

AFRICA RISK CONSULTING

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Protests erupt in the Oriental region of Mouad El Jamaï and in the city of Outat El Haj (Fes-Meknes), highlighting discontent over economic inequality amongst regions that originated with unrest in the city of Jerada. Protesters reject the government's emergency plan. King Mohammed IV (1999-present) appoints new ministers following the Jerada crisis. The Direction des Etudes et des Prévisions Financières (DEPF) report of the economy shows good results for 2017 and a positive forecast for 2018. Finance minister Mohammed Boussaid and Bank Al Maghrib (central bank) governor Abdellatif Jouhari defend the liberalisation of the dirham before parliament. Spanish foreign minister Alfonso Dastis addresses the crisis over offshore drilling triggered by Spanish Euro deputies. A feasibility study for an electrical interconnection between Portugal and Morocco reveals positive results.

Protests over regional economic inequalities continue...

Protesters in the city of **Outat El Haj (Fès-Meknès)** organised a demonstration on 1 February over poor socio-economic conditions.¹ The demonstration is another show of popular discontent linked to economic inequalities pressuring the government to act.² The protest was triggered by the death of a street vendor, who was unable to get medical attention following an accident.³ The demonstrations took place in the context of intensifying regional claims for equal economic opportunities, and popular anger over the uneven share of the benefits of the current country's economic growth (see *ARC Briefing Morocco January 2018*).⁴ Local authorities and representatives of the health ministry held a meeting on 1 February with the protesters to discuss issues related to health care in Outat El Haj, promising medical staff and equipment.⁵

The government unveiled its emergency plan through the **Wali of the Oriental Region Mouad El Jamaï** on 16 January.⁶ The plan presented a long list of promises, including measures to create employment, to integrate the regional youth in the industrial zones of **Tangiers** and **Kenitra**, as well as the recruitment of 500 agricultural workers to go to **Spain** in the framework of agreed seasonal contracts.⁷ The emergency plan provides 4m dirham (\$432,630) to start closing abandoned coal mines.⁸ It will also enact measures to limit the price of water and electricity, through the government's engagement to build thermo-solar production units in the region, prioritising the employment of regional youth.⁹ However,

¹ Les Ecos, 1 Feb 2018.

² Les Ecos, 1 Feb 2018.

³ Les Ecos, 1 Feb 2018.

⁴ Les Ecos, 1 Feb 2018.

⁵ Les Ecos, 1 Feb 2018.

⁶ Jeune Afrique, 17 Jan 2018.

⁷ Jeune Afrique, 17 Jan 2018.

⁸ Jeune Afrique, 17 Jan 2018.

⁹ Jeune Afrique, 17 Jan 2018.

protesters rejected the plan and called for a general strike on 20 January to demand more concrete measures that would enable the development of their region.¹⁰

...as King Mohammed IV nominates new ministers to manage Al Hoceima crisis

The increasing unrest has led King **Mohammed IV** (1999-present) to reshuffle the cabinet. Mohammed IV announced on 22 January the replacements of two ministers sacked in October during the wave of protests in **Al Hoceima Province**.¹¹ The appointments preserve the parliamentary majority of prime minister **Saadeddine El Othmani** and the ruling **Parti de la Justice et du Développement (PJD)**. **Said Amzazi**, president of the **Mohammed V University**, replaces **Mohamed Hassad** as national education minister, enabling the **Mouvement Populaire (MP)**, to retain its ministry.¹² **Abdelahad Fassi-Fihri** was appointed national territory development minister, replacing **Nabil Benabdellah**, his colleague from the **Parti du Progrès et du Socialisme (PPS)**.¹³ The PPS also retained a party member in the health ministry with **Anas Doukkali**, current general director of the **Agence Nationale de Promotion de l'Emploi et des Compétences (ANAPEC)** (national agency for employment and talent promotion), replacing **Houcine El Ouardi**.¹⁴

