Morocco

Gateway to Africa

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Southern neighbours offer rich seam for growth

Rabat uses diplomacy to bolster its economic and political standing in Africa, writes *Heba Saleh*

When economic growth slowed in Morocco after the global financial crisis in 2008, it prompted Richbond, a 60-year-old industrial group, to start looking for a new strategy.

By 2012, the leading Moroccan manufacturer of plastics and foam mattresses had decided to seek opportunities in fast-growing markets in sub-Saharan Africa to make up for flatlining revenues at home. "We needed growth and we needed to diversify," says Karim Tazi, one of two brothers who run the family business. "We had two choices: to either invest in Morocco, but out of industry; or to invest in industry, but out of Morocco." Mr Tazi spent a year and a half visiting sub-Saharan countries to find companies to buy or team up with. He finally settled in 2014 on a greenfield investment of $17m to set up a mattress factory in Ivory Coast. "The huge and powerful presence of Moroccan banks there was an encouragement," he says. "Ivory Coast is also a gateway to west Africa and of course there are direct flights from Morocco."

Mr Tazi was following other Moroccan entrepreneurs who have been pushing into sub-Saharan Africa for more than a decade in a bid to expand beyond their limited domestic market.

Phosphate mining: OCP is expanding into African markets

Moroccan banks, insurance firms, companies in telecoms, mining and construction have established a significant presence in African countries, making the kingdom a notable source of foreign direct investment in some parts of the continent. OCP, the state-controlled phosphates giant, has also invested in African countries. Moroccan investments in Africa totalled some $10.2bn between 2010 and 2018, according to fDi Intelligence, a Financial Times publication.

The kingdom's interest in its southern neighbours stems from both political and economic motives. Under the leadership of King Mohammed VI, Morocco has used soft power, including investment, diplomacy, education and cultural relations to carve out a sphere of influence in the continent, which benefits its economy and enhances its international standing. In recent years, the king has toured African nations signing agreements in a high-profile outreach effort, which has helped pave the way for Moroccan companies. Much of this, analysts say, has been in support of Morocco's primary foreign policy concern — to shore up international backing for its claim over the disputed territory of Western Sahara.

> The largest three Moroccan banks have increased their presence in Africa to some 23 per cent of their loans

Morocco already controls most of the territory but its sovereignty is contested by the Polisario Front, the Algeria-based

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Inside

Trade Country's ties with US and Europe among causes of members' scepticism, writes *Neil Munshi*

Stuck on the bloc: Ecowas bid still faces resistance

Slow progress: Nigeria's president Muhammadu Buhari, left, and Morocco's King Mohammed VI in Rabat last June
AP Photo/Abdeljalil Bounhar

When President Muhammadu Buhari made the first trip to Morocco by a Nigerian head of state last June, he was received with great pomp by King Mohammed VI at the airport in Rabat. The pair waved as theywere driven past cheering crowds to the royal palace.

A Nigerian government statement noted how the two leaders agreed on investment projects in fertilisers, agriculture and chemicals, and reaffirmed plans for a 5,660km pipeline connecting Nigerian gas reserves to Morocco and a dozen countries in between.

But what is widely seen as the king's underlying motive for his extravagant reception of the most influential member of the Economic Community of West African States (Ecowas) went unmentioned: Morocco's desire to join the regional trading bloc.

Joining Ecowas is seen as a crucial first step in Morocco's efforts to position itself as the west's gateway to Africa. It makes sense: while not contiguous, Morocco is in Ecowas's neighbourhood, and it shares a francophone connection with many of the bloc's members. Ecowas members Nigeria, Senegal and Ivory Coast are among the biggest African buyers of Moroccan goods, while Morocco has made significant investments across the region in banking, telecommunications and insurance.

Morocco first applied in 2017, soon after it rejoined the African Union, confident that good relations with the bloc's members would smooth its entry. It has since signed investment pacts with most of Ecowas's 15 member states yet has faced opposition from those countries. Its membership — agreed in principle two years ago — was reportedly not on the agenda at December's meeting of Ecowas heads of state. Matters have not moved forward since.

There are many objections: Morocco's bid is ambiguous, with no clear indications about its true intentions and whether it will obey Ecowas's rules, from tariffs to free movement; Morocco is a far more developed country than any in Ecowas and would join from a position of power; Morocco has its own free trade deals with, among others, the EU and the US, which could create a potential tariff-free back door into west Africa for foreign companies.

Resistance has been strongest in Nigeria. "What is Morocco going to bring to the table and what will be the benefits to the members of the community, particularly our own country?" says Mansur Ahmed, president of the Manufacturers Association of Nigeria. "Generally we do not see any direct benefits to the community." He says Morocco's links to the US and Europe could lead to dumping and put it "at a significant advantage over the other members of the west African community".

The MAN is a leader of a consortium of trade groups representing manufacturers, chambers of commerce and small business that in 2017 released a paper arguing "Morocco joining Ecowas is a direct attempt at reducing the influence and strength of Nigeria as a strategic political and economic force". The association has also led opposition to the Africa Free Trade Agreement, a continental pact that Nigeria has not yet joined. Mr Ahmed says his group wants to study it further before Nigeria signs the pact, which makes Morocco's bid for Ecowas membership even less of a priority.

