and accounted for USD6.9 billion in 2018. Investments by major car brands such as Renault, Yazaki, Sews, and PSA Peugeot Citroen have transformed Morocco into the most dynamic automobile manufacturing market in the MENA region.

According to the IMF, investment opportunities in Morocco will continue to be supported by solid underlying fundamentals. Real GDP growth will accelerate from an average of 3.1% between 2014 and 2018 to 3.8% until 2023, outpacing average growth rate of 2.7% in the MENA region over the same period. Undoubtedly, a stable and strong Morocco is key to Africa's economic growth, and as evident from the past, only through domestic success can Morocco pursue more initiatives across the continent and further intra-African integration. ✖

a friend INDEED

Though trade between the UK and Morocco over the last year stood at about GBP2.5 billion, there is still enormous potential for both countries to do more together given the ambitions of Morocco.

Emma Wade-Smith
HER MAJESTY'S TRADE COMMISSIONER FOR AFRICA,
UK DEPARTMENT FOR INTERNATIONAL TRADE (DIT)



How do you see UK debt relief and humanitarian aid efforts developing in Africa as a result of the COVID-19 situation?

The UK is a large donor into Africa, and in the last few years, we have seen much closer coordination across the UK government's various arms, where we essentially seek to gain the maximum impact from working collectively. In the context of COVID-19, such an alignment is more essential than ever, and we are seeing that not just within the UK government's aid efforts but also across all DFIs and even the private-sector investment community as well. In the UK, as part of the immediate response to the pandemic, we have taken a look across our entire programming work in Africa and ensured that as much of that is directed at providing the help and support that governments across Africa need to help them respond to the pandemic and put in place the building blocks for a strong recovery. People are talking about rebuilding better and building back greener and sustainably and inclusively. That is essentially the focus for us, which is really making sure that every pound and penny counts to help Africa's governments and people recover from the pandemic.

What is the significance of UK-Morocco relations, and in what areas do you envisage great cooperation?

Morocco is one of the most dynamic markets in Africa, the sixth-largest economy on the continent, and one of the easiest countries to do business with. If I look across my network, Morocco is one

of those markets where the UK has not been as present and visible as it could be. One of the things we have done recently is set up a joint trade and investment task force designed to look at the common and complementary commercial interests. I see real opportunities here, not least because our export credit agency UK Export Finance has a market risk appetite for Morocco for up to GBP3 billion, and it is currently not entirely untapped. In terms of other opportunities, we have Casablanca Finance City, a truly energetic organization. Agriculture is also a real sector of opportunity, though unfortunately COVID-19 prevented us from being the country of honor at Morocco's SIAM agricultural exhibition in April. I am hopeful we will be able to roll that over to next year and be able to demonstrate the opportunities in the agri space. Renewables is also a real sector of opportunity in Morocco, as is education. At the UK African Investment Summit, we signed an MoU to support UK education provision in Morocco. We created the first British school there and see huge potential for doing more in that education space, including edtech. Morocco is a truly vibrant economy, and there is so much more that I want us to be doing there.

What is your strategy to boost the confidence of investors and UK companies that want to enter Africa?

According to traditional investors such as Unilever and Diageo that have operations on the ground, times are tough, as they are around the world, but everyone

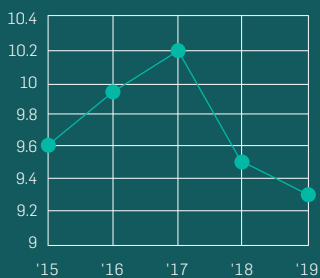
is committed to Africa and committed to doing the right thing in terms of helping in that response phase and being part of the recovery phase. The way that we see UK investments across Africa really plays into what the strengths will be for that recovery phase. We are seeing people coming to terms with the new reality. We are seeing and hearing from companies that are interested in the opportunities that will emerge in Africa, whether that is in terms of mergers and acquisitions, business restructuring, or companies that were previously vibrant and dynamic but are perhaps just cash strapped and looking for investment. We will see a return of some of that investment that has flooded particularly out of sub-Saharan Africa in the last few months. ✖

BIO

Emma Wade-Smith was announced as Her Majesty's Trade Commissioner (HMTC) for Africa in 2018. She has lived and worked in South Africa since 2016, following her appointment as the UK's Trade Director for Southern Africa. She created and subsequently led DIT's pan-African regional trade team since 2017. She has also worked on international trade at the UK's department for business, innovation, and skills. Prior to working on trade and investment, she had a distinguished career as a British diplomat spanning more than two decades.

