

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing November 2018

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#### Morocco Summary 9 November 2018

*Opposition Parti Authenticité et Modernité (PAM) leader Hakim Benchamach retains his position as speaker of the Chambre des conseillers (house of councillors, upper house), defeating ruling coalition Parti Justice et Développement (PJD) candidate Nabil Chikhi. Economy and finance minister Mohamed Benchaaboun announces a wave of privatisation targeting key sectors. Morocco places 60<sup>th</sup> in the World Bank's Doing Business 2019 report, improving its position by 9 places. The United Nations (UN) Security Council renews the mandate of the United Nations Mission for the Referendum in Western Sahara (MINURSO) for a further six months, despite the preference of both the UN and Morocco for a year-long mandate.*

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#### Upper house election shows fragmented coalition...

The main opposition **Parti Authenticité et Modernité (PAM)** retained its leadership of the **Chambre des Conseillers** (house of councillors, upper house) with the election on 15 October of PAM leader **Hakim Benchamach**.<sup>1</sup> Benchamach defeated ruling coalition **Parti Justice et Développement (PJD)** candidate **Nabil Chikhi**, who announced his participation in the election late on 14 October, following the withdrawal of the candidate of fellow coalition member, the **Istiqlal**.<sup>2</sup> This represents a significant blow for the ruling coalition with the majority opting for an opposition candidate. The PJD's allies such as the **Union Socialiste des Forces Populaires (UFSP)**, the **Mouvement Populaire (MP)** and the **Rassemblement National des Indépendants (RNI)**, all chose to support Benchamach.<sup>3</sup> Only the **Parti du Progrès et du Socialisme (PPS)** supported the PJD candidate.

The election results highlight the tension in the ruling coalition following prime minister **Saadeddine El Othmani's** dismissal on 20 August of the secretariat (previously led by the PPS) in charge of water management (see *ARC briefing Morocco September 2018*).<sup>4</sup> Benchamach won 63 votes to Chikhi's 19 votes, continuing the PAM's control over the lower house since 2009. The coalition's poor performance is linked to its failure to agree on a common candidate.<sup>5</sup> El Othmani had conceded to former prime minister **Abdelilah Benkirane** in accepting Chikhi as the PJD's frontrunner.<sup>6</sup> El Othmani's PJD, already fractured by internal quarrels, is now considerably weakened ahead of the next elections.<sup>7</sup>

Divergences within the ruling majority will negatively impact government performance, as strategic works and decisions require general mobilisation.<sup>8</sup> There has already been evidence of this: a crisis erupted in the councillors' chambers on 16 October when a group of senators

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<sup>1</sup> Jeune Afrique, 16 Oct 2018.

<sup>2</sup> Jeune Afrique, 16 Oct 2018.

<sup>3</sup> Jeune Afrique, 16 Oct 2018.

<sup>4</sup> Jeune Afrique, 16 Oct 2018.

<sup>5</sup> L'Economiste, 17 Oct 2018.

<sup>6</sup> L'Economiste, 23 Oct 2018.

<sup>7</sup> L'Economiste, 17 Oct 2018.

<sup>8</sup> L'Economiste, 17 Oct 2018.

belonging to the **Confédération Générale des Entreprises du Maroc (CGEM)**, the private sector's representative body, attempted to dismiss **Neila Tazi**, its representative in the presidential office.<sup>9</sup> The senators aimed to remove Tazi from her role as vice president in the upper chamber of parliament, which she had earned by consensus after the CHEM had passed a political agreement with the PAM.<sup>10</sup> Benchamach chose CGEM administration council member **Abdelhamid Souiri** to replace Tazi as vice president, and now faces criticism from his own party, which strongly opposes the election of a CGEM member.<sup>11</sup>

Amidst tensions in both the ruling coalition and the PAM, King **Mohammed VI** (1999-present) will need to play a role in reassuring foreign investors and operators in the country that Morocco is still a sound destination for investment. Mohammed VI will also need to be proactive in maintaining cohesion within the government as party feuds exacerbate.<sup>12</sup>

### Finance law 2019 proposes wave of privatisation ...

Economy and finance minister **Mohamed Benchaaboun** held his first presentation to the media on 23 October to discuss the social dimensions of the **2019 Finance Law**.<sup>13</sup> Privatisation of state-owned entities is expected to raise MAD 10 billion (\$1.05 billion) for the government. The treasury is expected to gain MAD5 billion (\$524.7m) in 2018 from privatisation, enabling the government to repay its creditors.<sup>14</sup> The other half of the revenue will go into the **Fonds Hassan II**, a fund for economic and social development.<sup>15</sup>