Christophe Charlier, chairman of Renaissance Capital, the Russian investment bank, says Morocco's bid is a logical step, building on development across the region, which includes Moroccan phosphate giant OCP's investments in Nigeria, Attijariwafa Bank expanding across francophone west Africa, and Moroccan real estate developers building in Abidjan. "Full membership will consolidate the political status of Morocco in the region." Now that Moroccan companies have developed across Ecowas, moving services and products across countries will create significant value for Morocco and the bloc, he says.

Morocco sees itself is as a hub for western companies to offer goods and services to west Africa, says Riccardo Fabiani, a political analyst at Energy Aspects, a research consultancy. "The problem is [that] in that way Morocco would become a sort of Trojan horse for EU and US companies into west Africa."

Ecowas has a common trade policy, which means it has a tariff on European and American goods, Mr Fabiani says. These goods are not taxed when they reach Morocco, so it could become a conduit through which European and US companies start "invading" Ecowas with tariff-free goods.

> 'Being able to move services and products across countries will create significant value'

There is also the matter of the disputed territory of Western Sahara. Morocco annexed the former Spanish colony in 1975 and has been in dispute with the Polisario Front, which declared independence in the eastern part of the territory the following year. The African Union and many governments have recognised the Sahrawi Arab Democratic Republic. Mr Buhari, like many west African leaders, has backed the independent nation.

Yet Imad Mesdoua, senior analyst at consultancy Control Risks, sees scope for compromise to allay Ecowas members' concerns. "This would be likely to include a prolonged transition period aimed at reducing the economic differential between Ecowas countries and Morocco," he says. "For example, some members might be granted tariff-free access to the Moroccan market without automatic reciprocity."

Southern neighbours offer rich seam for growth

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Sahrawi movement demanding independence for Western Sahara, a former Spanish colony. UN efforts to resolve the conflict have been stalled for almost 30 years. Many African countries backed the Polisario and recognised its self-proclaimed Sahrawi Arab Democratic Republic, announced in 1976. Over the years, however, Morocco has been able to flip the position of some and persuade others to assume a neutral stance.

One of the strongest signs of Morocco's pivot towards Africa came in 2017, when it rejoined the African Union, 33 years after it had pulled out in protest against the admission of the SADR. The Sahrawi republic is still a member, but Morocco's engagement with Africa through AU membership, helps it compete for influence with Algeria, its regional rival and main backer of the Polisario Front, says Anouar Boukhars, assistant professor of International Relations at McDaniel College in the US.

"A lot of this is about Western Sahara," says Mr Boukhars. "Now in the AU they no longer speak of Western Sahara as a colony and of Morocco as an occupier. They use UN language saying it is a disputed territory. Yes, the Sahrawi republic is still a member, but Morocco is now trying to influence the AU from within."

He and others note Morocco's efforts to cement ties with African countries through initiatives which include training imams, offering scholarships to sub-Saharan students at its universities, and sharing intelligence with Sahel countries fighting Isis and al Qaeda, with the support of French troops stationed in the region. Issandr al-Amrani, north Africa director of the International Crisis Group, says Morocco's engagement with Sahel countries — those to the immediate south of the Sahara desert — allows it "to turn around and present itself to the West as a partner for counter-terrorism".

Bad relations with Algeria over Western Sahara are part of the reason Moroccan businesses have looked south to expand instead of in their own neighbourhood. Europe remains Morocco's biggest trade partner, but trade with Africa, while still low, has been growing at a yearly rate of 12.8 per cent.

Attijariwafa, one of Morocco's biggest banks, started its expansion in sub-Saharan Africa in 2004 at a time when the banking industry was already consolidated and had little room to grow domestically, according to general manager Ismail Douiri. He says the five top banks controlled 80 per cent of banking assets, which left little room for growth beyond the single-digit growth rate of the wider economy. The king's policy to push into Africa created an added incentive. "We were in a country where our larger corporate clients were already becoming more international and the policy of our king was to push strongly to develop investment and trade with sub-Saharan countries," he says. "Like any other company we wanted to continue to deploy capital in the thing we know how to do where we see opportunities for profitability and growth. Also, it was a defensive move to stay close to our biggest clients."

According to Moody's Investor Services, the rating agency, the largest three Moroccan banks have increased their presence in Africa to around 23 per cent of their loans. Mr Douiri says, 22 per cent of Attijariwafa's profit comes from sub-Saharan markets.

Morocco has also been positioning itself as a base for European companies seeking to do business with sub-Saharan Africa. To that end, it has launched Casablanca Finance City, a special zone offering tax and other incentives. Mehdi El Idrissi, an executive at Eurosearch & Associés, a Paris-based recruitment company, says 80 per cent of his firm's business involved recruiting senior level employees and board members for international companies choosing to base themselves in Morocco for ease of access to African markets.

"We expect to do 50 per cent more business this year," he says. "Companies now view Morocco as a hub not only for regional business but also for certain aspects of their businesses in Africa."

