



# Misurata Free Zone

## Focus Report Investment Environment

In collaboration with





## Investor Benefits

Misurata Free Zone (MFZ) offers a number of key benefits that make it an attractive destination for investment in Libya and broader North Africa.

The zone charges no Customs duties, taxes, or hidden charges on imports and exports, as well as no Customs duties or taxes on locally sourced raw materials. Additionally, MFZ investors pay the same low rates as locals for vital utilities such as power and water.

As a free zone operating outside of Libyan domestic trade legislation, the MFZ offers complete exemption from national commercial registration obligations as well as 100% foreign ownership of MFZ-based companies.

Moreover, there are no restrictions on cargo or fees payable for banking services. The zone also offers an exemption from personal and corporate income tax, without obstacles or limits on the repatriation of profits. Another benefit in terms of human resources is the lack of restrictions on the employment of foreign staff.

The MFZ contains its own seaport – the busiest in Libya – which offers advantages for transport. Located

within the MFZ's newly opened Site A, the distance from quayside to warehouse is only a few minutes.

The port offers quayside facilities for oil and gas companies, as well as supporting infrastructure for maritime agencies and logistics companies.

Land rental costs are relatively low, starting at \$1.50 per sq metre per year – among the cheapest in the world for free zone space. Long-term contracts are available and are easily renewable, and there are no restrictions on the transfer of ownership for foreign investors.

The zone is well connected in terms of land and air. Motorways connect the MFZ to Tripoli, Libya's capital, some 200 km to the west, and to the east and south, enabling transit by land to the neighbouring countries of Egypt, Tunisia, Algeria, Chad, Niger and Sudan.

A number of key financial institutions, including insurance providers and banks, are located on-site or a short distance away in the city of Misrata. The MFZ also provides a central location for medical facilities and maintains connections to key local enterprises.





## Management & Services



Investors in the MFZ receive considerable assistance from zone authorities to help fulfil their investment plans.

Operating from the zone requires a simple three-step process: registration, customisation and licensing. Under the umbrella of the MFZ, the Investors' Affairs Department guides investors through the investment process, from initial expressions of interest to production and output.

The department provides consultancy services to walk investors through the process of starting up, registration and customising businesses, as well as obtaining licences and permits.

The Investors' Affairs Department also has experts who can provide legal and financial advice and a range of other services necessary for new investors in Libya and the MFZ.

The department provides a range of services for investors once their business has launched, including promotional events, networking and consulting services.

MFZ authorities can assist with the issuing of health certificates, work permits and visas; liaison with embassies, consulates and government departments; registration with professional bodies,

such as chambers of commerce; provision of utilities such as fuel and electricity; connection to IT and communications services; and applications for driving licences.

The MFZ also provides those working at the zone with a range of health and leisure facilities. These include a new sport complex, which opened in July 2022 and contains a clinic, several offices and break areas, providing communal spaces for networking for zone investors and employees. There is also scope for future expansion: there are no obstacles posed by urban areas and 565 ha of land is currently available for use, with more expected.

In addition, the MFZ provides assistance with planning by updating investors about future opportunities as the zone continues to grow. Investors are kept abreast of plans to expand facilities and open up more areas to accommodate a wider range of industrial and commercial activities.

Construction work on Site B, for example, is under way. This site is intended to serve as a dedicated centre for medium and heavy industry. The port is also undergoing a major expansion programme, while transport infrastructure will benefit from plans to extend motorways in the area. In addition, plans for a railway line are currently in development.



## Current & Future Enterprises

As of August 2022 there were 140 active investors with enterprises operating at the MFZ, each with licences, land and employees. These businesses are located in Site A, which was officially opened by Prime Minister Abdul Hamid Al Dabaiba on June 25, 2022.

At the ceremony, Prime Minister Al Dabaiba announced that the Ministry of Economy and Trade and MFZ authorities will collaborate on a national strategic plan to develop the zone's transport and trade linkages – a plan that will create further opportunities for investors.

Site A provides infrastructure for light industry, manufacturing and commercial activities. Many global shipping and logistics companies, including international majors such as MSC, Al Rwad and Al Ryada Group, have set up operations in this area.

Manufacturing activities at the MFZ span a variety of enterprises, from packaging to auto parts, with the latter represented by South Korea's Kia Motors. In addition to the 140 investors already present in the MFZ, some 4000 companies had registered to operate from the zone as of August 2022.

