

AFRICA RISK CONSULTING

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Moroccan authorities extend the state of emergency until 10 November but ease Covid-19 testing requirements for travellers entering the country and begin a gradual resumption of flight operations. The finance ministry releases a €1 billion (\$1.2 billion) bond on the international financial market and grosses €2.5 billion (\$2.9 billion). Morocco receives a combined investment of €253m (\$297.2m) from four international funders to boost a green economic recovery from the impacts of Covid-19. Morocco signs agreements with the United States and the United Nations, becoming a strategic partner for countering extremism in the region via military stability and counter-terrorism initiatives (respectively).

Morocco extends state of emergency but eases barriers to entry for travellers ...

Moroccan authorities have eased requirements for foreign travellers entering the country from 1 October after conditionally re-opening borders on 10 September (see *ARC Briefing Morocco September 2020*). The easing of some barriers to entry is indicative of Moroccan leaders' desire to make tourism more accessible.¹ The tourism sector has lost 18.3 billion Moroccan dirhams (MAD)(\$2 billion) in revenue since March due to **Covid-19**.² Tourism accounts for 11% of the GDP, making it the second largest contributor to the Moroccan economy.³

In terms of the new regulations, travellers no longer require a serological test, and the validity of **Covid-19** PCR tests is extended to 72 hours from the initial 48-hour requirement.⁴ Airlines operating flights to Morocco remain limited, but on 11 October **Irish** budget airline **Ryanair** was approved to resume operations.⁵ State-owned **Royal Air Maroc (RAM)** was the first airline to start operating under a "special flight program"⁶ associated with the partial reopening of borders on 15 July that allowed Moroccan citizens to return to the country and foreign nationals to leave⁷ (see *ARC Briefing Morocco June- August 2020*). While RAM's special flight programme continues in concert with the country's state of emergency, the airline announced on 10 October that measures are being applied to all ticket sales allowing for high levels of flexibility amidst the uncertainties associated with travel. These measures include unlimited and free changes of ticket dates and destinations.⁸

Morocco was one of the first countries in the **Middle East and North Africa (MENA)** region to enforce strict lockdown measures in response to Covid-19 by imposing a state of health emergency and closing borders from 19 March, a date that has since been extended seven times.⁹ The government announced the latest extension on 8 October, pushing the state of emergency that was scheduled to end 10 October to 10 November.¹⁰ The aggressive response initially limited cases and maintained a low mortality rate (see *ARC Briefing Morocco August 2020*). However, since September the country has experienced a steep upward trend in cases and deaths. The government reported on

¹ Source, analyst, San Francisco

² North Africa Post, 23 Sep 2020

³ Morocco World News, 22 Apr 2020

⁴ North Africa Post, 2 Oct 2020

⁵ Morocco World News, 10 Oct 2020

⁶ Morocco World News, 22 Sep 2020

⁷ RFI News, 15 Jul 2020

⁸ Morocco World News, 11 Oct 2020

⁹ North Africa Post, 8 Oct 2020

¹⁰ Garda World, 9 Oct 2020; CTGN Africa, 10 Oct 2020

10 October a record number of cases per 24 hours with 3,445 new infections.¹¹ The majority of recent cases and deaths emerged in the **Casablanca-Settat** region,¹² causing regional authorities to tighten restrictions and reimpose a 22:00-05:00 curfew.¹³ Former hotspots of infections such as the **Marrakech-Safi, Tangier-Tetouan-Al Hoceima**, and **Fez-Meknes** regions have experienced significant slowing of cases.¹⁴

As of 12 October, Morocco has confirmed 152,404 total cases in its population of 36 million with a recovery rate of 127,407 and 22,392 active cases. The mortality rate is 73.16 deaths per one million inhabitants, a significant increase from 45.74 in the month prior (see *ARC Briefing Morocco September 2020*). Despite this increase, the current rate is average amongst countries in the region with better-recognised public health systems. **Qatar's** mortality rate is slightly above that of Morocco, recording 79.09 deaths per one million, while **Saudi Arabia's** rate is over double that of Morocco with 150.39 deaths per one million. During the last month, Morocco's mortality rate significantly surpassed that of the **United Arab Emirates**, whose rate has remained comparably stable at 46.31.¹⁵

COVID-19 deaths per one million population ¹⁶			
	Confirmed deaths	Deaths per million	Population (millions)
Morocco	2,636	73.16	36.03
Qatar	220	79.09	2.78
United Arab Emirates	446	46.31	9.63
Saudi Arabia	5,068	150.39	33.7