Contributors

Adrienne Klasa
Development finance editor of fDi

Nicholas Megaw
Retail banking correspondent

Jon Marks
Chairman of Cross-border information, a consultancy focused on Africa and the Middle East

Heba Saleh
Cairo and North Africa correspondent

Leyla Boulton, Helen Fitzwilliam
Commissioning editors

Steven Bird
Designer
Fran Andreae
Picture editor

For advertising details, contact:
Mark Cawardine, (44) 20 7873 4880, mark.carwadine@ft.com, or your usual FT representative.

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Risks will not hold back expansion across region

Looking up: the Casablanca headquarters of Attijariwafa Bank, a third of whose revenues are now from outside Morocco — Fadel Senna/AFP/Getty Images

Banks Lenders go on acquisition spree in pursuit of pan-African growth, says *Nicholas Megaw*

Morocco's banks needed little convincing to see the value of expanding outside their home market. The country's banking sector is among the most highly developed in Africa, meaning returns are relatively low and opportunities to grow faster than the wider economy are limited. The kingdom's project to expand its business links throughout the African continent, therefore, tallied well with lenders' commercial interests.

"Banks realised quite early on that if they wanted to grow they'd have to go outside," says Janine Dow, head of francophone African banks at Fitch Ratings.

Though their experiences have not always been free of trouble, revenues from international ventures are soaring, and industry figures say the investments are more than worth the risk, with further expansion planned.

"Almost all African markets still offer massive growth opportunities in all segments, provided you address them with the right value proposition, the right cost structure and the right risk management system," says Kamal Mokdad, general manager in charge of international banking at Banque Centrale Populaire, one of Morocco's biggest banks.

International revenues at BCP grew 800 per cent between 2009 and 2017, from less than 3.6 per cent of group sales to almost 20 per cent. It aims to raise that figure to 30 per cent by 2020. Rival Attijariwafa Bank, meanwhile, lifted its proportion of international sales from 15 per cent to 33 per cent over the same period.

Both groups are eyeing new markets: BCP recently bought a Mauritian bank and is in the process of buying another four businesses in Cameroon, Madagascar, Tunisia and Congo. In 2017, Attijariwafa made its largest acquisition with the $500m takeover of Barclays' Egyptian unit, and it is considering purchases in Rwanda, Kenya and Ethiopia, among other countries.

Analysts have warned, however, that the bumper growth could come at a cost. Repeated acquisitions have put pressure on banks' reserves at a time when they are already "not very well capitalised", says Ms Dow. In a recent note on banks across francophone west Africa, Fitch noted that the region generally has higher rates of bad loans than Morocco, concentration risk because of a relatively small number of large corporate borrowers, and political uncertainty in some markets. The collapse last year of SAF-Cacao, Ivory Coast's largest cocoa exporter, for example, left BCP and Attijariwafa exposed to a reported CFA Fr25bn ($44m) in unpaid loans.

Ismail Douiri, Attijariwafa general manager, acknowledges that "risk is definitely higher, but returns are [also] higher, and when you have bigger margins you can invest some of it in taking risk." He adds that "individual markets [outside Morocco] are small enough not to present a shock if any had a problem".

Mr Mokdad says BCP has consciously expanded in countries with different economic profiles — such as oil-dependent economies and non-oil-dependent economies — to diversify its exposure.

> Repeated acquisitions have put pressure on reserves at a time when banks are 'not very well capitalised'

Laureen Kouassi-Olsson, regional head for western and central Africa at Amethis Finance, a Paris-based private equity firm, says while much of the Ivorian banking sector was "badly hit" by SAF-Cacao's collapse, the Moroccan lenders were less exposed than many of their peers. "They have enough on their plates to do without getting into the risky stuff that's not in their area of expertise. That's why I think it's quite secure: they only finance the things they're comfortable with", she says.

The wider Moroccan push into sub-Saharan Africa provides its banks with what Ms Kouassi-Olsson calls a "captive audience of clients" in need of financing for major projects, providing a useful advantage to help compete with French and pan-African rivals such as Société Générale, BNP Paribas and Ecobank.

Ms Kouassi-Olsson's firm has taken a stake in CFG Bank, another Moroccan lender that is set to follow its more established peers into west Africa. Having started life as an investment bank, CFG eventually became a full-service retail bank. It is looking at opportunities in Ivory Coast in particular, and is likely to focus on its historical strengths of asset management and corporate finance before considering broader expansion, Ms Kouassi-Olsson says.

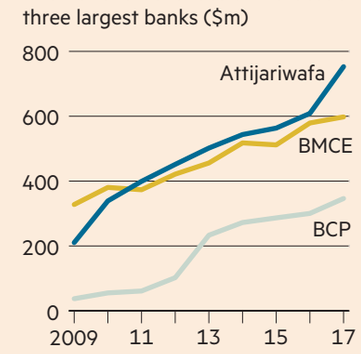
The impact on capital levels and need to integrate new businesses may slow down the pace of acquisitions after the latest round of purchases is complete. But with further initiatives including building a new microfinance business and keeping up with developments in financial technology, banks' broader investment in sub-Saharan Africa will continue, says BCP's Mr Mokdad.

