

#ClosingTheGap

Morocco

Stakeholders from the Moroccan entrepreneurial ecosystem gather to identify possible solutions to foster the growth of local enterprises.

On 16 April 2019, hosted by the Dutch Good Growth Fund (DGGF) in cooperation with the Embassy of the Netherlands in Morocco, over 40 local stakeholders gathered in Casablanca to exchange perspectives on the Moroccan entrepreneurial ecosystem.

Financiers, business support service providers, business associations, the government and its agencies dedicated to SMEs, international development organizations, academia and entrepreneurs took part in the workshop which was part of the #ClosingTheGap Morocco study.



Figure 1: Moroccan entrepreneurial ecosystem stakeholders gathered

[DGGF 'Investment fund local SMEs'](#) is an initiative of the Dutch Ministry of Foreign Affairs which seeks to improve the access of underserved small and medium-size enterprises (SMEs) to the financial support they need to grow. SMEs or the so-called “missing middle” are enterprises who have

outgrown micro-finance but do not yet have access to regular financial services. The “fund of funds” may invest in funds and financial institutions which in turn finance local businesses in 70 countries, including Morocco. DGGF’s #ClosingTheGap series was designed to increase the understanding of key challenges faced by the “missing middle” by researching local entrepreneurs’ characteristics and needs, testing assumptions related to the current financial service offering and sharing insights as to their impact on the conduciveness of the overall ecosystem.

Thus far the #ClosingTheGap Morocco study reveals that the Moroccan missing middle is comprised of:

- a majority of livelihood-sustaining enterprises, small size companies generally producing for the local market with a low annual turnover and facing high competition;
- dynamic enterprises, SMEs operating in traditional manufacturing sectors and able to generate enough growth through profitable activity;
- some niche ventures, mostly small start-ups with high growth potential in innovative sectors;
- high-growth ventures, with a business model that allows them to target high volume and growth potential markets.

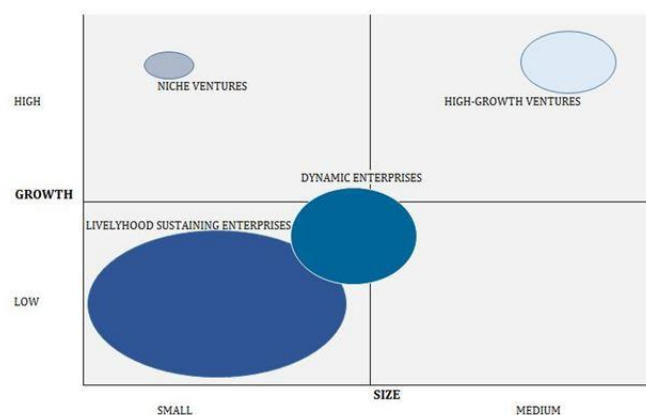


Figure 2: Moroccan missing middle landscape¹

¹ Applies the segmentation framework developed by the Collaborative for Frontier Finance: [https://english.dggf.nl/who-](https://english.dggf.nl/who-can-apply/publications/publications/2018/10/30/the-missing-middles-cff-full-report)

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High levels of informality and corruption, problematic market practices and lack of human capital represent the main barriers to growth for local businesses. Access to finance is an additional issue that is multi-faceted. The Moroccan SME finance ecosystem is quite developed and diverse but its scale remains limited. The conditions to accessing finance are sometimes inhibiting and the scale at which financial service providers operate only allows them to serve a few enterprises each year. The following initiatives would assist with these challenges:

- Moderate to high growth businesses would benefit highly from a different investment product combining debt and equity with value-adding technical assistance to support the transition of family businesses to second generation managers and expanding their export capacity.
- In order to increase structure for niche ventures, the ecosystem requires the provision of added-value and quality support services at scale to build investable start-ups including the ones operating outside of Casablanca.
- Supporting small livelihood businesses through a combination of adequate finance and TA, especially for those businesses located in the regions outside of the major cities in the country, would benefit the development of a more sustainable private sector.

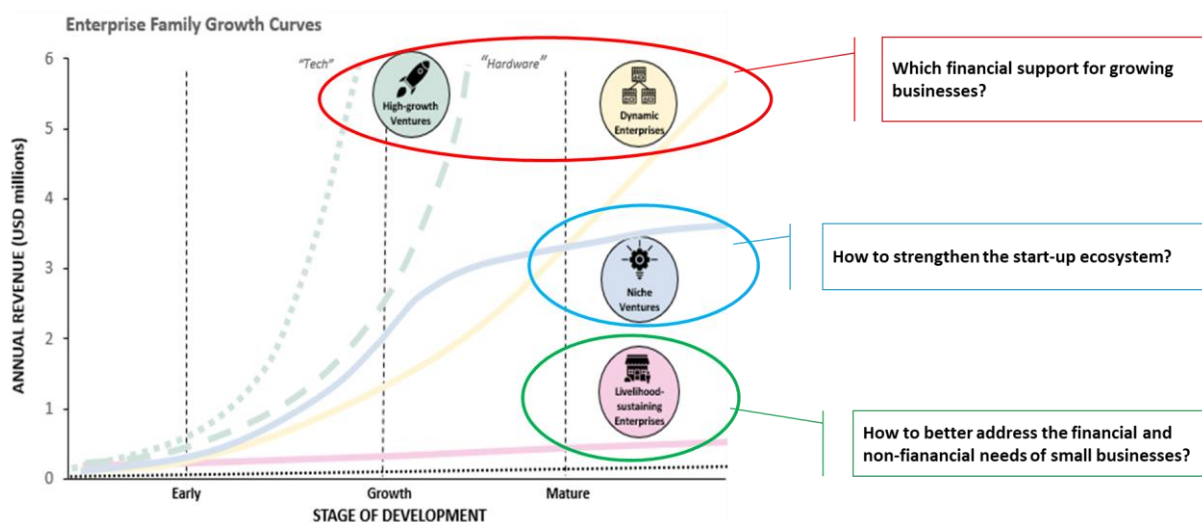


Figure 3: Identified strategies to closing the missing middle gap in Morocco²

These proposed recommendations will be refined and elaborated on in the final report of #ClosingTheGap Morocco, which is expected to be finalised by the summer 2019 and made available to the public on [DGGF's website](#).

² Idem