



**World
Investment
Conference
North Africa**

Recommendations 2013

**Results from the proceedings of the
2013 World Investment Conference North Africa
March 20–22, 2013 – Marrakesh, Morocco**



World Investment Conferences

World Investment Conferences (WIC) runs the leading conferences on cross-border investments. These unique platforms are dedicated to stimulating and facilitating FDI from around the world to specific and targeted countries or regions.

Since their launch in 2003, thousands of corporate and government leaders, entrepreneurs, and investors have gathered at WIC conferences. The events have won worldwide recognition for shaping the future of international investment and policies that help global economic growth and have had a big and beneficial impact on the business and political landscapes of today - and tomorrow.

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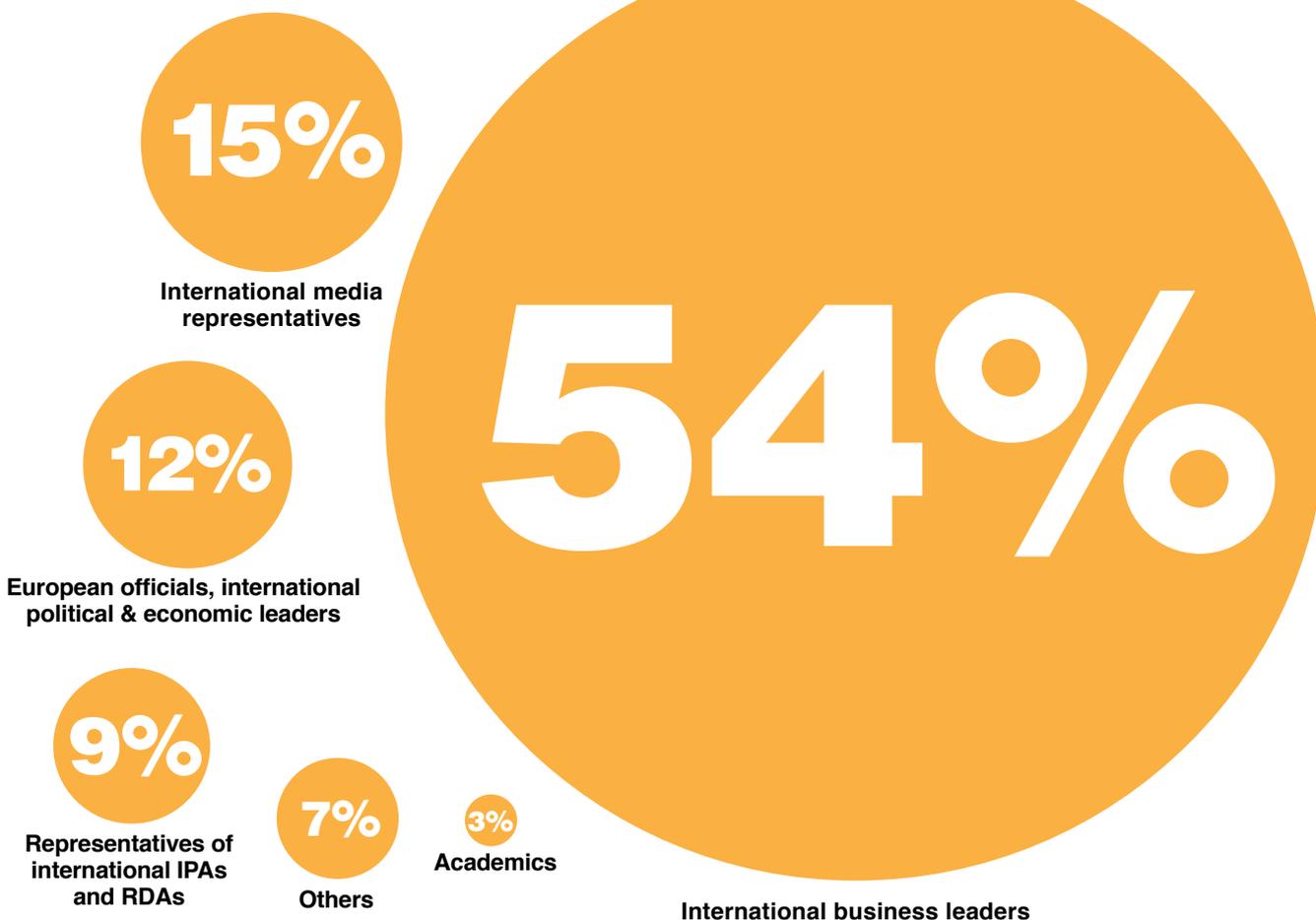
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The World Investment Conference North Africa 2013

By the numbers



Conference Attendees



Executive Summary

“This particular moment belongs to North Africa,”

World Investment Conferences President and CEO Jean-Bernard Guerrée announced to the 2013 WIC North Africa. The event was indeed timely, as investors, many increasingly weary of stagnant growth in Europe, the US, and Asia, look to North Africa as a destination for manufacturing, infrastructure projects, energy, offshoring, and exported goods.

But the Arab Spring is not yet completely in the rearview mirror. Persistent youth unemployment is an ever-present sparkplug for unrest. General instability will be a concern for investors long after the last street protest, but models for good governance in the region are bearing fruit.

Morocco’s drive to be an epicenter for green energy has enjoyed a focused, comprehensive, and long-term strategy that leverages inherent strengths to overcome a lack of domestic energy sources. Operating as a kind of partnership between the state and the private sector inspired confidence in investors. Others will look to replicate.

The outlook is not all sunshine, however. An ‘Economic Spring’ is needed. North Africa is vastly behind the curve in terms of regional integration, both a cause and symptom of anemic inter-regional infrastructure and trade networks.

Innovation is stifled by a lack of entrepreneurship, dampened by social attitudes and a dearth of local finance suited for their needs.