"While most are developing economies, we see it as a chance to be near each one of them, opening our bank to the financially excluded populations and at the same time fostering financial development and economic integration, all with the goal of eventually unlocking the continent's undeniable potential . . . we are deeply convinced that we need to continue to grow."

Additional reporting by Heba Saleh

Moroccan banks are rapidly growing their businesses in the rest of Africa

International revenues at Morocco's three largest banks ($m)



Converted from Morocco dirhams, exchange rate as of 16 Jan 2018 Source: Factset

Positioning as portal for a continent bears fruit

Investment Focus on Africa is driven by high growth and desire to cut Europe dependence, writes *Adrienne Klasa*

Since the Arab uprisings in 2011, the commodities crash and the oil price dive of 2015, many economies in north Africa and their sub-Saharan neighbours to the south, have struggled to bring back spooked foreign investors.

Morocco, while not untouched, has fared better than most. It has a diversified economy with few natural resources compared with turbulent neighbours such as Libya. It has attracted a steady flow of foreign direct investment, unlike the rest of north Africa, which has seen a sharp decline in FDI.

"FDI inflows to diversified exporters, led by Ethiopia and Morocco, were relatively more resilient," the UN Conference for Trade and Development (Unctad) stated in the 2018 World Investment Report.

As a destination for inward investment, Morocco is "quite impressive", says James Zhan, director of investment and enterprise at Unctad. "The traditional big investment destinations in the region are Egypt and Tunisia, but Tunisia has been in trouble and Egypt is just regaining attractiveness," he says. "Compared with those two, and Algeria and others, it is the most stable investment climate in the region."

At the same time, in an effort to diversify their economic ties, more Moroccan companies are looking to expand in sub-Saharan Africa's fast-growing if fragmented markets. The region leads as a destination for Moroccan investment.

Morocco has sought to position itself as the portal to African markets — a strategy promoted by the government in the wake of the Arab uprisings that swept across the Middle East.

"Historically the Moroccan market was too closely correlated with the European market, which has very slow growth," says Mehdi El Idrissi, a partner at consultancy Euroresearch & Associés. "The fact is that the Moroccan companies that have operations in Africa, such as the banks, Maroc Telecom or insurance . . . their growth is coming from Africa."

Slow growth in France, a former colonial power, and Spain — as well as Arab neighbours — has been one of the motivating factors behind the new focus on the south. France and Spain, meanwhile, have remained keen to invest. Greenfield FDI (investments in new projects or expansions of existing ones) in Morocco has grown steadily since 2013, according to fDi Intelligence, an FT sister publication. Though it dipped in 2017, it rose again the following year, with $4.2bn coming in from France, the UK, South Korea and Spain. Investment from France is up 25 per cent from 2017, led by the renewable energy and automotive sectors. Voltalia, the French renewable energy company, announced plans in February 2018 to build two hydropower plants in Morocco. Italy's Enel announced five wind farms in 2016, worth a combined $1.2bn, in partnership with Siemens of Germany, while Japan's Sumitomo and Saudi Arabia's ACWA Power International are building solar plants.

Chinese companies have been building the Noor 2 and Noor 3 solar parks near Ouarzazate, 100km south-east of Marrakesh. The multi-billion-dollar project, expected to be the largest solar park in the world, is due to be completed this year. The first phase, Noor 1, has been operational since 2016. Carmakers have been attracted to Morocco by its special economic zones, tax incentives and easy access to markets in Europe and further afield. "Morocco is doing for Europe what Mexico did for the US [in the automotive industry]," says Patrick Dupoux, the Casablanca-based managing director and head of Africa at Boston Consulting Group. "A lot has been done and it has been very successful so far, but it could double or triple — there is huge potential for more."

Peugeot, Nissan and Renault are all key players in Morocco's growing automotive industry, which has attracted $4.6bn in greenfield investment since 2010. Russia's Kamaz, Turkey's Otokar and Ford of the US have also invested in Moroccan plants.

