

AFRICA RISK CONSULTING**Morocco Monthly Briefing February 2019**

Morocco Summary 23 February 2019

Finance minister Mohamed Benchaaboun plans to privatise more of Maroc Telecom to cut the budget deficit and boost investment. Further privatisation is anticipated in 2020. State debtor days have been reduced and payment of value added tax improved. King Mohammed VI (1999-present) publicly criticises trade and industry minister Moulay Hafid Elalamy for his poor progress on Morocco's industrial plans. Criticism flares as Elalamy's company, Saham – now South Africa-owned – finalises a 25% stake in the 120MW Khalladi wind farm. Latest unemployment figures show youth unemployment at an unsustainable 48%. Teachers protest against poor wages to mark the 20 February anniversary of the Arab Spring as the government records 48 protests per day nationwide. Compulsory national service is re-introduced to ease unemployment and introduce social cohesion. Perceived corruption has worsened although Morocco's rank has improved in Transparency International's 2018 Corruption Perceptions Index.

Finance minister promises fresh round of privatisation ...

Morocco's finance minister, **Mohamed Benchaaboun**, looks set to introduce a fresh series of privatisations and part-privatisation of state-owned enterprises to boost an otherwise lacklustre economy. The objective of the measures that emerged in a ratings agency report on 4 February is to reduce the fiscal deficit and to introduce new investment to the economy. The **Haut-Commissariat au Plan (HCP)** (national planning agency) expects economic growth to slow to 2.9% in 2019 from an estimated 3% in 2018.¹

Benchaaboun has placed privatisation firmly on Morocco's economic agenda. In November the government passed a law paving the way for privatisation, starting with the proposed sale of 51% of the luxury **La Mamounia Hotel** in **Marrakech**, which the government expects to generate at least MAD3 billion (\$313m).² The government also plans to sell its 30% stake in **Maroc Telecom**, the country's largest telecommunications company.³ **France**-based mass media company **Vivendi** has steadily acquired 53% in Maroc Telecom since 2007. Analysts say that to achieve its 2019 revenue targets, the government needs to make at least MAD 5 billion (\$522m) on the sale of the government's 30% stake. Other companies such as the **Office National des Aéroports (ONDA)** (national airports office) and the **Office National des Chemins de Fer (ONCF)** (national railway office) have previously been mentioned as candidates for privatisation.

Local sources report that since his appointment in August, Benchaaboun has brought a brusque private sector approach to the ministry and the economy:

"The king [Mohammed VI (1999- present)] intervened directly to appoint this new finance minister to try to find a solution to two things. First is weak growth. Early projection for 2018's growth is a feeble 3%. This is just not sufficient for the needs of the country to create sufficient employment. The king and the finance minister have been looking at ways to accelerate employment, most notably of young people."

¹ Fitch Ratings, 4 Feb 2019.

² Morocco World News, 30 Oct 2018

³ L'Economiste, 23 Oct 2018.

Mohammed VI appointed Benchaaboun as finance minister directly from the banking sector where he was CEO and chairman of the **Banque Centrale Populaire et Crédit Populaire du Maroc (BCP)**.⁴ Although he is seen very much as the monarch's chosen bureaucrat, Benchaaboun has had a varied and successful career in the private sector. He led BCP's drive to consolidate its domestic position before going on the **African** acquisition trail. The BCP now has banks in 13 African countries and a net banking income of MAD 16.36 billion (\$1.5 billion). That he has selected Maroc Telecom for further privatisation is no surprise: having graduated from **Telecom ParisTech (ENST)** in **Paris (France)**, he worked at the local subsidiary of France-based **Alcatel Alstom Maroc** until 2003 when Mohammed VI appointed him managing director of the Moroccan telecoms regulator:

*"He has already made a huge impact in making sure that companies value added tax rebates are paid promptly. The overall amount to be paid was something in the region of €4m (\$4.5m). He has also been instrumental in making sure that the state and state-owned enterprises pay their bills on time. Normally doing business with the state incurs long delays."*⁵

Benchaaboun has slashed the state's average debtor days from 58 to 39, and payment delays from regional governments down from 58 days in 2017 to 44 days in 2019. However, state enterprises have performed less well with debtor days having dropped from 78 days to 64 days.⁶

...while trade and industry minister Moulay Hafid Elalamy incurs the King's wrath...

In a highly unusual step, Mohammed VI issued a palace communiqué criticising and rebuking trade minister **Moulay Hafid Elalamy** for his arrogance and failure to make progress on the country's industrial plan.⁷ Social media has reportedly also picked up on tensions between Mohammed VI and Elalamy. The king has in the majority of his recent speeches steadily called for a new economic model that ensures accountability and inclusiveness, bridging the country's socio-economic gap.