The king also officially established an **African** affairs ministry, which he had announced on 13 October.¹⁵ **Valyans Consulting** CEO **Mohcine Jazouli** was named delegate minister and **Nasser Bourita** the foreign minister.¹⁶ This new ministry confirms Mohammed IV's ambition to position Morocco as a key political and economic power within the **African Union (AU)**. The king's charm offensive across African countries led to Morocco's official return to the AU on 31 January 2017 after a 33-year absence, following the integration of the **Sahrawi Arab Democratic Republic (SADR)** in the union (see *ARC Briefing Morocco February 2017*). The new ministry follows the country's allocation of further support to the **Economic Community of West African States (ECOWAS)** accession, approved on 16 December 2017, translating the government's ambition to play an increasingly active role, not only as gateway to Africa for foreign companies, but as decision maker in the continent.¹⁷

However, the election of **Mohamed Amekraz** to replace **Khalid Boukarii** as head of the PJD's youth wing (*chabiba*) on 3 February has triggered tensions within El Othmani's government.¹⁸ Amekraz won with a large majority, 474 of 579 votes, and is expected to represent a challenge to El Othmani – also of the PJD – who openly backed a third term for Amekraz's predecessor, **Abdelilah Benikrane**.¹⁹ Amekraz is known for representing the party's youth wing when it was sued for advocating terrorism, following the assassination of the **Russian** ambassador in **Turkey**.²⁰ It is feared that under Amekraz's leadership, the *chabiba* may support the continuing demonstrations occurring throughout the country.²¹

¹⁰ Jeune Afrique, 17 Jan 2018.

¹¹ Jeune Afrique, 22 Jan 2018.

¹² Jeune Afrique, 22 Jan 2018.

¹³ Jeune Afrique, 22 Jan 2018.

¹⁴ Jeune Afrique, 22 Jan 2018

¹⁵ Jeune Afrique, 22 Jan 2018

¹⁶ Jeune Afrique, 22 Jan 2018

¹⁷ Source: Morocco analyst, London

¹⁸ Telquel, 4 Feb 2018.

¹⁹ Telquel, 4 Feb 2018.

²⁰ Telquel, 4 Feb 2018.

²¹ Telquel, 4 Feb 2018.

Morocco has enjoyed strong economic growth in the past few years and increasing foreign direct investments, following financial reforms that have made the country a more attractive investment destination.²² Morocco enjoys relative political stability and security compared to its north African neighbours. The government is clearly anxious to maintain the stability and security that have been a strong driver of investments.

Government study shows positive economic results for 2017, optimistic 2018 forecast

The **Direction des Etudes et des Prévisions Financières (DEPF)** (directorate of financial studies) published its economic review of 2017 and outlook for 2018 on 22 January.²³ The DEPF foresees a positive year for the agricultural sector, following the latest rainfalls throughout Morocco, with hydraulic reserves reaching more than 5.7 billion cube meters on 15 January.²⁴ The added value of transformation industries grew 1.6% during the last quarter of 2017, after 2.3% growth in the second quarter and 2.3% in the first quarter.²⁵ This increase was confirmed by the growth of the production index of the non-oil refinery sector, which reached 1.9% during the last quarter, closing the first nine months of 2017 at 2% growth.²⁶ The manufacturing sector also registered improving production and sales figures during the first nine months of 2017, which are expected to continue for January and February 2018.²⁷ Extractive industries posted positive growth, with phosphate production volume growing by 22.2%, compared to 2.8% the previous year, following growing foreign demand.²⁸

Phosphate exports in 2017 represented 44 billion dirham (\$4.8 billion), growing 11.6% compared to 2016.²⁹ Tourist arrivals increased 15.5% during the first two months of the fourth quarter in 2017, boosted by foreign tourism, responsible for 90% of this development.³⁰ Overall, the three first quarters of 2017 registered a 9.9% growth in tourist arrivals, compared to 0.8% in 2016.³¹ Morocco, following its **2020 Vision** to radically increase tourism, is trying to attract **Indian** tourists after a successful campaign to attract **Chinese** tourism. The **Office National Marocain du Tourisme (ONMT)** (National Moroccan office of tourism) organised the first edition of the Moroccan-Indian forum for tourism cooperation in **Casablanca** on 22 January.³² Talks are also scheduled during the next few months on air traffic improvement with more direct flights between the two countries and a potential lifting of visas, following the positive impacts the decision had on Chinese tourism. Morocco's ambassador to India inaugurated a centre for visa application in **New Delhi** on 24 January to promote tourism, and others will open in the country's other main cities.³³

Government defends currency liberalisation as tool of economic consolidation ...

