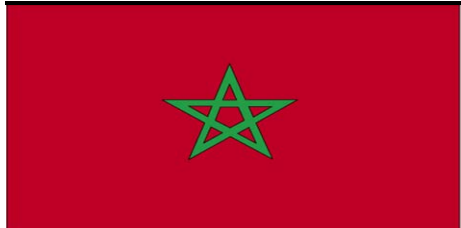


## MOROCCO NEWS REPORT



### Stable Development

Major infrastructure projects are scrambling for finances across North Africa as a result of the global slowdown, but Morocco is forging ahead with its ambitious plans for Tanger Med II Port, a port expansion project that it hopes will position the kingdom's transport sector at the centre of Mediterranean trade.

On June 17, King Mohammed VI launched the construction of the Dh9.25bn (€28m) port, laying to rest months of speculation about how the recession would affect the two-year old plans. Building was initially set to begin at the end of 2008, but final approval did not come through until January. Despite the delay, the project, which is set to provide capacity for 5m twenty-foot equivalent units (TEUs), has received the required financing and Marsa Maroc has signed an agreement with the Tanger Med Special Agency (TMSA) to operate the port for 30 years. The Moroccan company plans to invest €20m.

The commitment is a significant one, particularly in this economic climate, but the success of Tanger Med I suggests that the Moroccan transport sector has potential for further development. The first port, which has a capacity of 3m TEUs, opened in July 2007 and almost immediately the government authorities announced the plan for expansion. With an anticipated total capacity of 8m TEUs by 2015, Tanger-Med aims to rank among the world's largest container ports.

The reforms have already begun to pay off. Mohammed Abdeljalil, the president of Marsa Maroc, told OBG that the port "has enabled Morocco to move from 75th place in the world in terms of routes and connectivity to 30th place", adding that,

along with Egypt and South Africa, the kingdom is now one of the "top-three African countries in terms of maritime connectivity".

As the Moroccan market represents an estimated 800,000 containers annually, most of the port's activities are focused on transit trade: transferring containers and cargo arriving from smaller regional ports onto the world's largest ships to travel onward to Europe, Asia and America and vice versa. While container traffic has declined 10% since the onset of the slowdown, Morocco has fared better than the global markets, which have dropped an average of 20%, according to Abdeljalil. "Morocco's port and maritime sector has been relatively well protected because north-south exchanges have not been as badly hit as east-west markets," he told OBG.

The relative security of Morocco's trade is good news for Tangiers, which, in addition to the large port, includes logistics areas and free trade and industrial zones on an area of 550 sq km. The government's aim is not only to establish Morocco as a main destination for world shipping lines, but also to become an industry-based export centre that will be the main engine in the economic development of the kingdom's underdeveloped northern region. Thus far the plan seems to be working. There are more than 400 businesses currently based in the Tangier Free Zone (TFZ), which provide jobs for 40,000 people. The 345-ha TFZ was the first such zone in Morocco and today, 10 years after it opened, it is nearly fully occupied, having attracted foreign investors through incentives such as no import tax, no benefit tax for the first five years of operations and no Customs charges.

Although the TZF is operating almost at capacity, there are new opportunities that the expansion will provide. The port will create an estimated 300,000 more jobs once it is complete in 2014, Karim Ghellab, the minister of equipment and transport, said in a press conference at the ribbon-cutting ceremony. Additional processing zones include the 250-ha port

logistics zone known as Medhub and the 1000-ha industrial zone at Melloussa-Joamaa. Medhub is under construction and will focus on warehousing and light value-added activities such as assembling. Unlike the TFZ, the Melloussa-Joamaa industrial zone will not be a free trade zone - it will essentially cater to Moroccan firms in search of quality facilities and proximity to the port. Like the TFZ, it offers attractive tax schemes and low labour costs and has already lured a major operation: the Renault Group will build an assembly plant that will produce some 200,000 vehicles by 2010 and 400,000 by 2012. Initially the project was to be a joint operation between Renault and Nissan, but the latter put its participation on hold due to financial constraints caused by the downturn. There was some question of whether plans would be delayed following Nissan's withdrawal, but Renault affirmed its commitment in late June and construction is expected to begin in early September. The total investment, to which the Moroccan government is also contributing, is €600m. The factory is expected to create 6000 direct jobs and over 30,000 indirect ones.

With the government hoping to bring the unemployment rate down to 7% by 2012, according to Prime Minister Abbas El Fassi, the Renault plant is an important opportunity. Building on its success, the TSMA hopes to create a total of 150,000 jobs over the next decade in all of its logistics, industrial, office zone and port facilities.

"In this difficult economic context, many countries and investors have decided to suspend their investment, but Morocco has decided to pursue its ambition of strategic positioning in terms of logistics," said the finance minister, Salaheddine Mezouar.