Education is seen as a relative strength, but much more needs to be done to train workers for skills in demand, produce more female professionals, and add to the overall depth of the homegrown talent pool.

And finally, governments need to do more to ensure legal certainty and foster a post-crisis image of overall stability through meaningful reform.

Recommendations

Indicators point to continued growth and FDI in North Africa. To capitalize, the conference symposia focused on three main themes.

1. Focus on a Strategy

North Africa has demonstrated a willingness to attract FDI, and it’s paid off to the tune of 10% of global flows. But to become a true hub and better capitalize on investment, there needs to be a focused and comprehensive strategy, involving long term planning and reforms, and developing local partnerships and supply chains for investors.

Governments can also serve as the ‘anchor investor,’ thereby demonstrating both confidence and commitment. Having a comprehensive strategy not only attracts investors but also provides lasting value for the economy as a whole.

2. Build on Strengths

Successful strategies will focus on inherent natural, social, and geographic advantages more than simply a reliance on low production costs.

Morocco’s push into the global textile market was a similar value estimation. It didn’t have the cost advantage of China or Bangladesh, but retailers relying on the ‘fast fashion’ model can get products from the designer to the storefront in 7 days at a competitive cost.

The key is to focus on the value on offer; “infrastructure, human resources, and vision,” according to Souad Elmalleh, Chief Country Representative North Africa for Bombardier.

3. The Big Picture

North Africa can offer a great deal more to investors as a unified economic bloc and hub for African expansion.

North Africa is ideal for regional integration, with strong social, cultural, linguistic and religious similarities, but links between these near-neighbors remain poor.

A regional outlook on development would have a massive impact on both the investment environment and the domestic economies. All six countries could benefit from better internal infrastructure, trade networks, shared rules, and a massive internal market.

North Africa’s economies are responsible for one third of Africa’s GDP, with a population of 170 million people. The region should not only be a production hub, but a destination hub for goods and services as well.

With a unified regional market linked to Sub-Saharan Africa as well as the EU, North Africa’s potential in this regard is singular—**a true economic crossroads, past and future.**

Setting the Scene: The Time is Now

The first edition of the “World Investment Conference: North Africa”, held in Marrakesh (Morocco) from March 20th to 22nd, 2013, was a landmark event for forging investment ties and dialogue between world investment leaders and North Africa’s political and business leaders

Opening the first World Investment Conferences (WIC) North Africa event, Jean-Bernard Guerrée, Chief Executive Officer, WIC, highlighted the importance of organizing such an event now, at a time of such momentous change for the region.

It was a sentiment that echoed a common sense of urgency that found its way into just about every conversation at WIC North Africa.

For Europe, it’s a wake-up call. North Africa is an investment haven with diverse production capacities and a massive shared growth potential. Negative perceptions of doing business in Africa persist, but not amongst those already invested in the continent.

As Ahmed Fassi-Fihri, Investment Manager, Moroccan Investment Development Agency (AMDI), pointed out, there are huge business opportunities in this part of the world. It is a natural investment destination for European companies suffering from Europe’s economic downturn, who are now increasingly looking outside Europe for opportunities.

The conference took place against a backdrop of profound global economic crisis and a singular regional political upheaval, asserted Abdelkader Aamara, Morocco’s Minister for Industry, Commerce, and New Technologies. However,

he urged investors to see beyond the political situation in order to be able to seize the opportunities that are available in the region. All the indicators point to continued growth in Africa, driven by a young and dynamic population.

“Africa is returning to its place in the concert of nations,” he added. **“In the last 10 years, six of the 10 fastest-growing countries were African and the continent is expected to grow 6% in 2013.**

“We have a young population, more than 60% of them under 30 years old, who are full of determination and dynamism and see the road ahead with optimism. They will be a force for Africa’s development.”

Improving infrastructure, communication networks and commercial exchanges are launching a great future, the minister continued, and Africa is an increasingly attractive destination for investment. FDI growth is up 27% from 2010-2011, and intra-African investment is has grown 42% since 2007. **“There is no doubt that Africa, after emerging Asia, poses the greatest potential for the years to come. Investors that are already here give overwhelmingly positive evaluations of doing business here,”** Aamara stated.

And North Africa, despite its recent upheaval, is well situated to act as a crossroads between Europe and emerging Africa. Morocco is showing the way in this regard, with its free trade agreements with the EU and the US.

What is needed is a model of co-location and co-development that can create sustainable growth that benefits everyone. “North Africa



Opening keynote with Morocco’s Minister of Commerce, Abdelkader Aamara

Africa is returning to its place in the concert of nations

-Minister Abdelkader Aamara

needs more regional integration, more shared research and synergies, to find global solutions for our respective enterprises and to fight youth unemployment, social inequality, and regional disparity. We must use our mutual expertise and competencies for better regional competitiveness. **“It’s time to create new spaces for growth and productivity—profitable avenues for everyone,”** he concluded.

North Africa, the Emerging Economy

Presentation of the North Africa Attractiveness Survey

(Robert Tashima, Chief Editor, Exford Business Group)

“We are very bullish on the region. Even among the cyclical risks and structural challenges it has faced, North African countries have managed to post solid growth and attract investment,” said Robert Tashima, Chief Editor, Oxford Business Group. However, maintaining an inflow of FDI is crucial to keep the momentum going and to help the region realize its potential.

“Too often, investors lump together countries in one region, but an increase in volatility and risk in one country does not necessarily cross over into others,” he added. Below are some advantages and challenges outlined by Mr. Tashima for North Africa Moving forward:

Five Key Comparative Advantages for North Africa

1. Cost Competitiveness

Costs are low, but wage growth is relatively slow as well. Better education profile adds value.

2. Trade Profile

Geographic proximity & market access to Europe, FTAs with the US and others, and a gateway to sub-Saharan Africa.