Elalamy, a multimillion-dollar founder of the **Saham Group**, on his appointment as trade and industry minister in April 2017, presented Mohammed VI with a seven-year industrial growth and acceleration plan that was due to create 500,000 new sustainable jobs by 2020 and significantly increase industry's share in GDP to 23%, versus 14% when he was appointed. Mohammed VI appointed Elalamy while he was still chair of Saham Group to transform the country into a globally competitive regional industrial hub.

Mohammed VI is reportedly disappointed with the results. He has called for more efforts in areas such as energy, industry, and education and professional training, with a view to improving the country's employment prospects. The spat dates back to early in December when, in a behind-closed-doors meeting, Mohammed VI singled out Elalamy's department for the slow pace and unsatisfactory realisation of the industrial plan as well as the minister's *"arrogant behaviour unbefitting of public responsibility"*.⁸ The king reportedly criticised Elalamy's dual (**Canadian**) nationality, reminding him to put Morocco's interests before his own business interests.

ARC sources report that social media has picked up on the monarch's criticism of Elalamy's arrogance and see it as linked to continuing development of Elalamy's personal business success:

*"There is another thesis that these criticisms stem from a resentment of the success of Elalamy's relations with **South Africa's Sanlam Group**. It's not just the arrogance that people see, there is also a sense of a lack of transparency in office. There is an indication that he and his family continue to benefit from the Saham Group while he holds government office."*⁹

⁴ Morocco World News, 20 Aug 2018

⁵ Business journalist, Rabat, 22 Feb 2019

⁶ Business journalist, Rabat, 22 Feb 2019

⁷ Business journalist, Rabat, 22 Feb 2019

⁸ Morocco World News, 1 Dec 2018

⁹ Business journalist, Rabat, 22 Feb 2019

Elalamy founded the Saham Group, now one of the country's biggest conglomerates, in 1995 with a dominant insurance business but investments in other areas such as call centres and medical clinics. In October South Africa's insurance giant, the Sanlam Group, finalised its controlling stake in Saham. Sanlam has since used Saham as a vehicle for further local investments. The flare-up in criticism came as Sanlam announced that it was to take up a 25% stake in the 120 MW **Khalladi** wind farm from the Saudi group **ACWA** via its shareholding in Saham.¹⁰

... as high youth unemployment, poor wages raise risk of popular unrest

Public and social media criticism flared, too, as the HCP released Morocco's latest unemployment figures on 4 February. Youth unemployment is the area of most concern for both the monarch and the finance minister. The economy is not creating sufficient jobs to absorb the youth – and far fewer than Elalamy promised. Unemployment among 18-24-year-olds is an unsustainable 48%, although overall unemployment has marginally fallen from 10.2% of population. Contrary to Elalamey's objective to create 500,000 new jobs by 2020, the economy created 112,000 jobs in 2018, including 21,000 in rural areas, up from 86,000 jobs in 2017. Nor were the main jobs industrial, but rather in the services sector, while construction and manufacturing offered 15,000 and 13,000 jobs respectively. Agriculture and fisheries created 19,000 jobs.

High unemployment figures underpin the government's urgent need to boost the economy. According to the government's own figures, the country has an average of 48 protests daily. On the eighth anniversary of the **Arab Spring** on 20 February, police used water canons and truncheons to break up a teachers' demonstration heading to the royal palace. Thousands of teachers demonstrated outside Rabat's education ministry then tried to walk up an alley toward the nearby palace. The teachers' protest was timed to coincide with the anniversary of the first major nationwide Arab Spring protests that took place in 2011 when tens of thousands took to the streets demanding reforms and social justice. The teachers were protesting their poor salaries of \$454 a month with no healthcare or pensions, and intended to signal to other public sectors to follow suit in demonstrating. However the move for a more generalised public workers' strike failed:

*"Public service unions called their members out on strike but their members are reluctant because of the risk to their salaries. Workers get no payment if they go out on strike and so they are reluctant."*¹¹

But will conscription reduce discontent?

In something of a desperate bid to tackle youth unemployment and discontent, the government has re-introduced conscription. Under the new law, all able-bodied citizens between the ages of 19 and 25 will be required to serve a compulsory one-year term in the country's armed forces, or face fines and prison time.¹² By the year's end, the country's 175,000-strong army will have grown by nearly 10,000 conscripts with 15,000 new ones rotating in every year after.

Compulsory military service is not new to Morocco. In 2006, because of its exorbitant cost, Mohammed VI ended conscription that was first instituted in 1966. Maintaining a large standing army and continuously training new conscripts became unsustainable. The policy also came to be seen as a security liability, because the government at the time could do little to prevent recruits sympathetic to terrorist causes from joining the military's ranks. Palace spokesperson **Abdelhak Lamrini** explained,

"The purpose of applying military service is to inculcate the spirit of patriotism and open the way to their integration into professional and social life."

