

AFRICA RISK CONSULTING

Morocco Briefing March 2023

Morocco Summary 22 March 2023

The global intergovernmental money-laundering watchdog the Financial Action Task Force (FATF) announces on 24 February that Morocco has been removed from the international grey list. The FATF highlights Morocco's "progress" in improving its anti-money laundering and counter-terrorist financing (AML/CFT) regimes but says work will need to continue. The International Monetary Fund (IMF) confirms on 6 March that its executive board received a request from Morocco for a \$5 billion Flexible Credit Line (FCL). The IMF says it will endorse approval of the request given Morocco's strong policy frameworks and proven track record. Bank Al-Maghrib (BAM) (central bank) announces on 21 March that it will raise its interest rates by 50 basis points to 3% from 2.5% to control runaway inflation. Nigeria's oil minister Timipre Sylva tells French news publication AFP on 1 March that the construction of the Nigeria-Morocco gas pipeline is facing delays, saying that some administrative details still need to be addressed.

FATF removes Morocco from grey list

Global intergovernmental money-laundering watchdog **Financial Action Task Force (FATF)** removed **Morocco** from its international grey list on 24 February, meaning the country will no longer be under increased monitoring.¹ The FATF noted at its plenary in October that Morocco was making good progress, acknowledging that it had "*substantially completed its action plan and warrants an on-site assessment*".² The FATF placed Morocco on its grey list in February 2021, alongside countries such as **Panama, Syria** and **Yemen**, which are known for pervasive money laundering and terrorist financing concerns.³ In its statement removing Morocco and **Cambodia** from the list, the FATF highlighted the country's "*progress*" in improving its anti-money laundering and counter-terrorist financing (AML/CFT) regimes:

*"Each country has addressed its technical deficiencies to meet the commitments of its action plan on strategic deficiencies that the FATF identified in February 2019 and 2021 respectively."*⁴

However, the organisation noted that Morocco will continue working with the **FATF-Style Regional Body (FSRB)** to further strengthen its AML/CFT regime.⁵ Morocco is a member of the FSRB which are autonomous regional institutions that assist FATF to implement its policies. Prime Minister **Aziz Akhannouch** (2021-present) said in a statement on 24 February that Morocco's removal from the list opens it up to new investment opportunities and will improve ratings:

¹ Financial Action Task Force, 24 Feb 2023

² Morocco World News, 24 Feb 2023

³ Morocco World News, 24 Feb 2023

⁴ Financial Action Task Force, 24 Feb 2023

⁵ Financial Action Task Force, 24 Feb 2023

“[the decision] will positively impact the sovereign and local bank ratings in addition to improving Morocco’s image and its position in negotiations with international financial institutions as well as fostering trust of foreign investors.”⁶

Akhannouch is also convinced that FATF’s decision will also improve the country’s image and “its positioning in negotiations with international financial institutions” as well as the confidence of international investors in the domestic economy.⁷ However, some local stakeholders are not as optimistic after reports emerged that some local energy companies have been importing gas from **Russia** below the international fixed prices and manipulating documents to resell them at higher prices.⁸ **Abdelkader Taher**, an opposition member of the **Union Socialiste des Forces Populaires (USFP)** (socialist union of popular forces) on 27 February called for an investigation expressing concerns about the apparent manipulation in the local energy market

“Some companies that import energy products to supply the national market have started importing Russian diesel as it is 70% cheaper compared to international fixed prices. The Russian diesel prices do not exceed \$170 per tonne.”⁹

Taher also accused the companies of forging receipts and documents to state that the energy resources came from the **United States (US)** or **Gulf** countries. These reports have several opposition politicians and local associations concerned that corruption and bribery are becoming common in Morocco, which could tarnish its reputation just as it exits from the FATF grey list.

IMF executive board to approve Morocco’s \$5 billion credit line request...