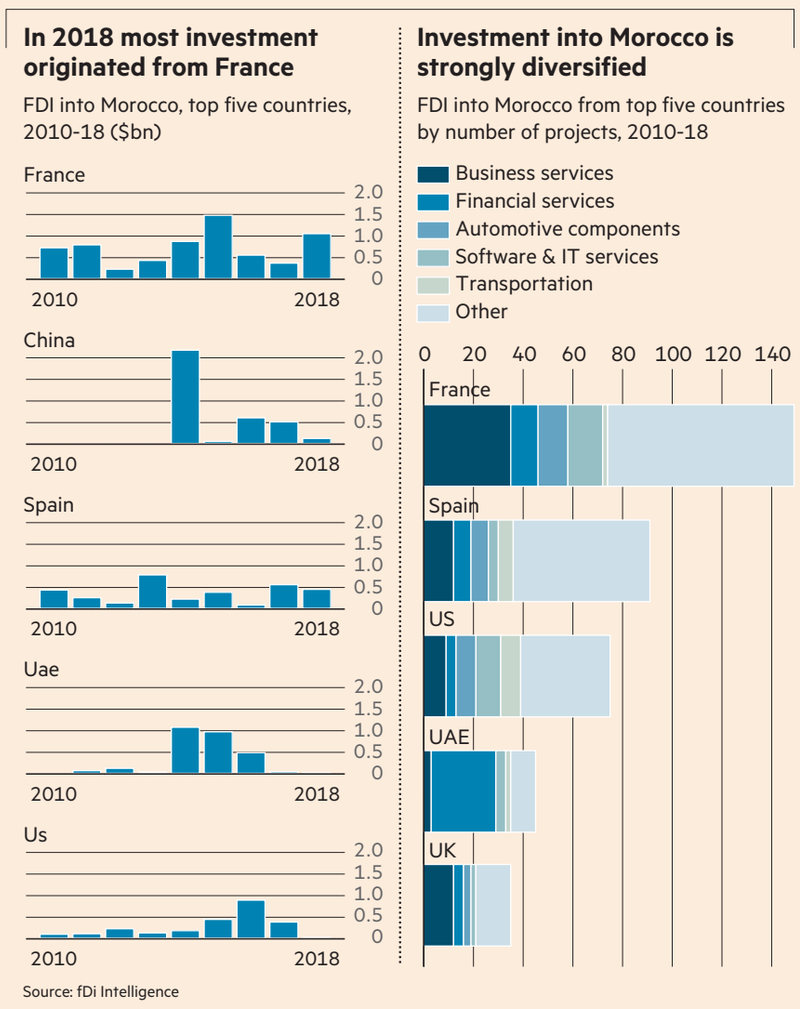
Meanwhile, Casablanca has positioned itself as the hub for Morocco-based companies looking to invest abroad, and accounts for 90 per cent of the investment out of Morocco between 2010 and 2018.

Africa, including fast-growing Ethiopia and Ivory Coast, is the prime destination for investment coming from Morocco. Chemicals, real estate and renewable energy have been the leading sectors for capital deployed. A 2016 agreement between Moroccan fertiliser giant OCP and the Ethiopian government to build a $3.7bn facility in the Dire Dawa region in eastern Ethiopia is the biggest deal by far, and came only a month after OCP signed up to erect a smaller blending facility in Rwanda.

"Moroccan policy translates into Moroccan investment into Africa," says Saïd Ibrahimi, chief executive of Casablanca Finance City (CFC), a financial hub launched in 2010. While he admits pockets of the continent remain unstable, both he and Moroccan government policy see Africa as the future engine of growth for the global economy — a position in line with World Bank predictions.

Challenges lie ahead for foreign companies in Morocco for similar reasons. Though it is more stable and business-friendly than many sub-Saharan countries, long delays in payments to suppliers from companies and government agencies, for example, remain problematic. "We need to have decent profitability, but not the same as we would need elsewhere, because this a long-term play," says Mr Dupoux at BCG. "Africa will be big in 20 years, not now."

Here comes the sun: Ouarzazate is home to one of the world's largest solar power plants — Fadel Senna/AFP/Getty



Source: fDi Intelligence

The new southward focus may be ambitious but is not without risk

OPINION

Jon Marks

One impact of the financial crisis that has only recently become clear is the retreat of western banks from Africa. This, and diminished confidence in its traditional partners, lie behind Morocco's unexpectedly energetic pivot towards its own continent in the past decade.

Now back at the centre of power, having stepped back after constitutional changes that followed the 2011 Arab uprising, King Mohammed VI has put business expansion and diplomacy across Africa at the centre of Morocco's development strategy.

Cynics are right to observe that the rhetoric of "developmental states "and "south-south co-operation" has too often failed to meet African aspirations, as reflected in depressing data on regional trade, or on economic uplift for all but the elites. Big questions remain about the levels of risk implied in Morocco turning its sights southwards, but the trend cannot be ignored if one is to understand contemporary Africa.

Finance has provided a flagship for Morocco Inc, after the withdrawal, or scaling down, of international banks across Africa over the past decade created a vacuum that has been filled by Casablanca institutions. The commercial success of the big three — Attijariwafa Bank, BMCE Bank and Banque Centrale Populaire (BCP) — has been coupled with a recognition that Morocco could project its influence well beyond the west African countries with which it has historical links.

This process would help consolidate key national goals, including confirmation that the disputed Western Sahara is part of a greater Moroccan kingdom rather than a former Spanish colony aspiring to independence. Morocco's new focus on Africa made restoring its membership of the African Union in January 2017 essential, ending a boycott dating back to 1984 after the rival Sahrawi Arab Democratic Republic (SADR) was admitted as a full member.

Those doubting the extent of Morocco's ambitions in previously unfamiliar markets, from Egypt to Ethiopia and Nigeria, ignore a defined pattern of activity. It no longer seems unusual that one-third of Attijariwafa Bank's profits come from other African markets, that phosphate giant OCP Group is investing heavily in Ethiopia or even that Rabat is planning a gas pipeline from Nigeria, a political rival, to the Mediterranean.