Economy minister **Mohammed Boussaid** and **Bank Al Maghrib (BaM)** (central bank) governor **Abdellatif Jouhari** were invited to address the opposition's concerns around the liberalisation of the dirham before the finance commission and both parliamentary chambers

²² Source: Morocco analyst, London

²³ Les Ecos, 23 Jan 2018.

²⁴ Les Ecos, 23 Jan 2018.

²⁵ Les Ecos, 23 Jan 2018.

²⁶ Les Ecos, 23 Jan 2018.

²⁷ Les Ecos, 23 Jan 2018.

²⁸ Les Ecos, 23 Jan 2018.

²⁹ Les Ecos, 23 Jan 2018.

³⁰ Les Ecos, 23 Jan 2018.

³¹ Les Ecos, 23 Jan 2018.

³² L'Economiste, 23 Jan 2018.

³³ L'Economiste, 24 Jan 2018.

on 17 January.³⁴ Boussaid underlined the importance of the reform to the international consolidation of the Moroccan economy, while Jouahri shared the feedback gathered from various trading floors, showing that the market kept working as usual.³⁵ The exchange rate of the dirham continued to evolve within a 0.3% margin above or under, in spite of the increase to 2.5% implemented by the reform.³⁶ Boussaid and Jouahri presented simulations created by the central bank and the finance ministry proposing that a hypothetical maximum currency depreciation to 2.5% against the dollar would increase the oil price by 1.6% (0.14 dirham/litre), and that inflation would increase from 1.5% to 1.9% in 2018 in a worst case scenario.³⁷ However, **United States (US)**-based financial services company **JP Morgan** believes the dirham could be depreciated by 7% during the next 12 months, and that the central bank may have to embark on further flexibility steps, namely by increasing the exchange rate fluctuation margin.³⁸

International Monetary Fund (IMF) general director **Mitsuhiro Furusawa** expressed his satisfaction with Morocco's liberalisation of the dirham in a conference in **Washington (US)** on 19 January.³⁹ Furusawa claimed the greater flexibility will allow the economy to absorb external shocks and increase its international competitiveness.⁴⁰ Furusawa estimated that the increased potential growth will have to be accompanied by inclusion measures to reduce the high youth unemployment rate, through the promotion of education, governance and reforms of the labour market.

... as new agreements between EBRD and Morocco boost private sector

Morocco signed two new agreements with the **European Bank for Reconstruction and Development (EBRD)** during the visit of EBRD vice president of politics and partnership **Pierre Heilbronn** between 24 and 29 January.⁴¹ The first agreement, to stimulate the financing of the green economy, was signed with the finance ministry, while the second, to create a collaboration framework for the development of the private sector and intra-regional integration, was signed by the president of the **Casablanca-Settat Region**, **Mustapha Bakkoury**.⁴² Heilbronn met BAM governor Abdellatif Jouahri, interior minister **Abdelouafi Laftit**, mines and energy minister **Aziz Rebbah**, as well as the head of the **Confédération Générale des Entreprises Du Maroc (CGEM)** (general confederation of Moroccan companies), **Miriam Bensalah-Chaqroun**, and head of the **Office National des Hydrocarbures et des Mines (ONHYM)** (National office of hydrocarbons and mines), **Amina Benkhadra**.⁴³

According to the EBRD, the agreement aims to prepare jointly a co-financing product for green investments oriented towards small and medium enterprises as well as very small enterprises.⁴⁴ The new offer will capitalise on the experience of the **Tamwil** fund, managed by the **Caisse Centrale de Garantie (CCG)** (central guarantee fund), for the financing of

³⁴ L'conomiste, 24 Jan 2018.