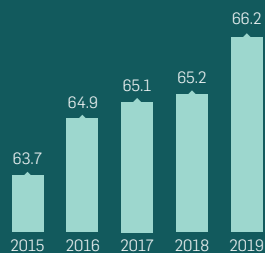
UNEMPLOYMENT (AS A %)

SOURCE: FOCUS ECONOMICS



PUBLIC DEBT (AS A % OF GDP)

SOURCE: FOCUS ECONOMICS



EXPORTS (USD BN)

SOURCE: FOCUS ECONOMICS

2015	18.6
2016	19.1
2017	21.5
2018	24.6
2019	24.7



Office buildings in
the Maarif district
of Casablanca



Economy

LEVERAGING OPPORTUNITIES

Recent large-scale reform plans have put Morocco on the right trajectory for progress, but a rapidly digitalizing world, accelerated by COVID-19, will test the Kingdom's ability to adapt and uphold its resiliency thus far. Many priorities, such as shifting to high-tech industrial sectors and integrating innovative technologies in the agriculture sector, are now imperative should the country want to take on a bigger role on the regional and global stages. And many, including the US and the UK, have high hopes for the northwest African nation because of its diverse links to several regions, developing regulatory environment, growth potential, and human capital.

The country's Industrial Acceleration Plan and Green Morocco Plan have set a solid foundation on which to build, and, even if they have not fully met their ambitions, many economic stakeholders view them as a testament of Morocco's political will to progress. Minister of Economy and Finance Mohamed Benchaâboun notes considerable investment in infrastructure and improvement in the business environment, particularly for SMEs. Notably, the African Development Bank has been quite instrumental in developing energy, health, and industrial infrastructure.

The abovementioned plans will be enhanced by increased investment in innovation and entrepreneurship. After less than two years of operation, SEAF's Morocco Growth Fund has deployed 35%

of its capital for investment into five companies and has two additional investments in the pipeline, most of which are in high-tech sectors including fintech, agritech, and cybersecurity. The purpose of the fund is to demonstrate and grow Morocco's innovation pipeline to spur further economic growth, development, and diversification. The fund's senior managing director Merem Zairi is optimistic about the pandemic's catalytic effect in terms of digitalization and innovation.

Though this long-term optimism for innovation is encouraging, the immediate implications of the global health crisis cannot be missed. The General Confederation of Moroccan Companies surveyed over 1,800 companies and reported significant negative impacts on employment and revenues. Fortunately, government measures, including from the central bank, have been helpful, and short-term, COVID-19-related reforms to address lack of liquidity and payment delays could have further longstanding net benefits.

Other important considerations for ongoing economic development are the rural-urban divide and the gap in women's labor force participation. Many improvements, initiatives, and programs are geared toward facilitating access to services and opportunities in rural areas. In addition to this, a notable portion of our interviewees mentioned women's economic empowerment as an important lever for advancement. ✖

INTERVIEW



Automotive sector went from producing

10k

units in 2004 to 402,000 in 2018

FDI reached

USD 5.1

billion in 2018 (4.3% of national GDP)

BIO

Morocco's Minister of Economy, Finance, and Administrative Reform, Mohamed Benchaâbou, was previously Minister of Economy and Finance. Between 2008 and 2018, he was chairman and CEO of Banque Centrale Populaire (BCP), and from 2003-2008 he was director general of the National Telecommunications Regulatory Agency. He is a member of the Economic, Social and Environmental Council and of the Councils of the Mohammed V Foundation for Solidarity and the Mohammed VI Foundation for the Protection of the Environment.

What achievements are you most proud of since being appointed minister?