... and works towards an inclusive and green economic recovery

United States (US)-based ratings agency **Standard & Poor's (S&P)** changed Morocco's economic outlook on 2 October from stable to negative, largely due to the economic fallout of Covid-19. The credit rating agency indicated that if the country's recovery plans are successful, its economic outlook would likely be returned to stable, and identified areas for outlook and rating improvement such as the national debt.¹⁷ On 24 September, the Moroccan government issued a €1 billion (\$1.2 billion) bond on the international financial market in two €500m (\$587.3m) tranches.¹⁸ The finance ministry called the bond issuance "*a resounding success among international investors*". Despite the current economic uncertainties, the ministry reported an order book grossing €2.5 billion (\$2.9 billion) from 197 investors. This bond replaces the previous debt interest rate of 4.5% with a much lower debt averaging a 1.7% interest rate, saving Morocco almost MAD 300m (\$32.5m) per year.¹⁹ An international hedge fund manager notes:

*"The success of the bond, which was rated as investment grade, indicates international investors' confidence in Morocco. However, they paid a slightly larger risk premium over US treasuries than when they released similar bonds last year."*²⁰

¹¹ North Africa Post, 12 Sep 2020

¹² Morocco World News, 11 Oct 2020

¹³ Garda World, 4 Oct 2020

¹⁴ Morocco World News, 11 Oct 2020

¹⁵ Statista, 12 Oct 2020

¹⁶ Statista, 13 Oct 2020

¹⁷ Forbes Middle East, 2 Oct 2020

¹⁸ Morocco World News, 25 Sep 2020

¹⁹ Morocco World News, 28 Sep 2020; Africa Business Intelligence, 28 Sep 2020

²⁰ Source, international hedge fund manager, San Francisco

Details for an economic stimulus plan were outlined on 9 October by King **Mohammed VI** (1999-present) as he opened the legislative year at parliament's first fall session. The plan hinges on the strategic investment fund he announced in July (see *ARC Briefing Morocco August 2020*). The government will use MAD 15 billion (\$1.6 billion) of the state budget to promote investment, support productive sectors, and incentivise fund interventions.²¹ Special focus will be placed on assisting small and medium-sized enterprises (SMEs), agricultural development and rural inclusion, and the tourism sector. The plan intends for a further MAD 30 billion (\$3.2 billion) to be mobilised via domestic and international financial institutions.²²

Morocco received a combined investment of €253m (\$297.2m) on 1 October for two green economic recovery programmes via finance from the **European Bank for Reconstruction and Development (EBRD)** and the **Green Climate Fund (GCF)**, and grants from the **European Union (EU)** and **South Korea**.²³ The **Green Economy Financing Facility (GEFF)** receives €163m (\$191.5) to provide credit for private companies' advancement of green technology and climate adaptation.²⁴ The credit lines are provided via local financial institutions **Société Générale Maroc**, **Crédit du Maroc** and **Banque Populaire**.²⁵ The **Green Value Chain (GVC)** programme receives €90m (\$105.7m) to invest in SMEs' energy and resource efficiency measures and integration into regional value chains. This aims to increase SMEs' competitiveness in larger markets.²⁶ A climate change adaptation advisor claims that the value of this programme cannot be understated:

*"Micro, small and medium enterprises are likely to be the most vulnerable to climate change, but the least aware of how to adapt to it. This type of investment and training is key to an inclusive green economy – and inclusive is sustainable."*²⁷

Attendees of a webinar promoting the two programmes included members of the ministries of industry and energy in addition to over 200 private sector representatives,²⁸ indicating the breadth of potential applications for the financing.²⁹ The EU ambassador to Morocco emphasised that green investment promotes *"economic recovery and stability"* and leads to *"prosperity and job creation"*.³⁰ The latter is a priority for Morocco after it lost 589,000 jobs by the second quarter of 2020, representing 20% of the formal labour force.³¹ The EBRD Head of Resident Office in Morocco added that the green agenda would expand Morocco's opportunities for export markets.³²

If successful, further European-Morocco partnerships in sustainability are likely on the horizon.³³ The EU commissioner of energy on 5 October expressed the need for regulations regarding the trade of hydrogen. Morocco is in an advantageous position to be a main exporter of the resource as it continues the development of renewable energy technology.³⁴ This would be a significant transformation for the Moroccan economy,³⁵ as the country currently remains reliant on foreign energy imports (see *ARC Briefing Morocco September 2020*).