3. Physical Infrastructure

Billions of euros have been invested from port to rail networks across the region.

4. Government Aid

Varies from country to country and even by sector, but all of North Africa has investment attractiveness schemes. Even Libya has made ensuring contracts a priority.

5. Growing Domestic Markets

A young population offers big market potential.

Four Solvable Challenges for North Africa

1. Skills Shortages

While educational indicators are fairly robust, the labor pool is « large but shallow ».

2. Scarcity of Technical Skills in Workforce

Precision mechanics and software skills are lacking, not helped by the massive size of the informal sector (above 50%)

3. Lack of Trade Diversification

Strong trade links to Europe have made North Africa susceptible to painful drops in demand. Intro-regional trade makes up just 3% of total trade, as shipping from Algeria to Morocco is more expensive than shipping them to Spain.

4. Complicated Bureaucracy

Access to land and finance has been frustrating for new investors.

Results From the Global Leaders Panels: Recommendations

The North Africa Edition of the World Investment Conference offered 5 global leaders panels. Chaired by a renowned business or public affairs leader, these 'GLP' forums offered high-level debate on the region's top investment issues. At the end of each symposium, the audience was invited to participate in the debate and ask questions.

The strategic discussion during the symposia identified the challenges facing Europe and possible solutions to these challenges.

The symposia focused on the following themes:

- 🚩 North Africa & the Global Scene
- 🚩 Challenges & Opportunities of Doing Business in North Africa
- 🚩 Automotive & Aeronautics Industries
- 🚩 North Africa: the New Hub for FDI
- 🚩 Gearing Up European & North African Relations



1: North Africa in the Global Scene



-  **Denis Simonneau**, Member of the Executive Committee in charge of European and International Relations, GDF Suez
-  **Hamid Tawfiki**, Chief Executive Officer, CDG Capital
-  **Lúcio Vinhas de Souza**, Managing Director – Sovereign Chief Economist, Moody’s Investors Service
-  **Alain Viry**, Chairman of the Management Board, CFAO Group
-  **Moderator: Isabelle Kumar**, Anchor & Journalist, Euronews

Stabilize & Reform

North Africa has both potential and challenges as an investment destination. The region’s governments have made significant efforts to attract FDI as they continue in their attempts to liberalize their economies and the region is redefining its role in the global scene.

And the region has outperformed the developed world when it comes to growth. However, it has underperformed other developing countries, including those of sub-Saharan Africa, with its growth trajectory being significantly more unstable than other developing countries, said Lúcio Vinhas de Souza, Sovereign Chief Economist, Moody’s Investors Service.

Moody’s covers only three of the six countries of North Africa—Egypt, Tunisia and Morocco—but each of them has been subject to negative ratings action in the last six weeks, he pointed out, and none of them are rated as investment grade. The reasons for this are simple—instability and its effects on economic performance and fiscal stability. As well as political upheavals, the three countries—all net energy importers—are subject to supply shocks from global oil markets.

The key to improving their situations—and thus their ratings—is to carry out reforms such as eliminating fuel subsidies, which would give investors more faith in the strength of the economies.

There are four important considerations for investors, stated **Denis Simonneau**,

Diplomatic Adviser, Member of the Executive Committee in charge of European and International Relations, GDF Suez.

- 1.** The first is the economic framework—is there a clear strategy? It is encouraging that the new regimes are interested in developing the private sector and maintaining FDI, but this is not enough.
- 2.** The second factor is the strength of the legal and regulatory environment, which is uncertain in many countries in the region. Many governments are delaying decisions, which has a knock-on effect on investments.
- 3.** Third is the political situation, which remains extremely fluid, with many countries ruled by governments whose position is not secure or which are preparing for elections in the next year or so.
- 4.** Finally, the security situation is crucial—incidents such as the siege at In Amenas in Algeria, the unrest in Mali and the kidnap of a French family in Cameroon all act to make investors wary.

But it is not all bad news—strong links across the Mediterranean are being created through initiatives such as the Union for the Mediterranean and Medgrid. “North Africa is on the map,” concludes Simonneau, adding that in a world of global competition, North Africa and Europe have many common interests.

Things are changing, pointed out **Hamid Tawfiki**, Chief Executive Officer, CDG

Capital. While investors only used to look at North Africa through the lens of oil and gas, countries such as Morocco have diversified their economies into areas such as offshoring, renewable energy and aviation.

Indeed, Morocco is also looking to develop itself as the financial hub for Africa by developing its capital markets and stock exchange, so that financial investors as well as industrialists can realize the opportunities that Africa offers.

While the Arab Spring has complicated the situation, the region’s economy will continue to expand—while there are risks, there are also opportunities—however, risk assessment is crucial.

2: Challenges & Opportunities of Doing Business in North Africa



-  **Maurice Benassayag**, Senior Vice President Public Affairs, Alstom
-  **Omar Chaabi**, Executive Vice President, Ynna Holding & Vice Chairman of the Supervisory Board, PNB-Napeo
-  **Jean-Pierre Chauffour**, Lead Economist, World Bank
-  **Dr. Mohamed Elmandjra**, Chief Executive Officer, Meditel
-  **Moderator: Isabelle Kumar**, Anchor & Journalist, Euronews

The Fundamentals are There

Even though they have made great strides since the mid-2000s, North Africa's countries are still not placed very highly in the World Bank's Doing Business Ranking, which ranks how easy it is to set up and run a business in countries around the world, said **Jean-Pierre Chauffour**, lead economist in the World Bank's Middle East and North Africa Region.

Chauffour highlighted primary education as a real strength of the region but highlighted a mismatch at higher education levels between the education provided and the skills required, particularly in middle management. There are also issues with market efficiency, rigid labor laws and technological readiness, while companies struggle to create economies of scale because of the small size of the markets in the region.

Most of the FDI that has flowed into North Africa has been into mining and real estate, which are not large creators of jobs, and which are heavily regulated and prone to asset bubbles.