With a 500-ha expansion planned for the existing seaport in Site A, transit and maritime trade is projected to increase. The port expansion will also see new docking facilities, with a 20-metre-deep berth capable of handling the largest modern vessels.

In an additional boost to the zone's infrastructure, Turkey's Albayrak Group announced in May 2022 that it would open a 36,000-sq-metre cold storage facility in Site A to serve regional trade.

Site B, which was still under development as of September 2022, will include an area dedicated to aviation, as well as infrastructure for medium and heavy industry. Light aircraft assembly, repair and maintenance at the MFZ will centre on a planned cargo airport.

Meanwhile, the MFZ has also been working to expand its sister free zones. These include the Taminhent Free Zone (TFZ) in Libya's south and the Tajhari Free Zone, a 200-ha site on the border between Libya and Chad. Linked directly to the MFZ, these two zones represent key pillars of the MFZ's efforts to become the gateway to Africa and adjacent regions.

Annual rental rates in Site A (\$)

Area (sq metres)	UNPAVED		PAVED	
	Industrial	Commercial	Industrial	Commercial
<500			4.00	4.50
500-1000			3.75	4.25
1001-1500			3.50	4.00
1501-2500			3.25	3.75
2501-3500			3.00	3.50
3501-5000			2.75	3.25
5000+			2.50	3.00
1000-2500	3.00	4.00		
2501-5000	2.75	3.75		
5001-7500	2.50	3.50		
7501-10,000	2.25	3.25		
10,001-25,000	2.00	3.00		
25,001-50,000	1.75	2.75		
50,000+	1.50	2.50		



## Taminhent Free Zone

While the Tajhari Free Zone is a more recent acquisition connecting the MFZ to the border with Chad, the TFZ in Wadi Albwanis, in southern Libya, has been linked to its coastal counterpart in Misrata since its establishment.

Set up by ministerial decree in 2015, the TFZ aims to increase economic opportunities in Libya's south, linking European markets via the MFZ on the Mediterranean coast with Libya's neighbours. The country shares borders with Egypt to the east, Tunisia and Algeria to the west, Sudan to the south-east, Chad to the south and Niger to the south-west, connecting it to sub-Saharan countries as a potential partner for all of the African continent.

The TFZ was created to provide reliable infrastructure for industry, commerce and services on a 460-ha site, located 30 km from the regional capital of Sabha.

Companies operating from the TFZ are able to produce on-site or work in trade and

logistics, shipping goods in any direction. Road connectivity is ensured by a 1000-km motorway called Road 4, linking the zone with the MFZ, some 697 km to the north, an overland journey of around nine hours. Sabha International Airport provides air routes to Tripoli and Benghazi, with plans for international flights announced in March 2021.

The TFZ lies in an area rich in natural resources, including minerals such as iron, silica, limestone and dolomite; and agricultural goods such as citrus fruits and palm products. The zone is set to become a major centre for automotive parts manufacturing, with a section of its territory exclusively dedicated to the production of items such as shock-absorbers and exhaust pipes.

There are also plans for a railway linking the TFZ to Misrata and the MFZ, boosting the cargo capacity of inter-zonal transport links. As the security situation in southern Libya stabilises, the TFZ's location will come more into play as a natural conduit for north-south African trade.





## Misrata

The MFZ lies in an area with a robust entrepreneurial and mercantile heritage. Phoenician merchants used the region as a commercial station, and the town originated as a caravan supply centre in the 7th century CE. The old harbour of Qasr Ahmad, on Cape Misrata, has been a hotspot for trans-Mediterranean and inter-regional trade since at least the 12th century CE.

This entrepreneurial spirit, which continued through the Ottoman and Italian periods as well as after independence, has given the region a well-established infrastructure network for both small and large businesses. Companies operating in the MFZ benefit from both this infrastructure and the area's history.

The MFZ lies adjacent to Misrata, a city of more than 800,000 people, which has the facilities of a modern Mediterranean urban centre. This gives the MFZ a sizeable hinterland to draw on for acquiring both material resources and qualified local employees.

The facilities offered by the city include a major university with 15 faculties and over 25,000 students; more than 200 public and private sector health care facilities, including one 200-bed hospital; training colleges; and a vibrant hospitality sector. In terms of air connectivity, Misrata International Airport offers flights to key Libyan and regional destinations.