King Mohammed VI (left) visits president Ali Bongo in hospital — AP

Initiatives like Casablanca Finance City have been fashioned to provide a platform for working in Africa. The hitherto domestically focused SNI, a holding company majority owned by royal interests, has been rebranded with an "African identity".

Morocco's applications — a surprise to some — to join the Economic Community of West African States (Ecowas) and its associated electricity market fit this logic. Similarly, Rabat's commitment to the potential white-elephant gas pipeline and distribution system covering west Africa would feed its desire to become an energy hub.

> Morocco could project its influence well beyond the west African countries with which it has historical links

The pivot is not all about institutions, however. It has exploited historical ties, including close relations with leaders such as Ivory Coast's president Alassane Ouattara and King Mohammed's childhood friend Ali Bongo Ondimba, the Gabon president. The king's line in multicoloured djellaba robes — a fashion statement appreciated by many Moroccans — and promotion of "moderate" Sufi Islamic values are a contemporary take on traditional links that span the Sahara. One forward-thinking Casablanca banker admonishes those who say Sufi ties with west Africa are essential to understanding contemporary business. Yet others say Morocco's identification with the north Africa-based Qadiriyya and Tijaniyya orders, which have a longstanding sub-Saharan presence, has enhanced its standing with leaders such as Nigerian president Muhammadu Buhari.

King Mohammed has rightly made his focus on Africa results-based. The sacking last August of respected finance minister Mohamed Boussaid followed a *colère royale*, royal anger, at the lack of significant social and economic improvements for marginalised populations. The new minister, Mohamed Benchaâboun, emerged as a public figure by leading BCP into Africa.

Yet the king's ambitions are not without risk. The Ecowas application has stalled. The pitfalls of building up sub-Saharan exposure by banks and big companies are discussed privately but played down publicly. Morocco is having to live with the SADR'S AU membership, which may complicate diplomatic ties with some countries.

Nevertheless, the conflict does not stop the kingdom pursuing ever more initiatives, over an ever wider spectrum of African regions and sectors. While Morocco's new African strategy has been most evident in commercial deals, it also points towards the emergence of a genuinely post-colonial African order.

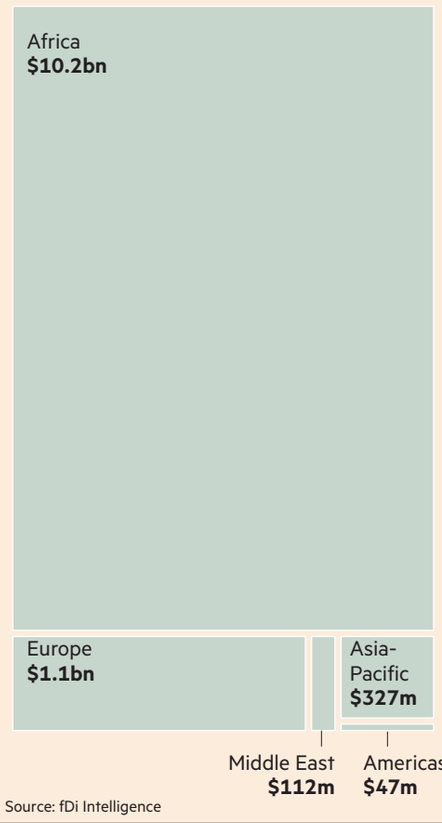
The writer is the chairman of consultancy Cross-border Information

Commerce City's finance hub proves key to rise in exports and investment abroad. By *Adrienne Klasa*

Casablanca's 'one-stop shop' opens doors to all players

Since 2010 Morocco's government has encouraged companies to look south for investment opportunities

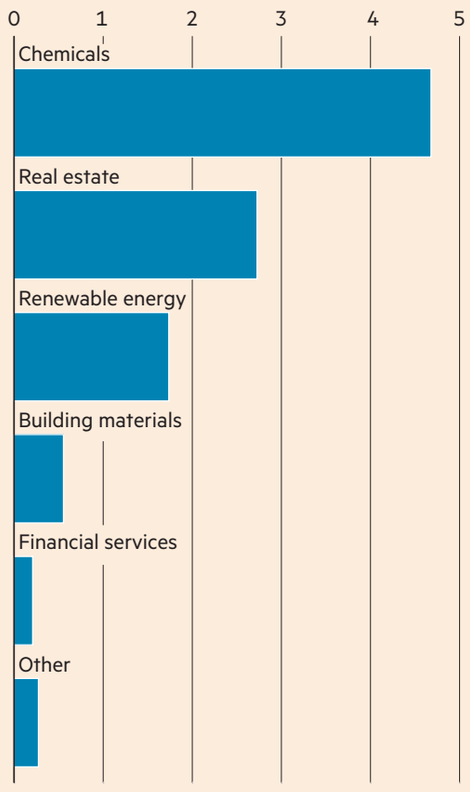
Morocco outward investment by region, 2010-18