Benchaaboun estimated the budget deficit will reach 3.7% of GDP by 2019 if the state does not go through with privatisation.<sup>16</sup> Benchaaboun also announced that the government will re-apply for a secured liquidity line from the **International Monetary Fund (IMF)**, without specifying an amount.<sup>17</sup> Morocco has resorted to the IMF's secured liquidity line three times in the past six years, with the last one in July 2016 amounting to \$3.61 billion.<sup>18</sup>

The finance ministry has yet to draft a list of companies that are candidates for privatisation. The government has denied rumours of planned privatisation of the state-owned train and railway company, the **Office National des Chemins de Fer (ONCF)**.<sup>19</sup> Benchaaboun stated that there will be restructuring of public establishments before potential tenders. Benchaaboun also referred to the potential sale of the state's 30% share in telecommunication company **Maroc Telecom**.<sup>20</sup>

The current wave of privatisation will only concern companies that have already opened their capital to the private sector. In June 2016, the government offered 40% of the capital of the state-run harbour company, **Société d'exploitations des Ports (SODEP)**, trading as **Marsa Maroc**, for MAD1.9 billion (\$199.4m).<sup>21</sup> There is speculation that the latest

<sup>9</sup> L'Economiste, 17 Oct 2018.

<sup>10</sup> Le Desk, 22 Oct 2018.

<sup>11</sup> Le Desk, 22 Oct 2018.

<sup>12</sup> L'Economiste, 23 Oct 2018.

<sup>13</sup> L'Economiste, 23 Oct 2018.

<sup>14</sup> Jeune Afrique, 25 Oct 2018.

<sup>15</sup> Jeune Afrique, 25 Oct 2018.

<sup>16</sup> L'Economiste, 23 Oct 2018.

<sup>17</sup> Telquel, 24 Oct 2018.

<sup>18</sup> Telquel, 24 Oct 2018.

<sup>19</sup> L'Economiste, 23 Oct 2018.

<sup>20</sup> L'Economiste, 23 Oct 2018.

<sup>21</sup> Telquel, 24 Oct 2018.

privatisation will include Maroc Telecom, Marsa Maroc, or public banks such as **CIH BANK (Crédit immobilier et hotelier)** and **Credit Agricole du Maroc**.<sup>22</sup>

Privatisation is Benchaaboun's response to the long-time request by the **Cour des Comptes** (auditors' court) for the state to withdraw from companies operating in competitive sectors.<sup>23</sup> The finance ministry is working on a project to modify and complete the privatisation law, which dates back to 1989, while Benchaaboun is also preparing a strategy for public establishments that will not be privatised.<sup>24</sup> The expansion of the range of companies that are legally allowed to be privatised will generate interest for investors within the country and abroad, and further confirm the liberalisation of Morocco's business environment.

### ... as Morocco gains nine places in Doing Business ranking

The **World Bank** published its **Doing Business 2019** rankings on 31 October, showing considerable improvement for Morocco, now ranking in 60th place globally and second in the **Middle East and North Africa (MENA)** region after the **United Arab Emirates**.<sup>25</sup> In **Africa**, Morocco's ranking is only lower than that of **Mauritius** and **Rwanda**, underlining the positive impact of public policies promoting the private sector.<sup>26</sup> The World Bank's annual report measures regulations that enhance and constrain business activity in 190 countries.<sup>27</sup> It measures 11 areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.<sup>28</sup>

Morocco improved by one position, compared to 2017, in starting a business, becoming 34th globally.<sup>29</sup> It now takes only nine days to enact the four necessary procedures to start a business in Morocco, which was the only MENA country to improve in this sector.<sup>30</sup>

Improving efficiency to obtain construction licences was also responsible for Morocco's better ranking this year, as well as better electricity connectivity and real estate transfers.<sup>31</sup> Morocco ranked 25th for tax payments, showing a jump of 100 places since 2010 and has improved by 40 places in nine years in term of contract implementation.<sup>32</sup>

Morocco's improved ranking demonstrates its commitment to be within the top 50 global economies in term of improving business conditions by 2021. Reaching this target will enable the country to consolidate its position as an emerging regional and global business hub, and gateway to African markets.<sup>33</sup> Morocco continues to work on attracting further investment by modernising its legal system and adapting to international norms.<sup>34</sup>

<sup>22</sup> Telquel, 24 Oct 2018.

