

# Morocco: a strategic destination for foreign investments

Since the 1990s, Morocco is developing its business climate to make the kingdom one of the most attractive countries in terms of investment.

Morocco remains the fifth largest economic power in Africa, benefiting from political stability, a strategic geographical location and robust infrastructure, which have contributed to its emergence as a regional manufacturing and export base for many multinationals.

Over the past decade, Foreign Direct Investments (FDI) to Morocco have continued to grow and have targeted a wide variety of sectors such as the automotive and aeronautic industry, real estate, tourism, education, infrastructure, or energy.

Morocco's overarching economic development plan seeks to transform the country into a regional business hub by leveraging its unique status as a multilingual, cosmopolitan nation situated at the triregional focal point of Sub-Saharan Africa, the Middle East, and Europe.

# I. The pragmatic relationships between Morocco and the other countries

#### A. Bilateral economic relation

## • Morocco- European Union relations

The relation between Morocco and the European Community were strengthened in 1996 by the Morocco-EU Association Agreement entered into force on March 1, 2000. It forms the basis legal relations between the EU and Morocco. This agreement is expected to begin gradually on free trade in industrial products, the European Union has already granted free trade access, while Morocco has pledged to dismantle tariffs over a period of 10 years. With regard to agricultural products, new trade concessions reciprocal entered into force in January 2004.

Trade and investment relations between the EU and Morocco are intense: the EU is Morocco's leading trade partner, and Morocco is the EU's biggest trade partner among the Southern Neighbourhood. The EU is also the biggest foreign investor in Morocco, accounting for more than half of the country's FDI stock.

## • Morocco- United States relations

The U.S. and Moroccan government work closely to increase trade and investment through high-level consultations, bilateral dialogue, and other forums to inform U.S. businesses of investment opportunities and strengthen business-to-business ties.

Morocco seeks to establish itself as a hub for shipping, logistics, finance, assembly, and sales. Around 150 U.S. companies operate in Morocco, particularly in the renewable energy, infrastructure, aviation, and environmental technology sectors.

In 2006, Morocco entered into a free-trade agreement (FTA) with the United States. Since its entry into force, Moroccan exports to the United States have more than doubled, and U.S. exports to





Morocco have more than quadrupled. From 2005 to 2019, the total value of Moroccan goods exported to the United States increased from \$446 million to \$1.582 billion, and U.S. exports to Morocco have increased from \$481 million to \$3.496 billion.

The FTA has paved the way for increased foreign direct investment by helping to improve Morocco's business climate, harmonize standards, and create legal guarantees for investors. While Morocco has made significant improvements in its business environment, foreign companies still encounter issues related to sluggish bureaucracy and lack of judicial expediency.

#### • China – Morocco relations

On March 27<sup>th</sup> 1996, Morocco has executed with China a bilateral investment treaty agreement encouraging the respective investment in the two countries.

By this agreement, each country ensures to the other an equitable treatment, so that foreigners could invest enjoying the same conditions as locals.

The agreement provisions determine, among others, the rules applicable in case of a potential dispute as regards the foreigner investment. For example, if a matter related to investment is regulated by several agreements or legislations, the foreign investor has the right to choose the most favorable provision applicable to the case at hand.

In the other hand, each country guarantees to the foreign investors the free transfer, in convertible currency, of net liquid assets relating to their investments.

## B. Laws and Regulations on Foreign Direct Investment

Morocco's legal reforms reinforce its business attractiveness for foreign investors. Hereafter , a brief overview of the business practice and legal updates:

# Simplification of the Incorporation Process of Companies

The constitution of a company is the first step of the deployment by a foreign investor of its activities in Morocco. In the past, this step could be complex and time consuming.

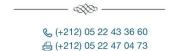
The creation of Regional Investment Centers which act as "one-stop shops" in place of the multiple previously competent interlocutors, as well as the recent digitization of procedures with certain local authorities have made it possible to simplify this step and significantly reduce the time required for the constitution of a company.