The **International Monetary Fund (IMF)** announced on 6 March that its executive board received a request from Morocco for a \$5 billion **Flexible Credit Line (FCL)**.¹⁰ The financial institution explained that the credit line, which was first introduced in 2009 per its lending framework, offers recipient countries and beneficiaries credit when facing a cash crunch necessary for tackling and safeguarding against major economic challenges, including external shocks.¹¹ In its statement, the IMF also noted that the credit line provides countries with strong policy frameworks and proven economic growth with upfront access to resources “with no ex-post conditionality.”¹²

Five countries have had FCL arrangements including **Poland, Peru, Chile, Colombia** and **Mexico**.¹³ The IMF said that it will grant Morocco’s request taking into account its “very strong policy frameworks and track record” and stressed that Moroccan officials intend to treat the credit line as “precautionary”.¹⁴ The statement also noted that the IMF managing director **Kristalina Georgieva** plans to recommend approval of Morocco’s FCL request when the organisation’s executive board convenes again in the next few weeks to deliberate on the matter.¹⁵ The IMF also noted its commitment to continue supporting Morocco against the risks stemming from the unstable global economic climate.¹⁶

⁶ Reuters, 24 Feb 2023

⁷ Morocco World News, 24 Feb 2023; Reuters, 24 Feb 2023

⁸ Morocco World News, 6 Mar 2023

⁹ Morocco World News, 27 Feb 2023

¹⁰ International Monetary Fund, 6 Mar 2023

¹¹ International Monetary Fund, 6 Mar 2023

¹² International Monetary Fund, 6 Mar 2023

¹³ Morocco World News, 7 Mar 2023

¹⁴ Morocco World News, 7 Mar 2023

¹⁵ International Monetary Fund, 6 Mar 2023

¹⁶ International Monetary Fund, 6 Mar 2023

Finance minister **Nadia Fettah Alaoui**, also revealed on 21 February that the **World Bank** injected a record \$1.8 billion into the economy. Fettah believes the collaboration with the World Bank will help Morocco accelerate socioeconomic development and transition to a greener economy.¹⁷ While reports of a country receiving credit or capital from the World Bank or IMF tend to illicit major concern, that does not appear to be the case for Morocco. The extension of financial assistance to Morocco from both global institutions appears to have been made on the historical strength of its economy and the government's pragmatism in dealing with economic challenges. The IMF also stressed that the credit line is for crisis-prevention and crisis-mitigation lending rather than dealing with an economic crisis.

Central bank tightens raises interest rates from 2.5% to 3%...

In a generally anticipated move, **Bank Al-Maghrib (BAM)** (central bank) on 21 March announced that it will raise its interest rates for the third time in less than two years to control runaway inflation.¹⁸ BAM's board approved a 50 basis point increase, increasing the interest rate from 2.5% to 3%.¹⁹ Staggering inflation has caused the central bank to be on its longest monetary tightening campaign since BAM attained control over the country's monetary policy in 2006.²⁰ Inflation has particularly been felt in the food sector which witnessed a shocking 11% increase in prices, threatening national purchasing power.

Inflation reached record levels in 2022 at 6.6%, the highest level since 1992, and the central bank expects it to ease marginally but remain elevated at around 5.5% throughout 2023.²¹ The central bank explained that the high inflation rate is primarily due to a "*surge in prices of certain food products included in the forecast*".²² BAM announced on 22 February that inflation reached a new record of 8.9% in January, up from 8.3% in December.²³ The main cause of the upward pressure was food & non-alcoholic prices (17.4% vs 15.5% in December) and transportation (9.6% vs 11.5% in December), which ignited protests against the government (*See Briefing Morocco Feb 2023*).²⁴

However, BAM believes the economic outlook is set to improve in the second half of this year due to the various mitigation efforts the government is currently undertaking.²⁵ With international and external pressures likely to continue easing throughout 2023 and 2024, BAM expects inflation to decrease even further to 2.3% in 2024, closing into the recommended 2% rate.²⁶

Authorities have also been inspecting local markets in recent weeks to ensure that supply and prices are appropriate while implementing measures to curb the exportation of main vegetables ahead of Ramadan.²⁷ Finance minister Alaoui addressed a parliamentary session dedicated to evaluating the rise in food prices on 21 March stating that the rise in certain types of food

