Since the ascent of King Mohammed VI to the throne of Morocco ten years ago, the country has been resolutely forward-looking. Traveling a difficult path of modernization and macroeconomic reform, Morocco has succeeded in bringing down government spending and creating an entrepreneurial business environment. Steady growth and a reformed economy have brought the country to a point of departure, even if difficulties remain. The World Economic Forum’s 2008–2009 Global Competitiveness Report ranks the kingdom only in the middle and thus points to the need for further reform of its labor market and tax system. Yet in Morocco today, people share a generally positive outlook. Business leaders and government offices are optimistic. “Morocco has embarked on a long journey of reform in all areas,” reflects Minister of Industry, Commerce, and New Technology Ahmed Chami. “I believe now is the right time to come to Morocco and join us by investing in Morocco.”

Heavy investments in growth sectors and essential infrastructure are beginning to pay dividends. “To remain competitive, we need to be proactive, to have more will to develop certain sectors in which we believe Morocco has a competitive advantage,” says Minister Chami, referring to a strategic support framework that extends to all sections of the economy. In addition to a “Plan Vert” (Green Plan) for rural development and separate initiatives for the tourism, energy, and finance sectors, the so-called Emergence Plan focuses on promoting the private sector in “world-class” local sectors, such as textiles, agro-industry and fisheries, and in global markets, especially off-shoring, automobiles, aeronautics, and electronics. The hope is for an additional 440,000 jobs and a 16 percent growth in GDP. For Saab Benabdellah, director general of the Moroccan Center for Export Promotion, this is a stepping stone toward greater international integration: “We had to start by targeting the sectors laid out under the Emergence Plan and bringing in certain companies. We were then able to demonstrate how Morocco can serve as a platform.”

Democratic reform and privatization of state monopolies are other factors that have contributed to stabilizing the country and strengthening the private sector. “Today, the Moroccan economic model is based on a partnership rationale,” says Minister of Economic and General Affairs Nizar Baraka. This is giving Morocco the confidence to seek a greater international role.

“If I had to sum up Morocco’s image in four words, I would say: stability, visibility, growth, and modernity.”

Abdellatif Maazouz, Minister of Foreign Trade

H.M. King Mohammed VI of Morocco

“The focus is on preserving macroeconomic and financial balance, creating regional development hubs, and enhancing the country’s capacity to generate new jobs and employment opportunities.”
Globalization, for Morocco, is as much an opportunity as it is a choice. Its strategic position at the Strait of Gibraltar and geographic proximity to the markets of Europe, the Maghreb, and sub-Saharan Africa make it a natural platform for interregional trade and investment. Mediterranean transport routes pass by its shores and it is a junction for international flights. What is more, since the signing of multiple free trade agreements, including with the European Union, the United States, and Middle Eastern nations, Morocco has potential access to what Minister of Foreign Trade Abdellatif Maazouz calls “fifty-five countries and one billion consumers.”

The relative maturity of its market has allowed Morocco to make important inroads into neighboring markets, while world market integration and international partnering are the priorities of the day. For Minister Maazouz this commitment to open markets is a compelling factor for foreign investment. “Morocco opens a huge market for companies that come and create value here.”

The opening of the new Tangier Med port and terminal is a great symbol of Moroccan ambitions. Tangier Med is set to become the largest container port in the Mediterranean and will handle much of the growing traffic between Asia, Europe, and America’s East Coast, just as the connected industrial zone is expected to attract onshore businesses. International names such as Dell, Accenture, and the Tata Group have recognized Morocco’s potential and made the country their EMEA (Europe, Middle East, and Africa) near-shoring headquarters. Similarly, suppliers to the aeronautics industry have settled in Morocco, manufacturing parts for Airbus and Boeing. Even traditional sectors are now attracting investment. Clothing retailers Mango, Zara, and Diego produce in Morocco. And Morocco’s phosphates industry, already a world leader, aims for a further increase in production of 25 percent by 2012, with the help of foreign investors. The Jorf Lasfar industrial zone is under development and will be given to joint ventures with European, Asian, and U.S. investors.