Omar Chaabi, Executive Vice President, Yanna Holding & Vice Chairman of the Supervisory Board,

PNB-Napeo, pointed out that his company, the largest in Morocco and the biggest employer, has invested \$1 billion in the region. "We are living proof that investing in this region is worthwhile," he said.

"Do not come to this region too late," he added. "Like the snipers say: 'Take your time, fast'."

When it comes to investment, there is a process of push and pull, said **Mohamed Elmandjra**, Managing Director, Meditel. The push is the efforts from countries and institutions to be welcoming to business – the "build it and they will come" model. There is very strong political will to make the region attractive to investors, but the "pull" side of the equation is very difficult to measure. Governments can be frustrated by the lack of interest from investors even after they have substantially improved their infrastructure.

He urged potential investors not to worry too much about infrastructure etc. "The attractiveness of a sector takes precedence over the attractiveness of a country in the mind of a potential investor," he added. "You have to take a bottom-up approach – look at where the true needs are, either locally or that North Africa can

address, and invest there."

The right local partner is crucial, he added, to ensure that you understand the market you are investing in, and local success stories help to reassure potential investors.

Europe and North Africa have a long history of shared interests due to geographic proximity and immigration flows—Africa offers enormous opportunities, said **Maurice Benassayag**, Senior Vice President Public Affairs, Alstom.

While this is certainly true for the long term, it does not negate the fact that there

is much to be done in the short term, Chauffour said, and without strong economic underpinnings, the political transformation the region is experiencing will be complicated. "We have a vision of a much more integrated Mediterranean region with much better trade ties. The biggest challenge is to act without knowing where you want to go."

While this is true, said Benassayag, investors should not be too cautious—Alstom has created 6,000 jobs in renewable energy during the crisis, for example. Fundamentals are what matters most when considering a potential investment and in North Africa, the fundamentals are there.



3: Automotive & Aeronautics Industries



Best Cost, Not Low Cost

Automotive and Aeronautics have seen incredible growth and have become a symbol of the type of growth North Africa is trying to attract, because they add value and create jobs, said **Robert Tashima, Chief Editor, Oxford Business Group**.

Pierre Guénant, Chairman and CEO, PGA Holding, Vice Chairman of the Supervisory Board, CFAO, Member of the board, Assystem, highlighted two successful auto investments and one that worked less well.

Tunisia took a strategy of investing in the components sector, which has led to 6 of the top 10 car parts makers having operations in the country, he said, while Morocco maintained a car assembly operation, even though it had not been a huge success, in order to maintain and develop peripheral skills. It then created the Tangier free trade zone, which acted as a hub for the auto and aeronautics industry and attracted several components manufacturers and as a result, Renault as well.

The less effective example was that of Algeria, which also attracted a Renault plant. However, there was very little integration with local companies, most of the cars were made for the domestic market rather than exports and the deal prevented Algeria from opening another car plant for 3 years.

-  **Imed Charfeddine**, Chief Executive Officer, Plastic Electromechanic Company
-  **Souad Elmallem**, Chief Country Representative North Africa, Bombardier
-  **Pierre Guénant**, Chairman and CEO, PGA Holding, Vice Chairman of the Supervisory Board, CFAO, Member of the Board, Assystem
-  **Ryad Mezzour**, Chief Executive Officer, Suzuki Morocco
-  **Jean-Jacques Van Der Slikke**, Senior Vice-President for North Africa and Middle East, Safran Group
-  **Moderator: Robert Tashima**, Chief Editor, Oxford Business Group

Jean-Jacques Van Der Slikke, Senior Vice-President for North Africa and Middle East, Safran Group, said that his company has invested in the region because it is looking for countries where education is on the move, there is an inviting financial and fiscal environment and where the regulatory environment is solid. He also highlighted the importance of co-operation and co-localisation, highlighting how aeronautical specialists from Nouaceur are training their counterparts at Comac in China.

North Africa is not a region that investors from North America even consider as a destination for high value-added investments, said **Souad Elmallem, Chief Country Representative North Africa, Bombardier**. The only way to convince them is to bring them to the region and show them what is happening. The key to attracting these investors is not to talk about low costs, but about what the region has to offer in terms of infrastructure, human resources and vision. This includes having a coherent plan to address the skills gap, she added.

Developments such as the Institut des métiers de l'aéronautique are helping to create a world-class aeronautic base.

Ryad Mezzour, General Manager, Suzuki Morocco, talked about how he had tried to persuade Suzuki to invest in Morocco

for four years without success. "Asking someone to invest in a country where sales account for just 30 minutes of their global production is very difficult," he said.

Eventually, he changed tack and focused on the importance of gaining access to a growing market now and of the opportunity to use Morocco as a platform for exporting to Europe. All the effort is being made to attract the first investors, he said. Those that follow will get much less help so it is important to be ahead of the curve.

Access to the European market is important, he said, a point backed up by Imed Charfeddine, Chief Executive Officer, Plastic Electromechanic Company. Once large companies have set up operations in the region, it is important to create local supply chains for them. And then in time, these suppliers can progress from just producing locally to developing products locally.

However, a couple of interventions from the floor pointed out that it is all very well focusing on Europe but in future the real growth will come from other emerging markets, including the rest of Africa. As a result, North Africa needs to tap into the various trade negotiations going on within the continent, it was suggested.