<sup>23</sup> Jeune Afrique, 25 Oct 2018.

<sup>24</sup> L'Economiste, 29 Oct 2018.

<sup>25</sup> H24, 31 Oct 2018.

<sup>26</sup> H24, 31 Oct 2018.

<sup>27</sup> [www.doingbusiness.org](http://www.doingbusiness.org)

<sup>28</sup> [www.doingbusiness.org](http://www.doingbusiness.org)

<sup>29</sup> H24, 31 Oct 2018.

<sup>30</sup> H24, 31 Oct 2018.

<sup>31</sup> H24, 31 Oct 2018.

<sup>32</sup> H24, 31 Oct 2018.

<sup>33</sup> H24, 31 Oct 2018.

<sup>34</sup> H24, 31 Oct 2018.

The Doing Business report will boost an already growing interest in Morocco as a foreign direct investment destination. This is likely to stimulate the economy, create employment and further regional economic integration, and improve the prospect of political stability.<sup>35</sup>

### UNSC renews Minurso mandate for six months...

The **UN Security Council (UNSC)** approved the six-month renewal of the **United Nations Mission for the Referendum in Western Sahara (Minurso)** on 31 October. Most actors in the negotiation process over the disputed **Western Sahara**, including Morocco and UN secretary general **Antonio Guterres**, had sought a year-long extension of the Minurso mandate. However, the **United States (US)** insisted on extending the mandate by only six months.<sup>36</sup> The US is in charge of writing the resolution under the leadership of US national security adviser **John Bolton**, and pushed for the reduction of the mandate to increase pressure on interested parties to resolve their current tensions and push them to the negotiation table. The US position is in line with its new foreign policy orientation that aims at withdrawing the US from international treaties and reducing the country's contribution to the United Nations, which amounts to 28.47% of the overall peace keeping operations.<sup>37</sup>

Morocco made several attempts to change the US decision. Foreign minister **Nasser Bourita** met Bolton and US state secretary **Mike Pompeo** in **Washington DC (US)** and gave an interview for the right-wing **Breitbart** news media on 12 September asking for US support on Sahara.<sup>38</sup> Moroccan ambassador to the US **Lalla Jomala** also met with under state secretary **David Hale** on 22 October seeking to change the US decision.<sup>39</sup>

**Algeria** and **Mauritania** responded to the invitation of **Horst Kohler**, UN special envoy for the Western Sahara issue, on 15 October to participate in discussions on 5 and 6 December in **Geneva**, together with Morocco and the **Polisario Front**, Western Sahara's separatist movement.<sup>40</sup> The last round of negotiations between Morocco and the Polisario dates to 2012. The new negotiations are likely to set Morocco in opposition to Algeria, which maintains that self-determination is the only possible solution to the Western Sahara conflict.<sup>41</sup>

The shortened mandate carries risk that the parties will not reach a compromise before Minurso withdraws, leading to escalation of tension and potential violence in Western Sahara. Failed negotiations are also likely to exacerbate tensions between Morocco and Algeria.

### Train accident highlights inefficiency of public companies ...

A train accident on 16 October between the capital city of **Rabat** and the northern city of **Kenitra** wounded 125 and killed seven, stirring public outrage against state-owned train and railway company, Office National des Chemins de Fer (ONCF).<sup>42</sup> The incident sheds light on the economic mismanagement of the ONCF and has increased pressure on the government for social reforms. A growing online movement accuses the ONCF of not responding to

<sup>35</sup> H24, 31 Oct 2018.

<sup>36</sup> Telquel, 28 Oct 2018.

<sup>37</sup> Telquel, 28 Oct 2018.

<sup>38</sup> Telquel, 28 Oct 2018.

<sup>39</sup> Telquel, 28 Oct 2018.

<sup>40</sup> Jeune Afrique, 16 Oct 2018.

<sup>41</sup> Jeune Afrique, 16 Oct 2018.

