Morocco on the move: The business environment and investment opportunities

Hamburg, Germany
February 2\textsuperscript{nd} 2010
Solid growth based on sound economic fundamentals

- **Real GDP growth average of 5.4% since 2001 against average of 3.4% over the previous decade**

- **No inflation pressure during the last decade**

- **Unemployment has begun to decline**

- **A balanced exchange rate**
Evolution of foreign investments in Morocco (in Million Euros)

- Positive evolution of FDI flows towards Morocco
- Morocco received more than 20 billion euros of FDIs this last decade
Overview of the major development axis (1/2)

**Tourism – Vision 2010 : 10 million tourists**
- Traditional pillar based on natural assets (proximity, climate, history, culture etc.)
- **A Strategy** around 6 thrusts (product, image, hosting, airlines, capacities, training)
- “Plan Azur”: New offer around 6 seaside resorts with almost 200,000 beds

**Industry – Integrated Strategy : Development strategy around 7 export-driven sectors**
- Decisive and **Voluntary targeting** of growth engines:
  1. Offshoring services
  2. Automotive
  3. Electronics
  4. Aeronautics
  5. Textile
  6. Agro-industry
  7. Transformation of sea products
- **Integrated Industrial Platforms** and flagship projects
- National Training plan, business climate improvement and modernization of SMB
- Aggressive Promoting of FDIs

**Agriculture – Green Morocco Plan**
- « An all-inclusive agricultural sector » but **differentiated strategies depending on target producers**
- « Address the underlying problem relating to producers – innovative aggregation models which are socially adapted to each sub-sector
- « At the centre of the equation – investment ». Objective: MAD10bn a year around a targeted offer
- « A pragmatic, transactional approach »: 1,000 to 1,500 practical development projects
Overview of the major development axis (2/2)

**Energy & Mining: Challenges and reinforcement**

- **Energy:** 3 pillars strategy
  - Secure supply (diversify sources and optimize the electrical mix)
  - Widen access to energy at competitive prices
  - Sustain development with regional and international integration

- **Renewable Energy:** Setting up of a renewable energy strategy through the development of wind and solar parks

- **Mining - phosphate:** New fertilizers-oriented strategy based on 3 pillars (International chemical hub, strategic partnerships and improved inland transport)

**Infrastructures: Reinforcement and major investments (11 billion € in 2008-2012)**

- **Highways:** more than 1000 kms of existing highways, 400 new kms planned in 2008-2012

- **Roads:** about 15’000 kms of rural roads, 2000 kms/year program to reach 80% of population covered by 2010

- **Ports / « Tangiers Med »:** launch of a port in the North of Morocco at international standards with 3 Mio containers capacity today and 8 Mio (total capacity) by 2014

- **Airports:** Expansion of major international airports (Casablanca’s Med V Airport, Marrakech, Tangiers, Agadir…)

- **Railways:** High speed line between Tangiers and Casablanca to be started in 2009

- **Utilities:** major investments in water/sewage; private management

- **13 New cities** and Social Housing program (200’000 houses)
A voluntarist integrated strategy targeting 7 “growth engines” sectors in what Morocco has competitive advantages

### Industry’s development strategy

**Other development axis**

1. **Offshoring**
   - Leadership position in the French & Spanish-speaking nearshoring around dedicated zones
   - Impact: +100,000 jobs

2. **Automotive**
   - Creation of a stable industry in the long-run, around MAS and suppliers
   - Development of dedicated industrial zones at the best international standards (logistics, real-estate, services…) particularly in Tangier
   - Impact: +70-80,000 jobs

3. **Aeronautic**
   - Enlargement channels targeted and move upmarket: subcontracting and industrialization (migration levels 2 and 3)
   - Development of an aerospace cluster in an area of 200 hectares around the airport Mohamed V
   - Impact: +17,000 jobs

4. **Electronics**
   - Focus on specialty electronics, in synergy with the Automotive and Aeronautics sectors
   - Grouping in dedicated zones in the North of Morocco
   - Impact: +10,000 jobs

5. **Textile**
   - Repositioning on the fast-fashion around more balanced cooperation North-South models (co-contracting)
   - Better upstream integration
   - Impact: +30,000 jobs

6. **Agro-industry**
   - Development of 8-10 high potential fields (e.g. olive oil) around integrated projects (dedicated Agro poles or Agrotech Hubs)
   - Impact: +6,000 jobs

7. **Transfo. of sea products**
   - Industrial and commercial valorization of pelagic fish, and development of frozen foods
   - Creation of regional Fishing Transformation Hub
   - Impact: 35,000 jobs

Industry as an important part of the global Morocco’s strategy of development
Approach – Flagship projects* covering the whole territory

**Dedicated Offshoring zones**
- CasaShore
- RabatShore
- FesShore
- TetuanShore...

**Med Zones**
- Tangiers Automotive City
- Electronic: Mohammedia Cluster/Rabat Technopolis
- Nouacer Aeronautics Pole...