4: North Africa, the New Hub for FDI



- Jean-Pierre Chauffour**, Lead Economist, World Bank
- Ismail Douiri**, Co-Chief Executive Officer, Attijariwafa Bank
- Wafaa Sobhy**, Vice President, General Authority for Investment & Free Zones, Egypt
- Hicham Zegrari**, Director of Operations & Institutional Affairs, Casablanca Financial City
- Moderator: Emmanuel Lechypre**, Economics commentator, BFM Business

Regional Integration To Reap Benefits of Trade Routes

FDI in North Africa is already significant—some \$210 billion, around 10% of the global total, said **Emmanuel Lechypre**, Economics commentator, **BFMTV** and **BFM Business**, in the final panel of the day. The region can act as a hub between old, rich Europe and young, vibrant sub-Saharan Africa and it is an investment destination in its own right for rich Arab countries that have a lot of money but no domestic markets to invest in.

Morocco's infrastructure programme has evolved over time, said **Ismail Douiri**, Co-CEO of **Attijariwafa Bank**, pointing out that it started with a decade of reforms in the 1990s and the establishment of a sophisticated savings system that helped fund investments.

To create the confidence for investors to commit to the country, the state needed to act as an "anchor investor" by investing in infrastructure, said **Adil Chikhi**, strategic marketing manager of **Invest in Morocco**. The accession to the throne of Mohammed VI saw a shift of gears with the creation of clear sector strategies developed with a long-term outlook. Six sectors were identified that all had competitive advantages of one kind or another—all with a common theme, that of low cost.

But no country will remain low cost for ever, so there has been a search for more lasting advantages and a move up the value chain. One example is in textiles, where Morocco does not have a cost advantage with countries such as China or Bangladesh but has been able to reposition itself as a centre for "fast fashion", able to produce clothes that go from designer to

Europe's high streets in 7 days.

The country is also benefiting from trade agreements with Europe, although Europe could go further still by allowing free movement of labour, from professionals to low-skilled seasonal workers, said **Jean-Pierre Chauffour**, lead economist at the **World Bank**. There is also potential in Europe's desire to become greener—the countries of North Africa have a comparative advantage in sunlight that they could leverage in the form of solar power exports—but for that to happen, they need an international treaty and improved interconnections with Europe.

Trade agreements are not enough, though. "It is one thing to open markets and have the option of exporting to them. It is another thing to actually export. You need to adapt – if you are exporting food, for example, you need to comply with EU food safety rules," he added.

North Africa has a good story to tell—and that story is: "We are next." Its strong infrastructure and its geography give it an opportunity not just to create industrial production but also logistics operations serving the wider region as Africa continues to grow. Convergence with European regulations is coming, which makes Europeans comfortable with the region.

But, Chauffour warned, everyone wants to

be an investment hub and unless there is very close co-ordination, not all countries can be. "But in fact, none of the North African countries is going to be a hub—they are all spokes and the EU is the hub." The EU is the region that has a real sense of integration, and it is with the EU that the region has trade agreements, rather than with each other.

Partly, as in the case of Algeria, this is a matter of established politics, while other countries such as Tunisia, Libya and Egypt are pre-occupied with their political transitions. Unfortunately, the need to deal with social movements tends to lead to populist measures such as subsidies for food and fuel. "These are short-term measures that will not build the future. Something needs to change," Chauffour said. "Previous regimes deprived people of their freedom and bought social stability with subsidies. You cannot have freedom and still have the handouts. We need an 'economic spring' for the Arab world."

North Africa is a logical single market area because of its social, cultural, linguistic and religious similarities, but its economies are very different and links are poor. Partly this is because of Algeria's reluctance to open up, which creates a huge barrier in the middle of the region. If this were to go, integration would happen quite rapidly.



5: Gearing Up European & North African Relations



- Dr. Frédéric Blanc**, General Manager, FEMISE
- Radhi Meddeb**, President, IPEMED Board of Directors
- Emmanuel Noutary**, General Delegate, ANIMA Investment Network
- Amb. Sotiris Varouxakis**, Deputy Secretary General for Energy, Union for the Mediterranean
- Moderator: Emmanuel Lechypre**, Economics commentator, BFM Business

Create Regional Institutions

North Africa should now be treated like any other region in the world in the light of the changes it has recently experienced, said **Dr Frédéric Blanc, General Manager of Femise**. “Its people have shown that they have the same expectations as everyone else in the world. I am confident there will be no going back. We should be very excited.”

However, he warned that stability could take years to achieve and we must be patient. “There is a clash between long-term expectations and short-term challenges,” he added.

Radhi Meddeb, the chairman of IPEMED, warned that the current institutional framework is not fit to tackle these challenges. While the Union for the Mediterranean is a good start, “the region lacks institutions to further and build the economic integration we need,” he added.

The countries south of the Mediterranean need jobs and infrastructure on a scale that governments are unable to cope with. To deal with the challenges they face both immediately and over the next 10 years, there is a need for a MENA development bank along the lines of the European Bank for Reconstruction and Development, he suggested. “We have seen what the EBRD did for Eastern Europe. We need a shared instrument where all countries will sit together and push development and job creation.”

There is also a need to deepen the dialogue between north and south, but there are new leaders in the region that say that they have failed to engage with Europe so they should turn to the Middle East instead. “I think that is wrong because the Middle East does not have the economic

depth to help these countries,” Meddeb said.

For the past decade, Europe has been the premier partner for North Africa in investment, exports, migration and remittances, added **Emmanuel Noutary, general delegate, ANIMA**. But in 2012, its position fell to just 25% of total investment, and it is being replaced by investors from the Gulf and the BRIC countries. “It is a strategic mistake that European companies do not consider the changes that have happened in the region as an opportunity rather than a challenge,” he said. “The fundamentals are still there and we need a new win-win partnership that can profit from these fundamentals.”

Sotiris Varouxakis, deputy secretary general of the Union for the Mediterranean, highlighted the Mediterranean Solar Plan, which aims to develop 20GW of solar power by 2020 to local and export markets, as well as encouraging energy system integration and creating green jobs.

While discussions on a development bank for the region have been going on for years, the whole region is now in a completely different situation, with the south undergoing significant political upheavals and the north struggling to deal with its own economic and financial crisis. What both sides need is projects to

reinforce co-operation and integration, Varouxakis said.