Known as Libya's economic capital, Misrata has built its reputation for business around both heavy industry – represented by the Libyan Iron and Steel Company, which operates manufacturing facilities adjacent to the MFZ, and lighter manufacturing and food processing, such as Al Naseem Dairy and Ajaiid.

Agriculture is another fixture of the local economy. The city was built within a coastal oasis and on top of a deep aquifer, giving it vital water reserves. The region houses private and state farms of varying sizes, one of which contains over 200,000 palm trees – the

largest plantation on the coast of Libya and famous for its dates. Many local enterprises also operate in the services sector, with a special focus on tourism and hospitality, including the running and maintenance of luxury hotels as well as beaches and restaurants.

There are also multiple local financial services entities based in Misrata. The city hosts over 20 public and private banks, including Jumhouria Bank, the country's largest. The Libyan Foreign Bank, which is 100% owned by the Central Bank of Libya, is also a key player in the city's financial industry.

The city, like the zone, is located on one of MENA's most important east-west motorways. This links it to Tripoli – some 187 km to the west – as well as Tunis, Algiers and Morocco, while Benghazi and Cairo lie further along the motorway to the east. This connectivity enables Misrata and the MFZ to draw on the broader region for business expertise, natural resources and human capital.



\*Distances within North Africa are by road, those outside North Africa are direct line distances



## New Developments



Recent developments in terms of infrastructure include a 12-km heavy transport road capable of supporting large trucks and equipment trailers, which was opened by the prime minister in July 2022. The road now provides easy access between the MFZ and the nearby motorway, as well as to Misrata International Airport.

The zone also got a boost with the opening of a major sport, health and administration complex that month. Dedicated to employees at the zone, the facility includes a football pitch, tennis and volleyball courts, a gym and a clinic.

The full opening of Site A resulted in a surge in demand for land. Zone authorities also reported that local investors are increasingly interested in setting up shop at the MFZ, given the advantages that the zone has to offer.

One key new investor in Site A is Kia Motors, which opened a facility there and made its first shipment to the MFZ in early July 2022. The Libyan Iron and Steel Company runs a direct-reduced iron plant,

two steel mills, and a two-line bar and rod mill near the zone, while the seaport's transit trade has continued to grow. One of the most recent transit trade routes is Barcelona-Misurata-Sfax, which saw its first container ship in May 2022.

The seaport's duty-free zone facility was under construction as of the summer of 2022, with the facility expected to host a range of stores and retail outlets hoping to take advantage of the MFZ's free port status in the months ahead.

The zone's IT infrastructure is also progressing, with China's Huawei presenting its electronic gate system to MFZ authorities in June 2022, as the zone looks to install the latest seaport tracking and management technologies.

The year 2023 should see Site A begin to fill rapidly, with the development of Site B the next phase in the zone's development. The MFZ therefore represents an attractive opportunity for investors, thanks to robust local infrastructure and a culture with a long-standing business pedigree.



## Outlook

Given the legacy of recent conflicts in Libya, many investors view the country as a place of considerable political and security risk. However, for a number of reasons, the MFZ and Misrata have been somewhat isolated from events elsewhere in the country, with business largely able to continue unhindered.

The MFZ seaport, for example, is the busiest in the country, handling just under half of Libya's total ship arrivals and over half of its total container traffic. New shipping lines are beginning to use the port – the latest being Japan's MOL Group, which began operations in June 2022 – while December 2021 also saw the start of transit trade operations.

At the same time, the MFZ is an independent free zone, with its own administration and regulations. This means that companies operating from the zone are not exposed to the kind of political risk that operating in other parts of the country might engender. Changes in government and ministerial authority do not

directly affect the MFZ, which continues to operate according to its own rules. Those rules are firmly based on international best practices for free zones, with the MFZ offering incentives that often go beyond those of competitors.

One such example is the absence of Customs duties or charges on locally sourced materials. In addition, the MFZ offers comparatively low rents: paved land in Site A for industrial activities costs between \$2.50 and \$4.00 per sq metre, and between \$3.00 and \$4.50 for commercial activities. The zone also boasts some of the lowest utility costs in Africa.

While global risks continue to impact all countries in the region – with supply chain disruptions from the Covid-19 pandemic and the continuing energy crisis two of the most prominent – the MFZ represents a strategic investment in a country projected to see a 3.5% increase in GDP in 2022, according to the IMF. As a link to the broader region, the MFZ is poised to play a role in Libya's renewed economic growth.

Traffic at Libyan ports, 2019