Under the leadership of His Majesty King Mohammed VI, Morocco has strongly boosted its reform process by launching large-scale projects accelerating the process of structural transformation of our economy and achieving strong and more inclusive growth, thus speeding up our country's economic emergence. In the macroeconomic field, we are exploring alternative solutions to reconcile consolidating macroeconomic stability with social and infrastructure needs. We intend to involve the private sector to a greater extent in the construction of infrastructure through PPPs to enhance the effectiveness of public investment and to better target social expenditure. Regarding reform, our actions will be directed toward those able to concretely improve the business environment, in particular SMEs, and thereby promote investment, employment, and inclusiveness. In 2019, we resolved the problem of the VAT credit, which was weighing heavily on companies' cash flows. We are now committed to reimbursing any credit accumulated over the year and simplifying the VAT system to reinforce its neutrality. A second problem addressed concerns the extension of payment periods, and we have set up an observatory of payment periods and created an electronic platform dedicated to processing complaints from suppliers of public establishments and companies. Regarding access to financing for businesses, and more particularly for SMEs and micro enterprises, we recently launched an integrated business support and financing program focused on three major axes: the financing of entrepreneurship, the coordination of actions in support for entrepreneurship at the regional level; and financial inclusion in rural areas. We have also adopted a National Financial Inclusion Strategy to integrate into the financial system, in addition to the rural populations targeted by the funding support program, populations who have difficulty accessing financial services.

Despite global turmoil, Morocco's economic growth remains constant. What are its key drivers?

Despite global market outlooks and a recurring drought for several years, GDP growth has averaged nearly 4% since 2008. This performance is the result

EYE *on the prize*

The ministry aims to enact reforms that will significantly improve the business environment, thereby promoting greater investment, employment, and inclusiveness.

Mohamed Benchaâbou
MINISTER OF ECONOMY, FINANCE, AND ADMINISTRATIVE REFORM

of the increased diversification of our productive base through integrated sectorial policies. For example, the Green Morocco plan has made our agriculture less dependent on the vagaries of the climate by developing new, high value-added sectors. Meanwhile, the Industrial Acceleration plan has encouraged the emergence of new export sectors with higher technological content, notably in the automotive, offshore, aeronautics, and electronics sectors. As such, automotive production reached 402,000 units in 2018, as compared to 10,000 vehicles in 2004, with a local integration level of more than 50% and a market share of nearly 40% at the level of the African continent. And in order to reduce our energy dependency, we have made significant progress in renewable energy programs, raising the share of renewable energy to around 34% of installed electrical power, with a 2030 target of 52%.

Reducing debt and public spending and balancing the deficit are among the objectives of the new finance bill. How will the government ensure the achievement of these objectives?

The maintenance of macroeconomic balances is the subject of continuous efforts to control expenditure, improve the yield of tax revenues, and mobilize non-tax revenues. Thus, within the framework of the 2020 budget bill, we will pursue these efforts through rationalization of public expenditure; improving the efficiency of investment expenditure; increasing the mobilization of tax and customs revenues; improving the governance and transparency of public institutions and companies; and introducing new financing mechanisms to reduce the treasury's debt. Simultaneously, the government has committed itself to pursuing structural reforms to strengthen its productive base, making it possible to control the budget deficit and sustain growth, thereby reducing recourse to debt. These reforms will focus on a tax reform, implement provisions of an organic budget law and strengthen the correlation between performance and evaluation and accountability principles, implement a new approach to the management of public investment projects, ensure that investment projects are chosen on the basis of their social and economic impact, and look into the pension system. ✖

opportunities ABOUND

By supporting Moroccan companies to diversify, adapt, and open up new business lines, AMDIE strives to encourage growth opportunities for local businesses.

Hicham Boudraa
ACTING GENERAL MANAGER,
MOROCCAN INVESTMENT AND EXPORT
DEVELOPMENT AGENCY (AMDIE)



What makes Morocco a good destination for investment?

Morocco's political and economic stability is the number-one reason why investors choose it over other countries. The Kingdom is a constitutional monarchy, which gives us stability and a clear short- and long-term vision. All the necessary short-term strategies are in place, including sectorial and ministerial strategies, to oversee the yearly performance of programs and initiatives. Then, there are long-term strategies guaranteed by the monarchy. For example, it is not possible for a new government to make changes to the tax regime easily. This guarantees stability to investors. This stability has wide-ranging effects on the overall economy, including macroeconomic indicators and the exchange rate. Furthermore, Morocco has state-of-the-art infrastructure, a key geographical location, and FTAs that give access to more than 1.3 billion consumers in 56 countries. We also recently signed agreements with several African countries, and in 2019 we ratified the establishment of the new African Free Trade Zone (AFTZ). In addition, Moroccan offers highly skilled and talented human resources.