Infrastructure projects offer such an opportunity, said Meddeb, because North Africa’s needs are so huge – €200 billion-€300 billion must be invested over the next 10-15 years, and this is totally outside governments’ capacities. As well as a development bank, “every country in the region needs to implement a framework for public private partnerships. There is no other way to be able to invest such huge amounts,” he added.

However, it was pointed out that no vision has emerged even for the Maghreb region, let alone for MENA as a whole. Europe had a geopolitical will to rebuild itself, and it was prepared to pay a considerable price because of the strength of its vision.

Edward Krubasik, Former President, Electrical Industry Germany & Former Executive Board Member, Siemens, said that it was clear that the markets of the south represent a growth opportunity and that there is a need for a vision of the future of the region. “However, building institutions takes time. In that time, there will be ups and downs but you need to continue to maintain the vision. A united market is an enormous force for good. If it takes 50 years, that is not so long in historical terms.”



Clusters in North Africa: Challenges & Opportunities



-  **Jean-Louis Guigou**, Founder and Delegate General, IPEMED
-  **Noureddine Mouaddib**, Founder and President, International University of Rabat, Morocco
-  **Tim Richards**, Managing Director for Public Affairs & Policy, GE Middle East, North Africa & Turkey
-  **Mehdi Tazi Riffi**, Board Member- Industrial Platform & Managing Director - Tanger Free Zone, TMSA
-  **Moderator: Jean-Daniel Tordjman**, Former Ambassador at Large for Competitive Clusters France

Together, We're Stronger

Business clusters can kickstart an economy by bringing together the worlds of business, academia, research and government in close proximity, but the focus must always be on the business aspects, said **Jean-Daniel Tordjman, Ambassador at Large for Competitive Clusters France**.

A good example of the benefits is the Tangier Free Trade Zone in Morocco, which has brought massive changes.

Noureddine Mouaddib, President, In-

ternational University of Rabat, Morocco, explained how a massive increase in the number of students in the country led to a need to create opportunities for graduates by co-operating with local businesses.

Tanger Med is one of Morocco's largest infrastructure projects, said **Mehdi Riffi, Managing Director, TMSA**. "The port complex and the industrial complex that has taken shape around the cluster have boosted the country's attractiveness," he added.

Clusters work best when they gather together the private sector, human re-

sources and intellectual capital from educational institutions, with support from government, said **Timothy Richards, General Electric's Managing Director for Government Affairs and Policy in MENA and Turkey**. "Industrial clusters create the opportunity for experimentation and new ideas," he added.

One way to energise clusters and the wider economy is to encourage a country's diaspora to return home, said **Jean-Louis Guigou, Founder and General Delegate, IPEMED**.



The Workshops: Results From Sector-Specific Forums

The North Africa Edition of the World Investment Conference offered 6 workshops, each tailored for sector-specific discussion and chaired by a renowned business or public affairs leader. At the end of each symposium, the audience was invited to participate in the debate and ask questions.

The strategic discussion during the symposia identified the challenges facing Europe and possible solutions to these challenges.

The symposia focused on the following themes:

-  Capital to Fuel Growth
-  Agro-Business
-  Services & New Technologies
-  Energy/Environment
-  Infrastructure
-  Talents & Entrepreneurship

Workshop 1: Capital to Fuel Growth

Business clusters can kickstart an econNorth Africa is seeking more FDI, but investments from the region's diaspora are far higher than outside investment, said **Walter Siouffi, Chief Executive Officer, Citibank & President, AmCham Morocco.**

Make it easier and cheaper to list on local exchanges

In the face of a liquidity crunch in the banking sector, companies are increasingly turning to the stock exchange to raise capital. However, only 10% of the region's investment needs come from equity markets, he pointed out. The Casablanca Stock Exchange has seen just five IPOs since 2008, while three companies have left the exchange.

This low level of activity is partly a cultural issue, as access to a stock exchange listing requires a high level of transparency. But it is also expensive to list on the CSE because investors are limited in their investment options and are unable to invest abroad.

Siouffi highlighted the example of Chile, whose stock market was similarly expensive to list on until regulations changed to allow Chileans to invest abroad. This pushed down the cost of listing, which attracted more foreign investors.

Attract private equity and HNWI investment

It is not just public market investment that is constrained. The private equity market is also very undeveloped, said

Anas Guennoun, Principal, North Africa, The Abraaj Group.

North Africa is underpenetrated in the PE market and can absorb a lot more PE investments, he stressed, with just 20 PE firms operating in Morocco and 30 firms covering the country from abroad, for example. With SMEs struggling to access funds from banks, there is a real opportunity for private equity.

Another potential source of wealth is high net worth individuals (HNWI), who are looking for alternatives to investing in Europe, said **Arnaud Liguier-Laubhouet, Vice-Director, Rothschild.**

However, potential HNWI investors are put off by a perception of corruption and poor governance. While the region does need to change this perception, these characteristics are far from unique to North Africa, he pointed out.

Secure a local partner

Those looking to invest in North Africa need a local partner that knows circumstances of each individual market.

Rothschild has launched a fund to invest in infrastructure in emerging markets, and believes that money is available for the right deals, at the right price. But while liquidity is increasing in countries such as Morocco, the biggest source of financing in the region remains the multilateral development banks such as the International Finance Corporation and the African Development Bank.

Improve intra-regional trade

For FDI flows to increase, North Africa needs political and regulatory certainty, greater transparency, a strong

intellectual property framework and a clear separation between the political and legal systems.

The region also needs to improve intra-regional trade, which currently stands at just 3% of total trade flows. Individual North African markets are too small to attract investors, but would be attracted to invest in the region as a whole.

While the business community is keen for more integration, policymakers are reluctant to work together.