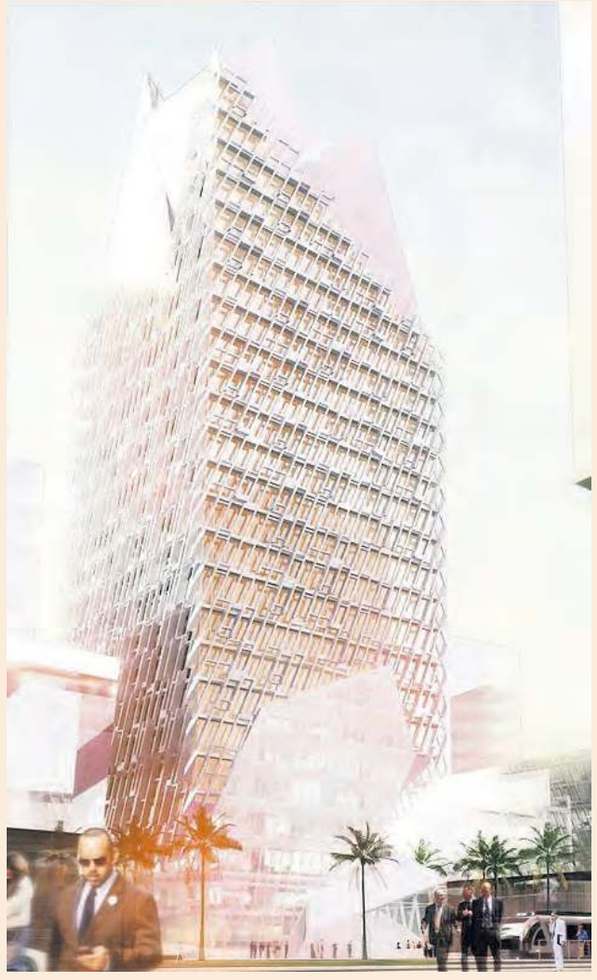


Source: fDi Intelligence

FDI outflows concentrated in chemicals, real estate and energy sectors

Moroccan greenfield investment in Africa by sector ($bn)





Showpiece: the design for the as yet unopened CFC Tower
Morphosis Architects

More than three decades after walking out of the African Union, Morocco rejoined the pan-African organisation in 2017. The north African kingdom had withdrawn when the union recognised the independence of the disputed territory of Western Sahara — over which Morocco still claims sovereignty.

The reconciliation was a tactical move: a sustainable political settlement might have been appealing, but economics were key. "Morocco's bid to join African trade and political unions is part of its strategy to raise its regional profile", says Elisa Parisi-Capone, vice-president and senior analyst at Moody's, the rating agency.

The country is pursuing membership of the Economic Community of West African States (Ecowas).

Morocco has been looking south since 2010. With slow growth in post-financial crisis Europe and many Arab economies in disarray following the Arab-spring uprisings, Morocco's government began encouraging local companies to look for opportunities in fast-growing sub-Saharan African nations.

Casablanca Finance City (CFC) was established that year and launched as a centrepiece of this strategy. Its mandate was to attract companies keen to use Morocco's political stability and favourable geostrategic position between Europe and Africa as a base for expanding their operations south of the Sahara.

The strategy has borne fruit: Morocco's exports to west Africa tripled between 2006 and 2016. About 90 per cent of greenfield foreign direct investment (new projects or expansion of existing ones) out of Morocco between 2010 and 2018 went to sub-Saharan Africa, according to fDi intelligence, a Financial Times sister publication. Ethiopia, Ivory Coast and Cameroon were the top destinations.

"Africa will be the motor of global growth in decades to come, even if today there are problem regimes in [one or two] economies," says Saïd Ibrahimi, CFC's chief executive.

Casablanca, the country's business capital, has become the hub for investing overseas. Greenfield investment out of the city grew rapidly from $61m in 2010 to a peak of $5bn in 2015, according to fDi intelligence. Since then, the pace has been more subdued, in line with global FDI trends.

> It is not hell, it is not heaven, it is a continent with a big population with cities that are booming

Since its launch, about 160 businesses have acquired the regulatory and fiscal advantages of CFC status including international consultancies such as McKinsey and Boston Consulting Group, insurance market Lloyd's of London and law firm Clifford Chance.

Businesses in CFC reap certain fiscal benefits: Morocco's corporate tax rate of 30 per cent drops to zero for the first five years after CFC designation. Employees of those companies, meanwhile, pay reduced rates of tax, and there are no limits on foreign exchange repatriation.

"It's good by African standards. It offers quite an attractive set of regulations and the ability to hire foreigners — kind of a one-stop shop for administration that is helpful, plus competitive fiscal and tax policy," says Patrick Dupoux, managing director and head of Africa at Boston Consulting Group, which joined CFC in 2012. Fast approval for visas — which can take months in other African countries — was a big draw, he adds.

While the firm's Johannesburg office is bigger, Casablanca's reach is broad. "From Casablanca, primarily we serve Morocco — that's 50 per cent of our work," says Mr Dupoux. "Twenty-five per cent is firms within Africa; the other 25 per cent is multinationals and pan-African companies that want an overall Africa strategy."