<sup>42</sup> Jeune Afrique, 20 Oct 2018.

passengers on an earlier train on the same route from **Sale to Tangiers**, who alerted the company about the poor condition of the rails.<sup>43</sup> A computer hacker infiltrated the ONCF website on 17 October and leaked information on social media about many delays and security issues.<sup>44</sup> Moroccan newspaper **Le Desk** published exchanges among ONCF technicians that showed the employees' awareness of the faulty tracks and the absence of a sign to indicate a lower speed limit.<sup>45</sup> The ONCF addressed public concerns on 17 October in a press release condemning the "*fake information*" circulated on social media.<sup>46</sup> The ONCF said a team of technicians had inspected the tracks following passengers' warnings and blamed the train driver for not acknowledging the new signals.<sup>47</sup>

The **Cour de Justice** of Rabat will examine the ONCF's statements, although no date has been set for its inquiry.<sup>48</sup> This is not the first time the ONCF has been investigated for mismanagement. The **Cour des Comptes** (auditors court) in 2015 issued a report on the insufficient use of maintenance engines and poor performance indicators.<sup>49</sup>

There is growing public concern about mismanagement of maintenance within the ONCF.<sup>50</sup> The company has reportedly been recruiting fewer technicians and more part-time workers with lower salaries.<sup>51</sup> The priority that the ONCF gives to high-speed lines (**Lignes a grande vitesses (LGV)**) is reportedly the main cause for the lower budget and attention given to other lines.<sup>52</sup> The ONCF has decentralised maintenance work for some years and contracted it to private Moroccan and foreign companies, including the national **Société Cherifienne de materiel industriel ferroviaire (Scif)** and Canada-based **Bombardier Transport**.<sup>53</sup> The leaked ONCF internal website information revealed an inefficient contract system, favouring companies close to the ONCF and small interest groups, which has negatively impacted successful management of the rail systems.<sup>54</sup> The accident will trigger demands for higher transparency in the state-owned railway company and demands for maintenance work to the national railway system to comply with safety standards. The government is likely to have to allocate a specific budget for restructuring the ONCF, especially since Benchaaboun has official denied rumours of privatisation (see above). The work required is expected to add further demands on an already high 2019 budget.

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<sup>43</sup> Jeune Afrique, 20 Oct 2018.

<sup>44</sup> Le Desk, 17 Oct 2018.

<sup>45</sup> Jeune Afrique, 20 Oct 2018.

<sup>46</sup> Jeune Afrique, 20 Oct 2018.

<sup>47</sup> Jeune Afrique, 20 Oct 2018.

<sup>48</sup> Jeune Afrique, 20 Oct 2018.

<sup>49</sup> Le Desk, 17 Oct 2018.

<sup>50</sup> Jeune Afrique, 20 Oct 2018.

<sup>51</sup> Jeune Afrique, 20 Oct 2018.

<sup>52</sup> Le Desk, 17 Oct 2018.

<sup>53</sup> Le Desk, 17 Oct 2018.

<sup>54</sup> Le Desk, 17 Oct 2018.

## Planner

5-6 Dec 2018: **Geneva (Switzerland)** Round table negotiations on **Western Sahara** issue including **Morocco, Polisario Front, Algeria** and **Mauritania**;

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

2021: Legislative, regional and local elections

## Chronology

7 Nov 2018 **Rabat (Morocco)** *Eyewitness News*. King **Mohammed VI** asks **Algeria** and Morocco to normalise bilateral relations in a speech on the 43rd anniversary of the Green March;

3 Nov 2018 **Nouakchott (Mauritania)** *Telquel*. Moroccan foreign affairs minister **Nasser Bourita** delivers a royal message to Mauritania's president, **Mohamed Ould Abdel Aziz**, to discuss Mauritania's crucial role in the Western Sahara;

31 Oct 2018 **Washington (United States)** *H24*. **World Bank's Doing Business 2019** report shows an improving business climate for Morocco which now ranks 60th globally and second in the **Middle East and North Africa**;

22 Oct 2018 **Washington (United States)** *Jeune Afrique*. **United Nations Security Council** adopts the US-spearheaded recommendation to extend the **United Nations Mission for the Referendum in Western Sahara (Minurso)** for a further six months;

23 Oct 2018 **Rabat (Morocco)** *L'Economiste*. Finance minister **Mohamed Benchaaboun** presents finance law 2019 to the media, announcing a wave of privatisation;

16 Oct 2018 **Bouknadel (Morocco)**, *Jeune Afrique*. A train derailing injures 125 and kills seven;

15 Oct 2018 **Rabat (Morocco)** *Jeune Afrique*. **Parti Authenticité et Modernité (PAM)** leader **Hakim Benchamach** is elected speaker of the **Chambre des conseillers** (house of councillors);

15 Oct 2018 **Rabat (Morocco)** *Jeune Afrique*. **Algeria** and **Mauritania** accept the **United Nation's** invitation to participate in discussions on the **Western Sahara** issue in December, joining Morocco and the **Polisario Front**;

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