What are the main opportunities for Moroccan exporters?

There are opportunities to be found in any crisis so we must be ready to seize and track them anytime and anywhere. The consequences of COVID-19 have resulted in a global reshaping of value chains all over the world, in particular in the Mediterranean. This is particularly the case for the EU, which might start reviewing some of its positions and economic alliances on the international stage. The EU could consider reestablishing its existing model of the automotive or even aeronautics in other sectors of activity. Here too, Morocco continues to claim a number of advantages for European operators. Despite high-

er production costs than in other Asian countries, the kingdom offers unbeatable geographic proximity and logistical efficiency. In addition, thanks to its extensive network of free trade agreements (direct access to more than 1.3 billion consumers in 56 countries), Morocco presents itself as a re-export platform to several other countries and continents. In addition, the government offers technical and financial support as well as tax exemptions for the set-up of foreign investors, not to mention its highly specialized and equipped industrial acceleration zones. Another main point is recommending and identifying together the tools, which will combine foreign investment in Morocco, national investment, and the development of the Made in Morocco export. Furthermore, this pandemic could undoubtedly offer one of the main cross-border collaboration beneficiaries for Morocco: accelerating the major global process of nearshoring.

How is AMDIE helping SMEs?

In the current economic crisis, AMDIE is accelerating its efforts to support Moroccan companies in their search for new niches for growth and international business performance. We are recommending and promoting diversification, adaptation, and opening up to new business lines, as well as focusing on export added value. These new strategies can be a successfully leverage to remain productive and competitive in these harsh times. Our goal is to create the groundwork for growth opportunities for Moroccan businesses. If these capacities are acquired and implemented by SMEs, it could help to capture new deals and lower the risk of a potential shutdown. In June 2020, the Ministry of Industry, Trade, Green and Digital Economy launched a set of full support tools and programs dedicated to the Moroccan industrial SMEs. The objective is to give a strong boost to their growth and com-

petitiveness. The current support programs Istitmar and Mowakaba were reconfigured into two new programs with more attractive loan rates and simplified access and payment conditions. In addition, two new programs have been implemented, Tatwir and Nawat. Tatwir provides tailor-made support including both investment assistance and technical advisory services, for the benefit of industrial small businesses investing in growth sectors, while Nawat provides support in terms of consulting, expertise, and technical assistance for both very small businesses and self-entrepreneurs and project leaders, whose investments do not exceed MAD3 million. ✖

BIO

Hicham Boudraa has been the Acting General Manager of AMDIE since 2015. He had integrated Invest in Morocco in 2011 as CFO in charge of all the support activities of the agency. With over 20 years of experience in public and private institutions, he began his career as a management controller in the textile industry. He then joined GlaxoSmithKline (Pharmaceuticals) as a financial controller and a member of the executive committee. He also occupied the position of CFO as well as member of the executive committee at the National Office of Tourisme for almost six years. Boudraa is an Alakhowayn alumnus. He is a holder of an MBA degree with a major in finance and a minor in management. He obtained the CFC ISCAE certificate in accounting and financial audit in 2003.



AMERICAN CHAMBER OF COMMERCE IN MOROCCO

(AMCHAM MOROCCO)

Bridging the Atlantic in the Pursuit of Mutual Prosperity

The chamber's mission is to provide support to businesses, Moroccan and American, in expanding their opportunities in each market through advocacy, information, networking and business support services

SERVICES

- Advocacy and Assistance with Business Concerns.
- Business Briefings and Testimonials.
- Business Opportunities and Matchmaking.
- Business Referrals.
- Business Priority User for U.S. Visas.
- Discounts.
- Events: Seminars, debates, roundtables, gala ball, golf challenge and mixers.
- Information on U.S.-Morocco Trade and Investment.
- Promotional Opportunities on AmCham publications and website.
- Trade missions and door knock to the U.S.
- U.S.-Morocco Trade and Investment Awards.
- Corporate Social Responsibility Award.
- Hall of Fame Award.