“Morocco, for Americans, is a strategic business location.”

Saab Benabdellah,
Director General of the Moroccan Center for Export Promotion

And this should only be the beginning. The Central Bank hopes that Morocco’s monetary, financial, and political stability will convince foreign banks to make the country their regional headquarters from which to invest in the Maghreb and French-speaking Africa. The Moroccan Center for Export Promotion (CMPE) in the meantime pursues a complementary promotional strategy. Established as a national focal point for trade and export development, it works toward forging closer ties between domestic and foreign businesses and toward raising the image of Moroccan companies abroad. In the mind of CMPE’s director general, Saab Benabdellah, there can be no doubt that “Morocco is on the move.”
**BREAKING THE MOULD**

FINANCIAL SECTOR ON THE MOVE

Morocco's economic development goes in tandem with the development of its banking and finance sector. Each requires the other to drive expansion and modernization, both major trends among Morocco's financial institutions. The banking system is well diversified in terms of products and services, but banking penetration overall remains low. Morocco is home to a strong domestic industry, even if concentration is high among the established players. The country's eight largest banks account for the vast majority of deposits, loans, and assets. The Moroccan Central Bank (Bank Al-Maghrib) in the meantime is aligning the banking sector with international risk and capital management standards and anticipates an advanced Basel II rating by 2010. The Casablanca Stock Exchange (CSE) is another target of the Bank Al-Maghrib. The CSE, which already enjoys an excellent standing, is being prepared for more foreign financial partnerships in an ambition to develop into a regional financial center.

Reaching into new or underdeveloped markets, whether at home or abroad, is a common growth strategy for Morocco's financial institutions. The Moroccan Bank of Foreign Commerce (BMCE) is a prime example of a bank using its domestic clout to drive its expansion. Part of Moroccan conglomerate FinanceCom, which has operations in banking, insurance, telecommunications, and media, BMCE is the kingdom's second-ranking bank. To finance its growth ambitions it profits from the country's growing economy and the possibility to cross-sell its products within the group. “We have to deepen the Moroccan domestic market. We are at 29 percent of banking penetration. We should be at least at 40 or 50 percent so there is room for improvement for domestic banks," explains Othman Benjelloun, president of BMCE. But increasingly, BMCE is also looking abroad. BMCE has developed

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Abdellatif Jouahri,
Director General of the Central Bank of Morocco

Another institution that has contributed to raising living standards in Morocco is the Credit Purchase Financing Company (SOFAC). At its inception in 1947, the original idea was for SOFAC to offer consumer credits for each Moroccan family to own an automobile, both as a measure to improve quality of life and also to support a young Moroccan automotive sector. More specialized today, and proving its success, SOFAC is still a leading player in the Moroccan consumer credit sector. And it remains faithful to its original credo. “We now work only with individuals and only operate with consumer credit, in order to be the experts in this field. Our corporate mission is to be a trader that allows individuals to improve their standard of living, which therefore helps the country’s development,” confirms Bachir Fassi Fehri, director general of SOFAC.

interests in twenty-two countries; a London-based subsidiary, MédiCapital Bank, is to represent the company in the international corporate finance sector, and plans to establish BMCE as a strong regional player in Africa are under way. “A nascent multinational group of a Moroccan root,” as Mr. Benjelloun describes the operation.

Expansion, however, can also mean a deepening of existing markets, as demonstrated by the bank Crédit Agricole Maroc (CAM). Traditionally oriented toward the rural population, the bank is finding itself uniquely positioned to benefit from a rapidly developing rural market. CAM has undergone a recent process of restructuring that has streamlined its services for the farming community, whether the bank is dealing with large or small farmers. “This is an organization that can serve as a model,” insists Tariq Si Jilmass, chairman of CAM. “The objective is the financing of food, low-income banking, retail banking, and corporate finance.” Forty percent of CAM’s customers are small farmers who make use of the bank’s microcredit facilities. The bank thus plays an important role in rural development, a fact that was duly recognized when the Ministry of Agriculture made CAM a main partner for the implementation of the Plan Vert and responsible for a funding system for farmers who are unable to get standard bank loans.