³⁵ L'conomiste, 24 Jan 2018.

³⁶ Telquel, 18 Jan 2018.

³⁷ Les Ecos, 18 Jan 2018

³⁸ Les Ecos, 18 Jan 2018

³⁹ Telquel, 20 Jan 2018

⁴⁰ Telquel, 20 Jan 2018.

⁴¹ L'Economiste, 24 Jan 2018.

⁴² L'Economiste, 24 Jan 2018.

⁴³ L'Economiste, 24 Jan 2018.

⁴⁴ Aujourd'hui Le Maroc, 31 Jan 2018.

micro and small companies, along with Moroccan financial institutions.⁴⁵ The new product will benefit from the success of the **MorSEFF**, a financing line for renewable energy that the EBRD created in 2015 in Morocco. MorSEFF managed to raise €110m (\$136m) via partner banks **BMCE Bank** and **Banque Centrale Populaire (BCP)** to develop the green economy in Morocco.⁴⁶ Those agreements fall in line with the engagement taken during the **United Nations Climate Change Conference (COP22)** in **Marrakech** in November 2016, to align the Moroccan financial sector with sustainable development. The agreements are likely to attract investments looking for sustainable and environmentally compliant projects.⁴⁷

Spanish MEPs protest against Morocco's oil exploration growth

Spanish foreign minister **Alfonso Dastis** addressed concerns on 30 January about the oil exploration activities of **Italy**-based energy company **Eni** in Morocco's national waters near the autonomous region of the **Canary Islands** (Spain).⁴⁸ Responding to the demands of Canary Islands president **Fernando Clavijo**, Dastis pledged that exploration will remain within the limit of Moroccan territorial waters.⁴⁹ Eni signed a petroleum agreement on 20 December with the **Office National des Hydrocarbures et des Mines (ONHYM)** (National office of hydrocarbons and mines) for the **Tarfaya Offshore Shallow** block, located on the continental plateau and facing the Canary Islands.⁵⁰ The agreement triggered criticism, with Spanish members of the **European Parliament** (MEPs) presenting their complaints to the **European Union**.⁵¹ **Florent Marcellesi**, an **Equo Party** MP, accused the Moroccan government on 15 January of blackmail on immigration and terrorism issues, and called for an end to negotiations.⁵² The MEPs are trying to block Moroccan exploration by demanding the application of the European mechanism of environmental protection to classify the **Atlantic** continental plateau (separating the Moroccan coast from the Spanish archipelago) as a '*Site of Community importance*'.⁵³

Morocco's exploration of its on-shore and offshore resources is increasingly attracting foreign investors. Operators in oil prospection will have to spend MAD 1.52 billion (\$165m) in 2018, with ONHYM responsible for MAD 51m (\$5.5m), representing an increase from MAD 1.27 billion (\$136m) in 2017.⁵⁴ The investments will cover a programme of seismic acquisitions as well as the drilling of six wells with one offshore.⁵⁵ In 2017, hydrocarbon research covered a total territory of 170,002 square kilometres, including 22 on-shore licences and 77 offshore licences, and involved 21 partners by year-end.⁵⁶ ONHYM's efforts to maintain its partnerships and seek new ones come in a context of an evolving energy sector following the decrease of oil price on hydrocarbon investments and development projects.⁵⁷

⁴⁵ Aujourd'hui Le Maroc, 31 Jan 2018.

⁴⁶ Aujourd'hui Le Maroc, 31 Jan 2018.

⁴⁷ Aujourd'hui Le Maroc, 31 Jan 2018.

⁴⁸ Yabiladi, 30 Jan 2018.

⁴⁹ Yabiladi, 30 Jan 2018.

⁵⁰ Le Desk, 17 Jan 2018

⁵¹ Le Desk, 17 Jan 2018

⁵² Le Desk, 17 Jan 2018

⁵³ Le Desk, 17 Jan 2018.

⁵⁴ Le Matin, 5 Feb 2018.

⁵⁵ Le Matin, 5 Feb 2018.