PUBLICATIONS

- Membership Directory
- Morocco Trade & Investment Guide

COMMITTEES

- Corporate Social Responsibility
- Business Concerns
- Trade and Investment

WHO CAN JOIN

- American companies based in Morocco.
- American companies based in the U.S.
- International and Moroccan companies dealing with the U.S. market.

NETWORKS

AmCham network includes:

AmCham MENA



U.S.-Africa Business Center



tough CHOICES

As a confederation of entrepreneurs, CGEM's goal is to save as many companies and as much employment as possible during the pandemic.

Mehdi Tazi
GENERAL VICE-PRESIDENT,
GENERAL CONFEDERATION OF
MOROCCAN COMPANIES (CGEM)



What has been the impact of COVID-19 on your operations and decision-making, and how is the confederation reacting to the socio-economic impact of the pandemic?

The confederation is heavily involved in all of the discussions with the government. During this crisis, we have been in greater contact with the different entities so that we can bring our point of view on the decisions that have been made. There are three main impacts from the crisis: sanitary, social, and economic. We are involved in the social and economic sides through an entity that was created with ministers, parts of the government, the government body of banks, and CGEM. This is where decisions are being made on the social and economic sides. From that perspective, we are heavily involved; it is almost a full-time job on that front. That is our impact. Many measures to help the private sector and its workers, as well as those in the formal economy, have emerged from this. That is where we are acting the most in this crisis.

CGEM conducted an investigation of the economic repercussions of the pandemic and surveyed 1,820 companies on their expectations of payment periods post COVID-19. What did the results reveal?

“Morocco has done a fantastic job in showing that it has a strong industry in the aeronautics and automotive sectors.”

The results show that the crisis is deep and impacting everyone in all sectors. Another thing we learned is that about one-third of people are not working. That is a massive number. The third message we got from the survey is that nearly all companies are in a difficult situation; out of 33 sectors, 28 sectors are declaring a fall in revenue of more than 25%. The second part of the study allowed us to test how the private sector has accepted our measures in our government body between the government, CGEM, and the banks. In total, two-thirds of the companies have used the measures, while roughly half of the companies have used all of the measures. This means the measures that have been taken have been extremely helpful for the sector. The last thing the study showed was that payment delays have increased by more than 60 days as a result of the crisis. That's a huge problem worldwide, and it suggests that the economy will contract everywhere around the world. If people cannot pay, companies will go bankrupt.

Which sectors have been most affected?

Getting back to normal is extremely important. Today, industry is a strong sector for Morocco because it is starting with a relocation and redistribution of demand and offerings. Everything will no longer be made in China anymore, and we anticipate more industry spreading out to different countries. There will be opportunities everywhere. Morocco has done a fantastic job in showing that it has a strong industry in the aeronautics and automotive sectors. We are strong not only in textiles and clothing, but also in others. The pharmaceutical industry, for example, has potential. We have a base and are close to and friendly

with Europe. Most likely, we have a role to play as an alternative to the European market in terms of supplying industrial products. I would not bet on tourism in the short term, however.

What are your priorities and goals for the year ahead?

As a confederation of entrepreneurs, our goal is to save as many companies and as much employment as possible. We need to protect our supply. That means protecting our people and our companies. At the same time, we need to be realistic and understand that we cannot stay at home forever. We need to keep in mind other safety measures that can be taken in this situation. ✕

BIO

Mehdi Tazi graduated from the engineering and management school Télécom Paris Sud and received an MBA from the European Institute of Business Administration (INSEAD). He began his professional career with KPMG Consulting France and later joined Saham Group as development director. He later assumed several positions in different companies, including managing director of Isaaf Mondial Assistance, CEO of Saham Assurance, and CEO of GA Angola Seguros. He was also a board member of several companies. He was recognized as one of 25 young African leaders by the Jeune Afrique Group in 2013, among the top 50 disruptors in 2020, and amongst the top 10 economic leaders of the continent by the prestigious Choiseul Institute for three consecutive years from 2014 to 2016.



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