“We are trying to bring our financial market, our capital market, and our insurance sector up to the best international standards.”

Abdellatif Jouahri,
Director General of the Central Bank of Morocco
Tourism has long since developed into a mainstay for Morocco’s economy. More than 7 million tourists visited in 2008, attracted not only by its sunny shores but by its distinct culture, history, and unique architectural heritage. Most visitors travel from Europe and enjoy quality tourism at comparatively low cost. Morocco believes in this competitive advantage and continues to invest.

Since tourism was made a national economic priority in 2001, the sector has followed an ambitious development strategy: “2010 Vision” is expected to raise the number of tourists to 10 million, bring hotel capacity to nearly a quarter-million beds, and lead to the creation of 600,000 new jobs. The emphasis is on product promotion, international partnerships, training, and institutional reform, as well as infrastructure development.

The National Company for Tourism Engineering (SMIT), the recently established Moroccan tourism organization, is responsible for the coordination of investment and facilitates partnership development. “We tell foreign investors: Come and make money here with us. It is this win-win partnership that can secure the sustainability of our development policy,” says Omar Bennani, CEO of SMIT. Investors can enjoy financial packages offering significant tax breaks, as well as broader support measures, such as the training of personnel and the promotion of touristic facilities.

Investments are currently guided by a number of framework programs. The Azur Plan, for example will see the development of six new seaside resorts, two of which are set for completion in 2009: Saidia in northeast Morocco, developed in cooperation with Spanish investor Fadesa, and Mazagan to the south of Casablanca, developed in cooperation with the international Kerzner Group. Another program, the Mada’in Plan, aims at strengthening capacities in urban destinations, such as Marrakesh, Fez, and Casablanca.
Energy is food for growth. But as the country positions itself for further economic development, Morocco is struggling to meet rising demand. Highly dependent on external supplies - energy imports represent 96 percent of the total supply - Morocco is pushing ahead with urgent reforms to strengthen its energy sector. “In the medium and long term we will need to increase our production capacity because the country is growing rapidly and multiple sectors are increasing their electricity consumption,” affirms Minister for Energy Amina Benkhadra. A total of 73 billion Moroccan dirham (MAD), about 7 billion USD, will be earmarked for investments in the energy sector up until 2012. A dedicated Energy Fund, endowed with 1 billion USD by foreign and domestic donors, is to furthermore finance a National Priority Action Plan for the attainment of greater energy independence. The action plan focuses on four measures in particular: promotion of energy efficiency, regional and international integration, rural electrification and, notably, the diversification of energy sources.

Diversification remains a particular challenge. Some twenty-nine companies are currently exploring for oil in an area covering 110 mining permits, seven recognition zones, and ten exploitation concessions, in an effort coordinated by the National Office for Hydrocarbons and Mining. Large unexploited reserves of bituminous shale are also beginning to attract investment. Morocco has signed agreements with Brazil and major international industry players to evaluate the full potential of its reserves, while a 100MW pilot plant is being developed to test electricity generation from shale.

However, it is the renewable energy sector that holds the promise of immediate relief and, given Morocco’s abundant resources, of future expansion. Accordingly, the government is putting its weight behind the industry’s rapid development. The short-term goal is to achieve an increase in renewable energy from the current 4 percent to 10 percent by 2012. Adding to existing capacities, large-scale installations are under way in Tangier, Tarfaya, and Ain Beni Mathar. But Morocco’s ambitions are bigger still, as Minister Benkhadra explains: “We have decided to construct an industrial zone in Oujda for renewable energy technology with a section that will be dedicated to alternative energy forms, including areas expressly for the related suppliers and producers as well as an R&D hub.” Oujda is to draw on direct cooperation with established industry players and help turn Morocco into a regional powerhouse for the renewable sector. Germany, Spain, Portugal, Ireland, and most recently the United States have already expressed their interest in the project.