**Agro-Poles / Agro Techs**:
- Agro pole Meknès
- Agro pole Gharb
- Agro pole Tadla
- Agro pole Oriental...

**Regional Fishing Transformation Hubs**
- Agadir
- South Provinces / Dakhla - Laâyoune

**Three Integrated Industrial Platforms in Tanger Med area**: Tanger Free Zone, Tanger Automotive City and TetouanShore

**Regional Fishing Transformation Hubs**
- Agadir
- South Provinces / Dakhla - Laâyoune

**INVESTMENT FRIENDLY ENVIRONMENT**

*Fully-Integrated Industrial Platforms (P2I):*
- World class infrastructure
- World class & complete set of services,
- Simplified legal and administrative procedures
- Adapted training offer onsite
- Financial incentives
Morocco’s global value proposition…

Structural advantages of Morocco
- Geographical and cultural
- Human resources pool at competitive costs
- Good infrastructures

A decisive Industrial Strategy
- Dedicated zones
- Targeted education and training plan
- Aggressive incentive packages
- Key investments already announced

Morocco value proposition: Commitments on 3 critical dimensions

Dimension 1
“World Class” infrastructures and services

Dimension 2
Competitive human resources pool and training subsidies

Dimension 3
Competitive Incentive package
Morocco’s global value proposition…

**Dimension 1**
"World-class“ Infrastructures and Services

- **Fully-integrated** Industrial Integrated Platforms, sector/investor/country dedicated or generalist
- **Ready-for-Output** zones for investors – very flexible model
- A tailored *administration system* (Single Point of Contact in the Zone)
- **Infrastructures and services** offer at the international quality and costs standards
- A *world-class logistics* offer around Tangier Med port

**Dimension 2**
Competitive human resources pool and Training Support

- **National training Plan**, focused on industrials’ needs
- Exemptions of payroll taxes for 24 month for a salary of 750$ per month;
- Very attractive *Training incentive scheme*
- **10.000 engineers/year Plan**

**Dimensions 3**
Attractive incentives

- Significant reduction of the corporate tax
- Financial support for the establishment in key areas
Main investment incentives

**Corporate Tax**
Normal Rate: 30%  
Exportation: 0% (0-5 years); 17.5% from the 6th year
Specific treatment for Free Trade Zone (ie Tangier Free Zone)

**Income Tax**
Maximum rate: 38%

**VAT**
Maximum Rate: 20%
Exemption or reimbursement in case of investment dedicated to exportation

**Custom**
- Minimum rate for equipment and capital goods: 2.5%; 0% in case of FTA
- Temporary admission is free of duties for imported raw material in case of re-exportation
- Free industrial warehouse for export companies
- Speeding up of custom clearance

**Exchange regulations**
- Foreign investors have automatically a convertible bank account
- Foreign investors can repatriate freely their profit, revenue, dividend and capital
- Export companies can keep on foreign currency up to 50% of their export receipt
Duty free access to 1 billion consumers

- Just In Time delivery to Europe
- Gateway to Arab Countries
- The Eastern Coast, less than 6 days far

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<tr>
<th>Agreement</th>
<th>Action Description</th>
<th>Regional Integration / Advantage</th>
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<td>EU Agreement (1996)</td>
<td>Strengthen the traditional market</td>
<td>Euro Mediterranean integration / accumulation of origin</td>
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<td>EFTA Agreement (1997)</td>
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<td>Agadir Agreement (2004)</td>
<td>Extend the domestic market</td>
<td>Regional distinctiveness</td>
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<td>Arab League Agreement (1998)</td>
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<td>USA Agreement (2005)</td>
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<td>UEMOA Agreement (on process)</td>
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Thank you very much for your intention