Youth unemployment in Morocco — at nearly 30 per cent, according to World Bank figures — is a significant problem. In Casablanca, at least, CFC provides opportunities for skilled workers. "We have a lot of well-educated young people who are now able to pursue a career in Casablanca instead of going abroad to find high-quality jobs," says Mustapha Bakkoury, president of the Casablanca-Settat region.

At the launch of CFC, Morocco's ministry of finance estimated it would contribute about 2 per cent to gross domestic product and bring 35,000 new jobs. How many jobs have been created and how many have gone to Moroccan nationals, as opposed to foreign workers is not clear.

While CFC status is up and running, the CFC Tower — the showpiece of a new business district — is not. The $73.5m, 25-storey building was expected to open this year, but was pushed back to 2019. "My belief is they . . . thought maybe 2019 would be better [to coincide with the 20th anniversary of King Mohammed VI's rule]," says Mr El Idrissi of Eurosearch & Associés.

At the same time, Morocco's switch towards Africa has had its setbacks. While non-oil based economies such as Senegal, Ivory Coast and Ethiopia have enjoyed high growth, the region's largest markets — South Africa and Nigeria — have been mired in recessions and political impasses. The hype of "Africa Rising" may have faded, but a more resilient mindset has set in for many in Morocco. "It is not hell, it is not heaven, it is a continent . . .[that is] young, with a big population that is growing, with cities that are booming. There is a lot of demand," says Mr El Idrissi.

Sleepless nights and successes as businesses expand horizons

Profiles

Heba Saleh reports on what one manufacturer learnt from investing in Ivory Coast, and a payments company looking to broaden its customer base worldwide

Richbond

For Karim Tazi, owner of Richbond, a Moroccan manufacturing group, setting up a mattress factory in Ivory Coast proved "a hurdle race every day". Yet it was worth the effort, he says, because "demand was almost instantaneous". There is good scope for growth and profits are "not huge but reasonable".

Mr Tazi leased the land for the factory in 2014 but soon ran into bureaucratic delays, which meant it took two years to build the plant. "Bureaucracy and corruption were the biggest problems," he says. "Laws and regulations are not adapted to the reality of business."

The group, which has an annual turnover of $170m, suffered weakening growth in the wake of the global financial crisis in 2008. Europe is Morocco's main economic partner and the impact of the slowdown on the continent was keenly felt in the north African kingdom. Richbond decided to diversify into real estate and hotels in Morocco while expanding its core industrial business outside the kingdom, hence the investment in Abidjan in Ivory Coast.

After four years in the west African country, Mr Tazi says he has learnt that "you have to be a big, well-organised company, ready not only to invest a lot but also to lose a lot before breaking even". It means, he adds, that investors must have deep pockets and not rely on loans, because interest payments will become a burden during the time spent grappling with bureaucracy and training staff.

Another lesson is that there is no single best approach that applies across the continent — there are different countries and regions with their own specific conditions, he says. The conditions of roads are one of the main problems for cheap products such as mattresses, which can cost more to transport than to manufacture.

Mixed experiences: Karim Tazi (top) and Mohamed Horani

Mr Tazi remains optimistic about his company's prospects in Ivory Coast. Though he did not wish to repeat the experience of a greenfield investment — so for his next venture he headed to Kenya where, for $8m, he bought a majority stake in the Kenyan arm of UK bed and mattress maker Silentnight, an investment he describes as a "sleeping beauty".

"Our main target is to make 20 per cent of our turnover in Africa in five or six years," he says. "We are still in the learning phase, but my market will be Dakar, Abidjan, Accra, Nairobi and Dar es Salam. In the future, I would also like to add Addis Ababa and Algiers."

Hightech Payment Systems

Hightech Payment Systems, an electronics payments company, was present in African markets even before the global crisis drove many Moroccan companies to look for growth in countries south of the Sahara.

Founded in 1995, the company, which is listed on the Casablanca stock exchange, had big ambitions to establish a global presence. Thirty-nine of the 90 countries in which HPS operates are in Africa, which accounts for 34 per cent of the company's revenues, says Mohamed Horani, founder and chief executive.

In South Africa, HPS's customers include the country's two biggest banks, giving it access to half the electronics payment market. The company also provides the software that connects banks in the west African Economic and Monetary Union's eight member countries, which have one central bank and use the same currency.

Clients are mostly banks but also include telecoms companies, retailers, oil companies and governments, says Mr Horani. Powercard, the company's software, connects banking networks in real time to authorise transactions and to carry out clearing and settlement functions at the end of the day.

"We understood from the beginning that Africa was an important market for us because Morocco is an African country and shares many of the same issues," says Mr Horani.

The company's business model is to charge fees to license use of its software, but to remain the owner of the intellectual property. HPS also charges for maintaining and upgrading the software. "It means 60 per cent of our revenue is recurrent, which is a good thing," says Mr Horani. Turnover in 2017 was Dh560m ($60m) and the company has grown at a rate of 20 per cent annually in the past five years, he adds.

HPS has branched out into mobile payments and already supports this service in Morocco and Ghana. They can also tailor software to support microcredit transactions.

HPS aims to expand globally, especially in Asia, the biggest market for electronic payments companies. "This may keep Africa's share of revenues constant, but the number of transactions will grow," he says.

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