¹⁷ Morocco World News, 21 Feb 2023

¹⁸ Bank Al-Maghrib, 21 Mar 2023

¹⁹ Bank Al-Maghrib, 21 Mar 2023

²⁰ Morocco World News, 21 Mar 2023

²¹ Morocco World News, 21 Mar 2023

²² Bank Al-Maghrib, 21 Mar 2023

²³ Trade Economics, 22 Feb 2023

²⁴ Trade Economics, 22 Feb 2023

²⁵ Morocco World News, 21 Mar 2023; Bank Al-Maghrib, 21 Mar 2023

²⁶ Morocco World News, 21 Mar 2023; Bank Al-Maghrib, 21 Mar 2023

²⁷ Trade Economics, 22 Feb 2023

products is due to adverse weather conditions and that prices should stabilise or decrease as supply increases over the coming days.²⁸

Nigeria-Morocco gas pipeline faces construction delays amid challenges...

Nigeria's oil minister **Timipre Sylva** told **French** news publication **AFP** on 1 March that the construction of the **Nigeria-Morocco** gas pipeline is facing delays due to administrative details that still need to be addressed.²⁹ Morocco's deal with Nigeria and their **West African** neighbours is estimated by experts to cost €23 billion (\$24.7 billion), but Sylva said that the project would involve complex negotiations delaying the start date of the project, "*there are certain agreements that you must sign with every country*".³⁰

The **Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development** and the **Saudi Arabia-based Islamic Development Bank** have pledged nearly \$60m to fund feasibility and engineering studies for the pipeline, which could be one of the longest ever built.³¹ If the pipeline progresses, it will take 25 years to complete. Currently, it is not confirmed where the rest of the investment will come from.

Morocco's **Office National des Hydrocarbures et des Mines (ONHYM)** (national office of hydrocarbons and mines) signed five memoranda of understanding (MoU) in December with several countries that pledged their support for the implementation of the gas project that will span over 13 countries along the **Atlantic** coast (*See Briefing Nigeria Dec 2022*).³² So far Morocco and Nigeria have signed MoUs with seven of the 13 West African countries in question, as well as the regional bloc, the **Economic Community of West African States (ECOWAS)**.³³

However, major doubts remain over targeting **Europe** as a key market for the project. During a visit to Morocco in January, the EU foreign policy chief **Josep Borrell** said that it is uncertain if the EU will still want to use gas by the time the project is completed.³⁴ Borrell suggested that Rabat should instead focus efforts on its enormous wind and solar energy potential as well as selling hydrogen supplies to Europe.³⁵

A senior European diplomat speaking on condition of anonymity, also told AFP that "*in the future, we won't be buying gas anymore*."³⁶ While the European market in 25 years may have an abundance of sources of gas or no longer use gas, the West African region and ECOWAS could instead be a primary market given that many of the countries spend a large sum of money to import energy resources. Gas from the pipeline will be a much cheaper and more accessible alternative, particularly for Morocco given that political tensions with neighbouring **Algeria** over the **Western Sahara** resulted in **Algiers** closing the **Maghreb-Europe** gas pipeline in October 2021 which was a key source of energy for Morocco and **Spain** (*see ARC Briefing Algeria Nov 2021*).

²⁸ Morocco World News, 21 Mar 2023

²⁹ Morocco World News, 1 Mar 2023; AFP, 1 Mar 2023

³⁰ AFP, 1 Mar 2023

³¹ Bloomberg, 15 Sep 2022

³² Morocco World News, 1 Mar 2023

³³ France24, 1 Mar 2023

³⁴ France24, 1 Mar 2023

³⁵ France24, 1 Mar 2023

³⁶ France24, 1 Mar 2023

Planner

2023 **(Morocco)** Israel's foreign affairs minister **Eli Cohen** to visit Morocco;

2023 **(United States)** International Monetary Fund (IMF) to review Morocco's request for a \$5 billion credit line;

April 2023 **(Morocco)** French President **Emmanuel Macron** to reportedly visit Morocco;

23-25 May 2023 **(France)** First edition of **Morocco Investment Meeting and Entrepreneurship Meeting (MIM)** event;

June 2023 **Marrakech (Morocco)** Inaugural **Bloomberg** New Economy Gateway Africa conference.