In addition, the long-awaited law n° 19-20 - published in the Official Bulletin on July 22, 2021 - established a new corporate form, the "Société par Action Simplifiée" (SAS) more suited to the needs of foreign investors wishing to constitute their investment vehicle in Morocco.

This company can now be formed by a single shareholder, natural or legal person, no minimum share capital is imposed for SAS shareholders, establishment of true contractual freedom for the organization of management and corporate governance, etc.

# Successive easing of Moroccan foreign exchange regulation

The foreign exchange regulations currently in force allow any foreign investor, once he has invested in foreign currency in Morocco and declared his investment to the Moroccan Exchange Office within the time limits set, to benefit from the "guarantee free repatriation "allowing him to repatriate to his country of origin all the fruits and proceeds of his investment in capital and in the shareholder's current account.



#### Better access to local bank financing

One of the challenges encountered by foreign investors when they invest in Morocco is access to local sources of financing and in particular bank financing provided by the large commercial banks of the place.

On this point, Moroccan lenders have aligned their practices with international standards, particularly in the area of structured finance.

In addition, Morocco's openness to foreign donors has enabled local banks to align their contractual practices with those of international donors with them as part of a consortium to finance large-scale operations.

#### Simplification and digitization of administrative procedures and formalities

In recent years, and even more since the onset of the Covid-19 pandemic, significant progress has been made in Morocco to facilitate administrative procedures and digitize them. From now on, many procedures can be carried out online without having to travel: tax and customs administrations, making appointments at the offices of the Commercial Court, requests for administrative authorization, etc.

Likewise, the adoption of Law No. 55-19 made it possible to remove the requirement of legalization and certification of signature for certain documents to be submitted to administrations.

# II. The advantages offered by Morocco to encourage investment

The Kingdom of Morocco has set up many programs providing advantages to investors to encourage investment projects.

## A. Hassan II Funds

Hassan II funds, is a program settled up by Hassan II foundation, offering financial aids to new investment projects, for which the total investment amount is greater than 10 million Moroccan dirhams and on the condition that the amount of investment in property equipment is greater than 5 million Moroccan dirhams, and presented by investors operating in the following sectors:

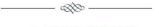
- Automotive, aeronautics and electronic;
- Chemical-Para chemical;
- Pharmaceutical;
- Nanotechnology, microelectronics and biotechnology.

This program provides financial aid for buildings and equipment, capped at 15% of total investment and at the limit of 30 million Moroccan dirhams.

## B. The investment agreement

It is an agreement that can be signed between the investor and the State, with the approval of the Investment Commission.

Thanks to this agreement, the investor can profit from the following tax exemptions:



# • Exemption from Value-added tax (VAT)

- VAT exemption on the import of equipment, materials and tools for 36 months from the start of the company's activity;
- For companies building their projects, the period of 36 months begin from the date of issuance of the authorization to build.

# • Exemption from import duties

Exemption from the import duties of goods of equipment, materials and tools for 36 months from the signing of the investment agreement.

## C. "Morocco Now", New Economic Brand of Morocco

As part of the Dubai 2020 Universal Exhibition, the Kingdom of Morocco presented its new investment and export brand "Morocco Now" on Sunday, October 10, 2021. The objective of this initiative launched by the Moroccan Agency for the Development of Investments and Exports (AMDIE) is to position the country as a leading economic platform and to further strengthen its attractiveness to become a true African and global hub in terms of foreign investment.

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<u>Disclaimer</u>: Please kindly note that the current document is not exhaustive and shall not be considered as a legal opinion or a specific legal advice to a specific situation or request.

I&I Law Firm would be delighted to answer your specific queries as regards the Moroccan legal framework in the view of a potential investment in Morocco.

Contact : Ghiyta Iraqi – Lawyer at the Paris Bar – Managing Partner

E-mail : <u>g.iraqi@iilawfirm.ma</u> Website: <u>www.iilawfirm.ma</u>

