



Morocco Offshoring Strategy

With businesses bent on reducing their cost base, Morocco's aim is becoming a leading provider of offshore services and the preferred destination for the francophone and Spanish markets, betting on offshore services to spur growth and job creation.

The kingdom has devised a strategy dubbed the "Moroccan offer", which aims at sharpening its competitive edge in this sector, providing world class infrastructure and training as well as offering a set of unique incentives.

The group CAISSE DE DEPOT ET DE GESTION (CDG) has been entrusted with the mission to accompany this strategy and develop infrastructure and specialist know-how for offshore services spearheaded but a first fully integrated park in Casablanca, "Casanearshore".

the growing trend of relocating entire business functions to either self-owned or third-party service providers, typically in low-cost locations.

The development of BPO/ITO was initiated in the early 1990s by US and UK-based businesses, which were soon followed by Northern Europe. The French, Spanish, Belgian and Swiss markets started bridging the gap only in the late 1990's, with BPO expenses estimated at slightly over \$10bn in 2005, according to prevailing analysis and research.

Thanks to its cost effective multilingual labour supply and modern, liberalised telecoms sector, Morocco has attracted roughly half of the French-speaking call centres that have gone offshore so far and a number of the Spanish ones, including leaders such as Attento, which caters for the French and Spanish markets from Morocco. The country currently has about 200 call centres, including 30 of significant size, that employ a total of over 18,000 people.

As an example, the global PC and laptop leader Dell established helpdesks in Morocco to serve its French and Spanish customers, creating some 1,500 jobs and with discussions to extend to another 3,500 positions. The success story of the Moroccan call centre industry is widely seen as a foundation to develop other offshore services generating more added value.

STRATEGY:

Being the central plank of the “Emergence” programme, Morocco’s ‘Offshoring’ strategy aims at strengthening the country attractiveness by establishing an environment conducive to this activity, with a view to boosting investment and job creation. The programme forecasts that Offshoring could create some 100,000 direct jobs and contribute around Dh15bn (\$1.7bn) to GDP by 2015.

With long term political stability and a business-friendly government, a good telecoms and ICT environment, plenty of well trained multi lingual graduates pool, and both geographical and cultural proximity to Europe, Morocco is well positioned to secure a large share of the European BPO/ITO market. Our approach has therefore devised an aggressive action plan based on three pillars:

- State-of-the-art infrastructure and services.
- Skilled and widely available human resources.
- An attractive fiscal and incentive scheme.

INFRASTRUCTURE:

Dedicated zones in 3 main cities (Casablanca, Rabat and soon Fez), with infrastructure up to the best standards of quality and cost – at around 90 Dh per sq m, way cheaper than the current market price for such facilities – as well as tailor-made services.

This “ready for output” office space will come with air-conditioning, eco-friendly design, pre-cabbling and Internet connections, as well as world class telecoms offers leveraging the competition between the local and international operators.

In December 2005, His Majesty King Mohammed VI launched the construction of the the first zone CasaNearShore Park, the 1st business area dedicated to offshore services and outsourcing, which is developed and managed by the CDG group. The Offshoring zone, to cost over Dh2.7bn (\$300 M), is being built on a 53-hectare at the outskirts of Casablanca, and the Mohammed-V airport. The first phase, which will consist of 34,000 sq m of office floor and 6,000 sq m of services available, is expected to be operational early 2008. The remaining 210,000 sq m will be delivered in 2 phases over the next 3 years. 30,000 BPO/ITO jobs are expected, and about as many indirect jobs.



The next step will be the launch of Technopolis also under construction; Financing and management are thru the CDG as well.

This park will target in priority ITO but also KPO, due to the presence in the capital of a large number and prestigious engineering schools. The objective being to create up to 12,000-15,000 jobs at opening. Technopolis will hold separately engineering, high Tech, colleges and R&D spaces. Next in line is FesShore where at this stage land acquisition and master plans are being finalized. MarrakechShore being on a “blue print” road map for the time being

HUMAN RESOURCES:

Morocco boasts a large pool of human resources at a competitive cost, producing up to 50,000 university graduates annually. The kingdom is developing a training strategy to ensure a proportion is well-suited to BPO/ITO jobs. A complementary and BPO specific training for up to 25,000 recruits will be undertaken between 2006 and 2009, covering low-level administrative functions, technicians, engineers and managers. Plans are already underway to boost this to 100,000 by 2015, a key condition to maintain an abundant supply of labour, and to prevent wage inflation.

Morocco will also offer training assistance and subsidies for companies wishing to train newly hired staff in the offshoring zones.

INCENTIVES:

A specific scheme for companies established within dedicated zones. This encompasses an effective overall 20% income tax rate, in addition to the corporate tax relieves already included in the investment charter for FDI (0 Corporate tax during first 5 years and 50% break afterwards, VAT exemption for exports, ~2.5% customs etc), and a subsidy for training purposes to the tune of Dh65,000 (\$7,000) per Moroccan recruit over the first 3 years of hire.



OUTLOOK:

With less than 10% of the French-speaking offshoring business having moved offshore, there is little doubt that the offshoring sector still has a lot of growth potential, and not only for call centres, BPO and ITO. Indeed, Morocco could also develop knowledge process outsourcing (KPO) activities, which generate far more added value. This was evidenced early 2006 when European banking leader BNP Paribas announced it was stepping up its presence in Morocco by investing some Dh75m (\$8.3m) over the 2005-2009 period to develop “Mediha Informatique” and “BDSI”, two local subsidiaries in charge of software development for the group. This move will create some 500 jobs. Other offshore software development operations established in Morocco include Logica, Cap Gemini, Atos-Origin and SQLI to name the few.