Invest in infrastructure

There is still a need for significant infrastructure investments and the region needs to deal with its "energy gap" – Spain produces more energy than all of Africa, the workshop heard. Intra-regional trade could help with this, allowing countries such as Morocco and Tunisia to access the gas resources of Algeria and Libya rather than importing fuel from the Middle East and Nigeria.

Improve vocational training

One of North Africa's most pressing problems is its high unemployment, which arises partly because of a lack of skills. There is a need for more robust vocational training such as an apprenticeship system. "To build a country, you need to build its human infrastructure," the workshop heard.

Workshop 2: Agro-Business

North Africa has huge potential in agriculture – it can supply Europe with quality food at lower prices according to **Ainhoa Ezeiza Iturburu, General**

Manager, Soroa Pépinières, Gazon du Maroc, and Monde de Plantes. But in places like Morocco, only 4% of GDP comes from agro-business, according to **Saïda Ouarzane, Departmental Head, Agricultural Development Agency.**

Better farms with better farmers

There needs to be better engagement with all of the actors, said **Tarik Haddi, Partner & Managing Director of AZUR Partners.** This could include better vocational services, clearer legal frameworks, and better organization amongst farmers themselves. With 80% of rural Morocco working in agriculture, more must be done to cope with fluctuating prices.

Aquaculture

Majida Maârouf, Director, Agence Nationale pour le Développement de l'Aquaculture mentioned aquaculture as having huge growth potential, offering sustainable and competitive opportunity for the region. Today, Africa only contributes 2.2% of that market, which constitutes 50% of global fish consumption, according to **Mr. Maârouf.**

Morocco is looking to start fresh with their aquaculture, creating a network of farms operating under one authority. Both private and public actors in North African agriculture should look to form similar cooperative strategies.

As with most sectors, a clear and comprehensive strategy emanating from the top-down, would go far in generating more partnerships, efficiency, and investment.

Workshop 3: Services and New Technologies

Innovative companies create more economic growth than established corporations, said chairman and moderator of the workshop **Kai Engel, Partner and the Innovation and R&D Management Practice Lead for Europe, A.T. Kearney.**

Leverage the diversity of human resources

El Mostafa Obbade, Site General Manager and Human Resources Director, Dell, highlighted the importance of Morocco as a hub for the

whole of Africa, as well as the diversity of the country's human resources. "We use this diversity outside Morocco as well as inside the country, given that 10% of Moroccans live abroad," he said.

Moroccans have the skills to design complex IT solutions, he added, but there is a need for the government to encourage more training. Co-location and co-operative innovation are the keys to success. "You have to listen to your people," he added. "Innovation comes from them."

Chams Diagne, Africa General Manager for social media company Viadeo, agreed that Morocco could become the African hub for its business. "We believe that Morocco is an exciting lab for Africa and the rest of the world," he stated. "When we compare Morocco, in terms of activity, growth and potential, with other African countries, it really makes sense to come to invest in Morocco."

Adapt products to local markets

Companies need to be adaptable and adjust your products to the market—Viadeo's experience in Africa has been very different to Europe. "We decided to grow locally so that we could understand the local market," Diagne continued. "We have the same strategy but different tactics."

Karim Chakir, Sales Director, S2M, highlighted his company's long-term commitment to the Maghreb. S2M is a 100% Moroccan company and has gained 70% of the market for payments services in Tunisia since its creation 13 years ago, along with 130 clients in 35 countries. Innovation has helped the company cut costs for itself as well as consumers. However, cost is not the major cornerstone of its strategy—quality and innovation are more important, he said.

Workshop 4: Energy / Environment

Morocco's energy strategy was shaped in 2009 and led to the creation of MASEN, the Moroccan Agency for Solar Energy, ONE, l'Office Nationale de l'Electricite, which focuses on wind and CDER, the Centre pour le Developpement de l'Energie Renouvelable, which also encourages energy efficiency.

The keys to success in the energy

sector are vision; an improved regulatory framework and a focus on leveraging the country's key assets.

Morocco is seeing strong economic growth. A higher standard of living and infrastructure projects are creating strong demand for energy, which is growing at 7-8% per year. Capacity must be doubled by 2020 and then doubled again by 2030.

Create a pipeline of products

The country still needs a lot of investment but financial institutions looking to get involved in the sector need not only financing and technological expertise but also the ability to create their own pipeline of projects.

Morocco, which has no fossil fuel assets of its own, is keen to expand its renewable energy capacity in wind and solar power, with help from the African Development Bank in order to reduce its reliance on energy imports and to decarbonise its energy system. It will also create a new domestic energy industry that uses the country's ample solar and wind resources.

Provide knowhow to complement the available finance and political will

However, there are challenges—there is a need to reconcile competing environmental and energy needs and there is a lack of knowhow when it comes to project development. On the other hand, the political will and the finance are there to ensure that renewable energy becomes a strategic sector like aerospace, education and automotive.

There are a number of reasons to invest in Morocco in a technology such as solar power, the workshop concluded. The country has already committed to 2GW of capacity and it is a regional leader when it comes to a liberalised energy sector.

In addition, the country has never defaulted on a contract and the government is an active co-investor in solar projects, which should give potential backers more confidence.

Invest in local manufacturing capability

It makes sense for those wanting to install renewable equipment to make it locally – wind turbines are bulky pieces of equipment, after all.

Workshop 5: Infrastructure

Infrastructure is a growth investment for everyone, **Edward Krubasik, Former President, Electrical Industry Germany & Former Executive Board Member, Siemens**, said at the start of the working panel on infrastructure, citing a study by McKinsey that said an extra \$50 trillion–\$60 trillion would be spent on infrastructure worldwide between now and 2030—50% more than we spent over the last 18 years.

This is because most economic growth in that time will come from emerging economies and infrastructure spending is a larger part of their spending than the developed world's. "It is much better for our children to pay the interest on something they will be able to use rather than paying the interest on general consumption," he added.

