# Casablanca Finance City offers hub to Africa-bound local and foreign business

Exports and FDI soar with help of incentives for long-term development

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

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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 The north African kingdom had withdrawn when the union recognised the independence of the disputed territory of Western Sahara — over which Morocco still claims sovereignty.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).

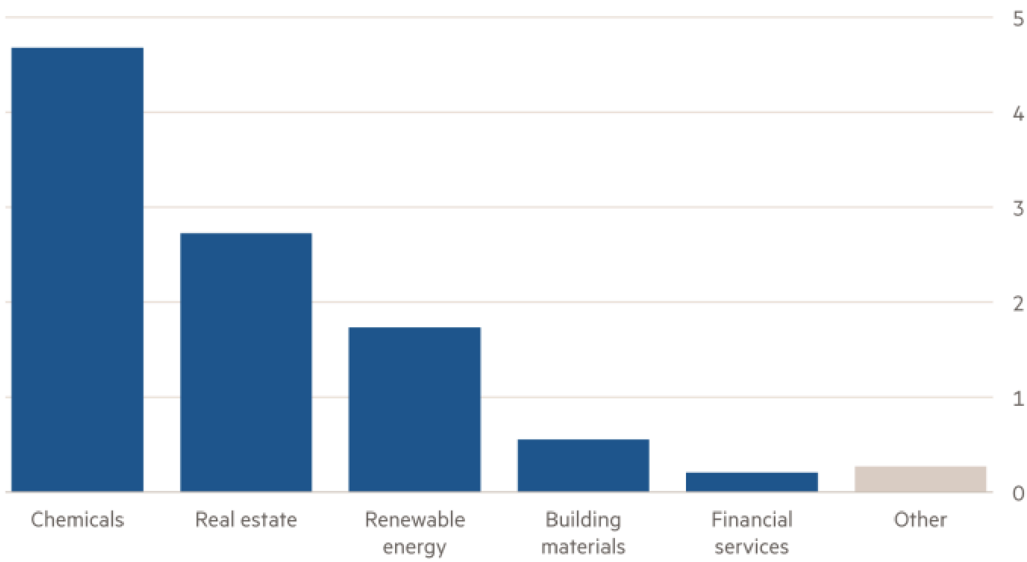
Morocco has been looking south since 2010. With slow growth in post-financial crisis Europe and many Arab economies in disarray following the Arabspring uprisings, Morocco’s government began encouraging local companies to look for opportunities in fast-growing sub-Saharan African nations.

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.

FDI outflows concentrated in chemicals, real estate and energy sectors

Moroccan greenfield investment in Africa by sector ($bn)




Source: fDi Intelligence

“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.

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.

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

Morocco outward investment by region, 2010-18


Source: fDi Intelligence


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.”

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

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.