²¹ North Africa Post, 9 Oct 2020; Atalayar, 9 Oct 2020

²² Atalayar, 9 Oct 2020

²³ European Bank for Reconstruction and Development, 1 Oct 2020

²⁴ EUneighbours.eu, 6 Oct 2020;

²⁵ North Africa Post, 1 Oct 2020

²⁶ EUneighbours.eu, 6 Oct 2020;

²⁷ Source, climate change adaptation advisor, Cape Town

²⁸ Maroc.ma, 2 Oct 2020

²⁹ Source, analyst, San Francisco

³⁰ European Bank for Reconstruction and Development, 1 Oct 2020; North Africa Post, 1 Oct 2020

³¹ Middle East Monitor, 8 Aug 2020

³² European Bank for Reconstruction and Development, 1 Oct 2020; North Africa Post, 1 Oct 2020

³³ Source, analyst, San Francisco

³⁴ Morocco World News, 5 Oct 2020

³⁵ Source, analyst, San Francisco

US recognises Morocco as a strategic partner for stability

An agreement between Morocco and the US was signed on 2 October, confirming a defence cooperation “road map” through 2030.³⁶ US secretary of defence **Mark T. Esper** signed a similar deal in **Tunisia** two days prior, building capacity in the region to counter Islamic extremists in the **Sahel-Sahara** region and **Libya**.³⁷ The agreement allows enhanced information sharing and joint military training initiatives, seeking to modernise Morocco’s defence sector.³⁸

The US-Morocco military alliance is already strong, as the US supplies 91% of Morocco’s arms purchases. Morocco’s plan to attain “*regional military supremacy*” led to a significant increase in foreign arms imports in 2019. Moroccan representatives drafted a law in June that would allow the US to establish an arms industry on Moroccan soil should the law pass.³⁹ The US defence department identified Morocco’s strategic location and longstanding alliance as reasons to use the country as a “*gateway to Africa*”.⁴⁰ Reaffirming the international prestige of Morocco’s approach to counterterrorism, the **UN Office of Counter-Terrorism (UNOCT)** on 6 October designated capital city **Rabat** as the UNOCT regional hub.⁴¹ This will be its first programme office and training hub in Africa.⁴²

Border security has become a priority in response to threats of extremism in the Sahel-Sahara region.⁴³ Moroccan security services on 5 October dismantled a four-member terrorist cell affiliated with **Daesh**, a branch of the **Islamic State group (ISIS)** in **Tangier**.⁴⁴ This is the fourth terror cell Morocco has dismantled this year, having intervened in a **Sidi Slimane** (north of Rabat)-based cell on 2 March; a **Nador** (north-east)-based cell on 7 July, and an ISIS-affiliated cell with a network across several cities on 10 September. In 2019, security services dismantled 19 extremist cells.⁴⁵ At the signing of the US military agreement, Moroccan foreign minister **Nasser Bourita** stressed “*the role of Morocco as a guarantor of regional peace and security in a highly volatile geostrategic environment*”.⁴⁶

UN secretary general **Antonio Guterres** on 7 October released the UN’s annual report on **Western Sahara**, a disputed territory at Morocco’s southern border. The publication recorded 53 violations over the last year by the separatist movement **Polisario Front** of the 1991 ceasefire with the **Forces Armées Royales (FAR)** (Moroccan royal armed forces). Several of the violations concern encroachment of the demilitarised buffer zone between Morocco and **Mauritania** by supporters of the **Algeria**-backed Polisario Front.⁴⁷ From a security standpoint, Polisario’s recent retreat from diplomacy may threaten Morocco’s territorial and border integrity by creating a gateway from the Sahel region, a current hotbed of extremism.⁴⁸

³⁶ Defense.gov, 2 Oct 2020

³⁷ Africa News, 2 Oct 2020

³⁸ Morocco World News, 2 Oct 2020

³⁹ Morocco World News, 24 Sep 2020

⁴⁰ Defense.gov, 2 Oct 2020

⁴¹ Morocco World News, 6 Oct 2020

⁴² Source, analyst, San Francisco

⁴³ Atalayar, 5 Oct 2020

⁴⁴ North Africa Post, 5 Oct 2020; Atalayar, 5 Oct 2020

⁴⁵ APA News, 8 Oct 2020

⁴⁶ Atalayar, 5 Oct 2020

⁴⁷ Morocco World News, 7 Oct 2020

⁴⁸ Source, analyst, San Francisco

Planner

2021 **Marrakech (Morocco) International Monetary Fund and World Bank** annual meetings to take place in Morocco;

2021 **(Morocco)** Scheduled legislative, regional and local elections;

Chronology

11 Oct 2020 **Rabat (Morocco) North Africa Post**. Generals of the **Algerian** army reiterate their hostility towards neighbouring **Morocco** in their monthly magazine, questioning the country's territorial integrity and its human rights record in the **Sahara**;

9 Oct 2020 **Rabat (Morocco) Morocco World News**. King **Mohammed VI** opens the legislative year at parliament's first fall session by focusing on the economic stimulus plan to recover from the economic impacts of **covid-19**;