Invest for growth

The importance of infrastructure spending is illustrated by the African Union, which says that failing to invest sufficiently in infrastructure will knock 2 percentage points off GDP growth, Krubasik said. The AU is starting to plan a programme of infrastructure development that is mainly focused on intra-regional developments.

One area with real potential in this regard is tourism between the countries of North Africa or from the Middle East, as well as domestic tourism, rather than the current model, which sees tourism mainly flowing across the Mediterranean from Europe, said **Maxime Weigert, Research Assistant, IPEMED**.

Leverage domestic and regional markets

Domestic tourism is starting to take off, he said. In Tunisia, 10% of hotel stays are domestic, while in Morocco a quarter of hotel stays are from the home market. Domestic tourism has a number of advantages – it is more lucrative than beach-based mass tourism; it is less volatile and it is more likely to benefit the local community.

The market would grow even further if infrastructure such as transport were improved.

Juan Marcos Fernandez Farrugia, Managing Director, Edonia, whose company has invested in Morocco's

Atlantic free trade zone in Kenitra, was full of praise for the work the country has done in the last 10 years. "Morocco has almost everything industry needs to produce here," he said.

The country is benefiting from its political stability and its long-term strategy, said **Slim Kchouk, CEO, Siemens Morocco and Tunisia**, who added that Algeria lags behind its neighbours but has huge amounts of money available from its oil and gas industry and is a potential market for all sorts of infrastructure. Meanwhile, Tunisia has had little money to invest, but it has spent that small amount wisely, he added.

Believe in the opportunity

Abdessamad Issami, deputy CEO of CDG Capital, said Morocco's strategic plans were a kind of contract between the state and the private sector, with the government giving companies visibility on what sectors to invest in and the confidence to do so. In the next 10 years, the country plans to spend €70 billion in infrastructure, almost as much as its current GDP.

These funds will come from outside investors such as FADES, the Arab Fund for Economic and Social Development, from commercial banks and from a local financial institution funded by half of the receipts from a privatisation programme. Morocco is also working to develop its capital markets to allow access to funding from long-term investors such as pension funds and insurance companies.

Create legal certainty

Elsewhere in the region, many infrastructure operations are still in state hands and this is a barrier to the development of cross-border infrastructure, which would have a big impact on growth. Enhancing investment requires a secure and stable environment as well as legal certainty.

Workshop 6: Talents, education and entrepreneurship

Education is a crucial element in economic development and North African economies' education systems are relatively good.

However, said **Anastasia Fetsi, Head of the Thematic Expertise Development**

Department, European Training Foundation (ETF), there are still high levels of illiteracy in countries such as Morocco and Egypt. "The education system is two years behind what the market needs and at the same time, the market can't absorb all those people issued from the high education," she said.

Increase the participation of women

There are also not enough women in education and the workforce, she added. "There is a growth but it's still insufficient: in Algeria only 40% of women are economically active, in Egypt 23%, in Morocco and Tunisia 26%."

Women are a real asset to companies but cultural barriers and legislative issues still hinder their participation in the workforce.

Develop the middle class

The development of a middle class will help to bring stability, said **Mehdi Majidi, Director, MA in Cross-Cultural and Sustainable Business Management, The American University of Paris**, so governments and private enterprises should invest in education and developing skills. However, economic growth must respect social and cultural norms, he added. "The big problem in African countries is that we import educational methods without trying to adapt them. "We should think about what we are teaching and what we are doing to future generations."

Foster entrepreneurship

There is too little entrepreneurial spirit in the region, said **M'hammed Abbad Andaloussi, Chairman and CEO, Injaz Al Maghrib**. Once they graduate, young people look for jobs with existing companies but they do not think of creating their own companies.

A government programme, Moukawaliti, seeks to encourage young people to set up small businesses, but results have been disappointing.

Businesses need to plan ahead to attract and retain talent, said **Jean-Michel Caye, Senior Partner, Boston Consulting Group**. They do not necessarily need to hire people who have the skills they are looking for. "You hire for will and train for skills," he said.

Closing Keynote: Jean-Pierre Raffarin

A Foot in Both Camps

Jean-Pierre Raffarin, former French Prime Minister, in a keynote speech by videolink, highlighted the need for Europe to find future growth, saying that North Africa can be the next engine for that growth, to the benefit of both sides.

“I am convinced that the countries that are well placed to grow are those with a continental dimension. North Africa is the only region that can have a foot in two key regions at once—it is both Southern European and North African,” he said. **“This ‘bicontinental singularity’ means it has two continents it can work with, organise with and discuss with.”**

He stressed the potential of a Maghreb Union, but conceded that the current situation of the EU shows how difficult such unions can be.

For a long time, exchanges between Europe and North Africa have been one way, but now there is a need for mixed projects and mixed investment for the benefit of both sides.

Global capital is nomadic and moves from country to country like a tourist, so countries need to make themselves attractive to investors and give them a reason to invest. **“North Africa’s assets—its geography, its young people, its education systems and the emergence of the middle class make growth in the region easy to predict,”** Raffarin said.

But there is a limit to what the politicians can do, he cautioned. **“The political world is not the best avenue to attract capital. There needs to be business to business co-operation.”**



There are mutual benefits to co-operation and partnership between Europe and Africa, he continued. **“Africa needs Europe, but Europe needs Africa too, and we need to build a co-operative relationship first.”**

Trust is a crucial element of this, but trust cannot be built unless we are addressing people’s needs, he asserted. **“We need a future-oriented perspective. Europe has an ageing population and the elderly tend to think that young people will have a worse time than they did. But we need to put our trust in the future and the ability of the young to solve problems that we were not able to solve. I am very optimistic.”**

“As St. Exupery said, it is not up to us to imagine the future, but we have to allow it,” he concluded.

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