Chronology

21 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Finance minister **Fettah Alaoui** says that the rise in certain types of food products is due to adverse weather conditions and that prices should stabilise or decrease as supply increases over the coming days;

21 Mar 2023 **Rabat (Morocco)** *Morocco Telegraph*. **Dutch** Queen **Maxima** arrives for a four-day working visit to promote fintech, the development of digital payment systems and inclusive green finance, among other key financial inclusion issues;

20 Mar 2023 **Rabat (Morocco)** *Morocco World News*. **United States (US)** secretary of state **Antony Blinken** reaffirms his country's support for the Moroccan initiative for **Western Sahara** during a meeting with Morocco's foreign affairs minister **Nasser Bourita**;

20 Mar 2023 **Rabat (Morocco)** *Morocco World News*. **United States (US)** senator **Dan Sullivan** stresses Morocco's potential as a "great" candidate in Africa to host the **United States Africa Command's (AFRICOM)** headquarters;

17 Mar 2023 **Rabat (Morocco)** *Diplomatie*. Foreign affairs minister **Nasser Bourita** emphasises Morocco's "firm and consistent" position regarding the **Palestinian** cause, reiterating Morocco's full support of Palestine;

15 Mar 2023 **Rabat (Morocco)** *Parti de la Justice et du Développement*. Opposition party **Parti de la Justice et du Développement (PJD)** issues a statement denying its interference in King **Mohammed VI's** "constitutional powers" and expresses its appreciation for the monarch's "strategic roles" that defend the best interest of the country after initially criticising Morocco's position on the **Palestinian** cause and diplomatic relations with **Israel**;

15 Mar 2023 **Rabat (Morocco)** *Royal Air Maroc*. National carrier **Royal Air Maroc** announces more flight cancellations to and from **France** due to the ongoing public service strike in the **European** country;

14 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Morocco maintains the 29th position among the top 40 largest importers of major arms in 2022, according to the 2023 report from the **Stockholm International Peace Research Institute (SIPRI)**;

14 Mar 2023 **Rabat (Morocco)** *Ministry of Digital Transition*. Digital transformation ministry announces that Morocco will suspend daylight savings time and return to GMT on 19 March at 3:00 am as Ramadan approaches;

10 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Morocco announces an amendment to its wheat import subsidy to allow companies to bring more wheat products from the **Black Sea** region;

8 Mar 2023 **Rabat (Morocco)** *Mining Technology*. Morocco grants a manganese exploitation license to **Elcora Advanced Materials**, a **Canada**-based vertically integrated graphite and graphene company,

8 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Finance minister **Nadia Fettah Alaoui** says tax authorities will tighten control over companies that avoid paying taxes by using fictitious addresses in the southern provinces while carrying out business activities outside these regions;

5 Mar 2023 **Rabat (Morocco)** *Moroccan Association for Protection of Public Funds*. The **Moroccan Association for Protection of Public Funds** calls for “*an extensive investigation*” to be launched into some energy companies’ manipulation of gas prices;

2 Mar 2023 **Rabat (Morocco)** *Map News*. King **Mohammed VI** congratulates **Nigeria’s** president-elect **Bola Tinubu** on his election;

2 Mar 2023 **Rabat (Morocco)** *Maroc*. Morocco and the **European Union (EU)** sign five cooperation programs on social protection, green transition, public administration reform, migration management, and financial inclusion, amounting to €500m (\$539m);

1 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Finance minister **Nadia Fettah** announces that Morocco has successfully issued a \$2.5 billion bond on the international financial market, with two \$1.25 billion tranches;

1 Mar 2023 **Rabat (Morocco)** *Morocco World News*. Morocco refutes claims made by **French** President **Emmanuel Macron** that ties between **Paris** and **Rabat** are “*friendly and will remain so*”;

27 Feb 2023 **Paris (France)** *Morocco World News*. **French** President **Emmanuel Macron** emphasises France’s desire to overcome all challenges to move forward in improving relations with **Rabat**;

23 Feb 2023 **Paris (France)** *Morocco World News*. Morocco is among the 141 countries that voted on a **United Nations (UN)** resolution calling for immediate **Russian** withdrawal from Ukraine;

23 Feb 2023 **Rabat (Morocco)** *Morocco World News*. Government does not extend the state of emergency that was implemented in March 2020 to contain the spread of **Covid-19**;

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jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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