9 Oct 2020 **Rabat (Morocco) North Africa Post**. **Moroccan** and **Turkish** governments amend the Morocco-Turkey Free Trade agreement to impose customs duties on certain Turkish imports for a five-year period;

8 Oct 2020 **Rabat (Morocco) North Africa Post**. **German** development bank **KfW** offers a €30m (\$35.2m) loan to support development of water supply infrastructure in the **Tangier** and **Chefchaouen** regions of northern Morocco;

7 Oct 2020 **Rabat (Morocco) Morocco World News**. A second inter-**Libyan** negotiation held in **Bouznika** (Morocco) ends in a successful agreement between East and West delegations on the mechanisms for sovereign appointments;

7 Oct 2020 **Rabat (Morocco) Morocco World News**. The **United Nations (UN)** elects Morocco as a member of the Human Rights Council Advisory Committee for the **UN Human Rights Council (UNHRC)**;

6 Oct 2020 **Rabat (Morocco) EMPEA**. **South Africa**-based fund manager **Vantage Capital** invests \$28m to acquire a reportedly significant minority stake in **Morocco**-based health care group **Cliniques Internationales du Maroc Group**;

6 Oct 2020 **Rabat (Morocco) Morocco World News**. The **UN Office of Counter-Terrorism (UNOCT)** designates Moroccan capital city **Rabat** as the UNOCT regional hub;

6 Oct 2020 **Dubai (UAE) ASDA' A BCW**. The annual Arab Youth Survey indicates that 46% of Moroccan youth are actively trying or are considering moving to another country;

4 Oct 2020 **Rabat (Morocco) Military Times**. **Moroccan** and **United States** governments sign a ten-year accord that **Moroccan Royal Armed Forces** general command said "serves as a road map for defense cooperation and aims to strengthen the strategic partnership between the two countries and support shared security goals";

1 Oct 2020 **Brussels (Belgium) European Bank for Reconstruction and Development**. The **European Bank for Reconstruction and Development (EBRD)** and the **European Union (EU)** invest a combined €253m (\$297.2m) to support Morocco's green economic recovery;

30 Sep 2020 **Rabat (Morocco) APA News**. Despite a decrease in phosphate revenues, the **Office Cherifien des Phosphates (OCP) Group** announces a turnover of \$2.8 billion for the first half of 2020, attributing the stability to an increase of fertilize sales volumes by 1.5m tonnes;

30 Sep 2020 **Rabat (Morocco) Morocco World News**. **United Kingdom**-headquartered **Chariot Oil & Gas** announces the total recoverable gas resources at **Anchois** offshore gas project in **Larache**, northern Morocco are over one trillion cubic feet, a 148% increase from initial projections;

24 Sep 2020 **Rabat (Morocco)** *Morocco World News*. **Morocco** issues a €1 billion (\$1.2 billion) bond on the international financial market and receives an order book of €2.5 billion (\$2.9 billion) from 197 investors;

24 Sep 2020 **Rabat (Morocco)** *Morocco World News*. **Morocco** signs agreements with a **Chinese** and a **British-Swedish** laboratory securing **Covid-19** vaccines as soon as clinical trials conclude;

23 Sep 2020 **Rabat (Morocco)** *Africa News*. Protesters campaign for freedom of expression outside a **Casablanca** court, demanding the release of a journalist on trial for criticising a judge;

23 Sep 2020 **Rabat (Morocco)** *Morocco World News*. Public finance institutions **CDG Invest** and **Abdelmoumen Group** sign an equity interest investment contract in Morocco's automotive sector with a budget of MAD 110m (\$11.9m);

23 Sep 2020 **Rabat (Morocco)** *The North Africa Post*. **Bank Al-Maghrib** (central bank) governor **Abdellatif Jouahri** says **Morocco** will launch two international bonds in 2020 and 2021 to lift its foreign exchange reserves and help the economy offset the fall in foreign currency inflow due to the **coronavirus** impact;

22 Sep 2020 **Rabat (Morocco)** *Bloomberg*. **Bank Al-Maghrib** (central bank) decides to hold benchmark interest rate at 1.5%, an all-time low, pausing a record easing cycle even as the central bank projects a deeper economic contraction on the back of the **coronavirus** pandemic;

22 Sep 2020 **Rabat (Morocco)** *Bank Al Maghrib*. A press release from **Bank Al Maghrib (BAM)** projects the Moroccan economy will contract 6.3% in 2020;

21 Sep 2020 **Rabat (Morocco)** *North Africa Post*. Morocco accedes to the presidency of the **International Atomic Energy Agency (IAEA)** for the first time after being elected unanimously.

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