⁵⁶ Le Matin, 5 Feb 2018.

⁵⁷ ONHYM quoted in Le Matin, 5 Feb 2018.

Electrical interconnection project to link Portugal and Morocco

Energy ministry general secretary **Abderrahim El Hafidi** shared with the **Maghreb Arab Press** on 30 January the initial conclusions of a feasibility study on a project of electrical interconnection between Morocco and **Portugal**.⁵⁸ The project is expected to enable the exchange of up to 1,000MW of energy between the two countries.⁵⁹ Preliminary results are positive, paving the way for the creation of an electricity regional market including Morocco, Portugal, Spain as well as potentially **France** and **Germany**.⁶⁰ El Hafidi declared the projected costs as just over €700m (\$865m).⁶¹ El Hafidi forecasts that the project will enable Morocco and Portugal to benefit from cheaper energy and a possible source of revenue through sales to other countries.⁶²

The study came after the 13th high-level meeting between Morocco and Portugal on 3 December in Rabat. A delegation led by Portugal's prime minister, **Antonio Costa**, proceeded to a series of agreement to boost economic cooperation in sectors such as automotive, textile and energy.⁶³ Despite increasing exchanges between both countries, Morocco remained the 10th destination for Portuguese exports in 2016.⁶⁴ Those exports reached €711.9m (\$883.7m) while Portuguese imports of Moroccan goods only reached €155m (\$192.4m).⁶⁵

⁵⁸ Maghreb Emergent, 31 Jan 2018.

⁵⁹ Maghreb Emergent, 31 Jan 2018.

⁶⁰ Maghreb Emergent, 31 Jan 2018.

⁶¹ Maghreb Emergent, 31 Jan 2018.

⁶² Maghreb Emergent, 31 Jan 2018

⁶³ Les Eco, 4 Dec 2017.

⁶⁴ Les Eco, 4 Dec 2017.

⁶⁵ Les Eco, 4 Dec 2017.

Planner

2021: Expiry of the **Algeria-Europe** convention supplying Algerian gas via **Maghreb Europe Gazoduc** (GME);

2021: Legislative, regional and local elections;

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

Oct 2018: Election of president of **Chambre des Conseillers** (house of councilors, upper house of parliament);

Chronology

1 Feb 2018: *Les Eco*, Protesters in the city of **Outat El Haj (Fès-Meknès)** organise a demonstration over poor socio-economic conditions.

30 Janu 2018: *Yabiladi*, **Spanish** foreign minister **Alfonso Dastis** addresses concerns over oil exploration activities by **Italy**-based energy company **Eni**, in Morocco's national waters, near the autonomous region of the **Canary Islands** (Spain).

30 Jan 2018: *Maghreb Emergent*, Energy ministry general secretary **Abderrahim El Hafidi** shares first conclusions of the feasibility study on a project of electrical interconnection between Morocco and **Portugal**.

24 - 29 Jan 2018: *L'Economiste*, Morocco signs two agreements with the **European Bank for Reconstruction and Development (EBRD)** to finance the green economy and create a collaboration framework for development of private sector and intra-regional integration.

22 Jan 2018: *Les Eco*, The **Direction des Etudes et des Prévisions Financières (DEPF)** publishes its economic review of 2017 and outlook for 2018, forecasting a positive economic growth.

22 Jan 2018: *Telquel*, King **Mohammed IV** appoints **Said Amzazi**, past national education minister, **Abdelahad Fassi-Fihri**, as national territory development minister and **Anas Doukkali** as health minister.

17 Jan 2018: *L'Economiste*, Economy minister **Mohammed Boussaid** and **Bank Al Maghrib** (central bank) governor **Abdellatif Jouhari** defend the liberalisation of the Moroccan Dirham before the finance commission and both parliamentary chambers;

16 Jan 2018: *Jeune Afrique*, The government, through the **Wali** of the **Oriental region Mouad El Jamai**, unveils its emergency plan to create more economic and employment opportunities for the youth of the **Oriental region Mouad El Jamai**;

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