¹⁰ Maghreb Confidential

¹¹ Source, Morocco analyst

¹² Morocco World News, 7 Feb 2019

Morocco improves its score in TI's Corruption Index

Perceived corruption in Morocco has worsened, according to the latest **Transparency International Corruption Perceptions Index (CPI)** report. The index, which ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.¹³ More than two-thirds of countries surveyed scored below 50 on this year's CPI, with an average score of just 43. The perception of 28% of Moroccans is that bribery and corruption has become worse, which is reflected in Morocco's score of 43. That said, on TI's corruption perception scale, where **Denmark** sits at 1 (88 points) as the least corrupt country and **Somalia** at 180 with 10 points as the most corrupt country, Morocco's overall ranking has improved from 81st position to 73rd in one year. Morocco scored better than average in the **Middle East** (39/100) and in **sub-Saharan Africa**, which polled an average score of 32. **Tunisia** ranked equally with Morocco in 78th position with 43 points, whilst **Algeria** and **Egypt** both scored 35 points (105th) and **Libya** was in 170th place with 17 points.

"When Kamal from Morocco urgently needed to get a brain scan for his partially blind daughter, he had two choices: either pay the exorbitant bribe the nurse demanded or his daughter would not be seen. Unfortunately, Kamal's story is not unique. Fifty million people in the Middle East and North Africa had to pay bribes to access the basic services that they needed. That is nearly 1 in 3 public service users."

TI CPI Rankings for Morocco ¹⁴					
	2018	2017	2016	2015	2014
Ranking	73/180	81/180	90/176	88/168	80/175
Score (out of 100)	43	40	37	36	39

Planner

First quarter 2019: **Geneva (Switzerland)** Second round of talks over the **Western Sahara** issue between **Algeria, Mauritania, Morocco**, and the **Polisario Front**;

30-31 March **Rabat (Morocco)** **Pope Francis** will visit Morocco with an aim to strengthen Morocco's reputation as a place of moderate Islam;

2019: Scheduled election of the president of the **Chambre des Représentants** (house of representatives, lower house of parliament);

April 2019: National council of opposition **Parti Authenticité et Modernité (PAM)**;

October 2019: National congress of **Parti Authenticité et Modernité (PAM)**;

2019: Energy and mining minister will introduce a roadmap for the energy sector;

2021: Scheduled legislative, regional and local elections

Chronology

22 Feb 2019 **Rabat (Morocco)** *Haut-Commissariat au Plan (HCP)* Latest employment data show employment rate at 41.7% at national level (35.9% in urban areas, 52% in rural areas), 65% for men and 19% for women, with 57.8% of those aged 35-44 and 20.2% of the 15-24 age group

¹³ www.transparency.org

¹⁴ www.transparency.org

employed;

21 Feb 2019 **Rabat (Morocco)** *AP* Police fire water canons and beat teachers who were marching towards the royal palace to mark eight years of the Moroccan **Arab Spring** and to press for higher wages;

20 Feb 2019 **Libreville (Gabon)** *Gabon ACTU*. Gabon's transport minister, **Justin Ndongangoye**, says that President **Ali Bongo** will return to Gabon soon following his recuperation in **Morocco**;

14 Feb 2019 **Rabat (Morocco)** *API* Morocco and **Spain** sign economic, crime, energy, trade and other partnerships deals as King **Mohammed VI** hosts Spain's King **Felipe VI** and **Queen Letizia**; Spain is Morocco's top trade partner;

13 Feb 2019 **Rabat (Morocco)** *World News* The **African Union (AU)** will not reverse its allegiance to the **United Nations (UN)**-led process in the **Western Sahara** conflict, and recognised the **UN Security Council** as having exclusive legitimacy to broker a settlement deal for Western Sahara;

7 Feb 2019 **Rabat (Morocco)** *Al Jazeera*. The government suspends its participation in a **Saudi Arabia**-led military campaign against rebels in **Yemen**;

6 Feb 2019 **Rabat (Morocco)** *Haut-Commissariat au Plan (HCP)* In 2017-2018 unemployment fell marginally from 10.2 % to 9.8 % with 112, 000 new jobs created, of which 91,000 in urban areas, up from 86,000 new jobs in 2017;

4 Feb 2019 **Rabat (Morocco)** *World News* **United States**-based ratings agency **Fitch** releases information that the government is preparing to privatise several state-owned enterprises, starting with **Maroc Telecom**;

30 Jan 2019 **Rabat (Morocco)** *Al Jazeera*. The government and the **Polisario Front** independence movement in the disputed **Western Sahara** plan to hold talks in March;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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