*Source.: Oxford Business Group 11/08/2009*

### **Collaborative Construction**

As Morocco's construction sector weathers a mild slowdown after several years of rapid growth, officials are moving to offset the drop in demand for high-end developments by stepping-up support for

social housing projects. For private developers, many of whom have been hit hard by the delays on upmarket plans, the constant demand for affordable housing offers a reliable alternative.

In recent years developers have capitalised on Morocco's growing reputation as a tourist destination, building large-scale luxury resorts and second homes for both foreigners and expatriates, but this year's volatile global economy has started to take its toll on the sector. Although many of the major projects are long term and will not be significantly affected by the fluctuations, completion time has increased for most projects. In a poll of companies in the building and public works sector carried out by the High Planning Commission (Haut Commissariat au Plan, HCP), 35% of the participants reported an increase in activity, while 48% reported stagnation and 17% a decrease.

Although high-end demand has slowed along with the world markets, there is no shortage of people who need affordable housing. A booming population and growing urbanisation have made it difficult for the supply of affordable housing to keep up with demand. The housing and town plan minister, Toufik Jhira, estimated that social housing accounts for 70% of the national market. In 2008, although 129,000 social housing units were constructed, up from 121,000 the previous year, Morocco's housing deficit remains high, at nearly 1m units.

To address these needs, the government has stepped up its commitment to provide housing, and hopes to build around 150,000 a year through 2012. In February 2009 the government signed two agreements, pledging a total of Dh52bn (€4.7bn) for affordable housing projects, and 3853 ha of public land to be made available for building 200,000 units in 32 cities across the country. This plan is only the latest step in the government's programme to provide housing for all its citizens. The Cities Without Slums (Villes Sans Bidonvilles) project, which was launched in 2004, aims to move 289,000 households from shantytowns into

permanent residences. The rate of makeshift housing demolition has sped up considerably in recent years, from 5000 in 2004 to 50,000 in 2008. As of 2008, 64 new cities, containing a total of 268,000 homes, had been planned.

While government initiatives are likely to remain an essential piece of the plan to reduce the shortage, private companies are also contributing. In 2008 Al Omrane, the state-owned real estate company, broke ground on 22,000 units and pledged to build another 129,000 with a maximum sales price of Dh140,000 (€12,600) in the next four years.

As important as it is to construct new residences, more financing must also be made available to enable Moroccans to purchase homes. Thanks to an injection from the government into the Damane Assakane (housing guarantee) programme, there will be more loans on offer in the coming year. The funding is being given primarily through the Fonds de Garantie en Faveur de Populations à Revenues Irrégulier et Modestes (FOGARIM) and Fonds de Garantie des Prêts Destinés au Logement au Profit du Personnel des Secteurs Public et Privé et aux Personnes Exerçant pour leur Propre Compte (FOGALOGÉ) loans. Under the FOGARIM programme, people with low or irregular incomes are eligible for housing loans for properties up to Dh200,000 (€18,000). The loan covers 70% of the price of the home. As of March 2009, 47,473 households had benefitted from the programme. FOGALOGÉ loans cover 50% of the price of homes up to Dh800,000 (€72,000) for individuals making up to Dh120,000 (€10,800) per year, or Dh180,000 (€16,200) for couples.

In addition to the government loans, private banks, much like developers on the construction side, have also been designing programmes to take advantage of the potential in the lower end of the market. Attijariwafa Bank recently began offering a fixed-rate mortgage up to Dh800,000 (€72,000) of the purchase or construction price of a new home and the Groupement Professionnel des Banques du

Maroc recently announced that it would support the financing of real estate projects, including social housing.

This increased private sector interest should help ease the government's burden. Still, some have argued that for development to really take off, more should be done to encourage investors. Deputy and parliamentary committee finance member Abdelhamid Mernissi told local media that the state should reduce land prices and increase bonuses from Dh30,000 (€2,665) to Dh40,000 (€3,553) for those who target social housing. Others have called on the government to ease its quantitative measurements for affordable units. Currently, it is defined as properties of 100 sq metres at a price of Dh200,000 (€18,000), while low total property value housing has a price of under Dh140,000 (€12,600) and an area of less than 60 sq metres. With space scarce in major cities, the area could be reduced to 40 sq metres, while the price could be raised to Dh300,000 (€27,000) to increase developers' profits.

Still, even without these added incentives, investing in the affordable segment seems like a solid option, despite lacking the same potential for high returns as more lucrative, high-end projects. Until the economy improves, and big risks once again offer the prospect of great rewards, social housing, and Morocco's underprivileged citizens, stand to benefit.

**Source.: Oxford Business Group  
25/08/2009**