

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing April 2018

#### Morocco Summary 15 April 2018

*The Western Sahara crisis escalates as Morocco claims to have proof of repeated Polisario Front incursions in the buffer zone of Guerguerat. Morocco warns of imminent action if the United Nations fails to intervene. The government mobilises a unified political front domestically, launches some preliminary defence measures, and continues a dynamic diplomatic campaign abroad. Swiss-based Quantum Global's 2018 Africa Investment Index ranks Morocco as the most attractive investment destination in Africa. The Autorité Marocaine du Marché des Capitaux (AMMC) (Moroccan capital market authority) announces that state-owned telecommunication company Maroc Telecom plans to launch a share buyback programme. State-owned phosphate company l'Office Cherifien des Phosphates (OCP) launches the second phase of its development plan, representing an investment of MAD75 billion (\$8.2 billion).*

#### Morocco steps up diplomatic campaign as Western Sahara crisis intensifies

The crisis over the contested region of **Western Sahara** has intensified amid the Moroccan government's claims to have proof that the **Polisario Front (PF)** has violated the status of the buffer zone of **Guerguerat**.<sup>1</sup> Morocco's foreign minister, **Nasser Bourita**, told the **United Nations Security Council (UNSC)** on 1 April that the PF had made incursions in Guerguerat, adding that **Algeria** had encouraged the PF's provocations and maneuvers to change the status of the buffer zone.<sup>2</sup> Bourita said the Moroccan government would intervene if the UN did not take action.<sup>3</sup>

**Horst Kohler**, personal envoy of the UN general secretary, along with the under-secretary general for peacekeeping operations, **Jean Pierre Lacroix**, had presented his first briefing to the UNSC on 21 March on the status of the negotiation process between Morocco and the **République Arabe Sahraouie Démocratique (RASD)** (Sahrawi Arab Democratic Republic), the so-called government in exile of Western Sahara.<sup>4</sup> The UNSC evoked the current situation in the buffer region of Guergarat as a main concern and reiterated the importance of maintaining the status quo, as well as the implementation of **Resolution 2351**, which ensures the right to self-determination for the RASD.<sup>5</sup> The resolution also demanded the complete and immediate withdrawal of the PF from Guerguerat, the violation of which the UNSC claimed had been responsible for disturbances of the road traffic between Morocco and the rest of **Africa**.<sup>6</sup>

However, Kohler's demands failed to de-escalate the crisis. **Omar Hilale**, Morocco's permanent representative to the UN, read a royal letter to UNSC president **Gustavo Meza Cuadra** on 1 April, claiming to have proof that the Polisario Front was ready to transfer the

<sup>1</sup> Jeune Afrique, 2 Apr 2018.

<sup>2</sup> Jeune Afrique, 2 Apr 2018.

<sup>3</sup> Jeune Afrique, 2 Apr 2018.

<sup>4</sup> Medias 24, 21 Mar 2018.

<sup>5</sup> Medias 24, 21 Mar 2018.

<sup>6</sup> L'Economiste, 26 Mar 2018.

offices of its administrative and military structures from the camps of **Tindouf** in Algeria to **Bir Lahlou** and **Tifariti**, located east of the defence wall in the Moroccan Sahara, which Morocco considered a *casus belli*.<sup>7</sup> The letter demanded the immediate withdrawal of the PF from the buffer zone. A crisis cell was also set up domestically, with interior minister **Abdelouafi Laftit** and Bourita meeting on 1 April with the commissions of foreign affairs of the parliament and the heads of different Moroccan political parties to discuss defence options in Sahara.<sup>8</sup> The UN general secretary spokesperson affirmed on 2 April that the **United Nations Mission for the Referendum in Western Sahara (MINURSO)** had not reported any military movement in the north east of the Sahara.<sup>9</sup> Prime minister **Saad Eddine El Othmani** responded on 3 April that MINURSO did not have precise information on the field, adding that ambassadors from **Namibia** and **Cuba** had visited the territories located east of the buffer zone.<sup>10</sup> The Moroccan government furthered its diplomatic campaign by sending Bourita to meet UN secretary general **António Guterres** in **New York (United States)** on 4 April. Bourita was charged with discussing the implication of Algeria's involvement in the crisis, the existence of proof of the PF's activities east of the buffer zone by presenting aerial images of construction of Bir Lahlou and Tifariti, as well as the respect of the agreements with the UN.<sup>11</sup>

The government mobilised a unified political front domestically and launched some preliminary defence measures. El Othmani addressed a meeting in **Laayoune** on 9 April with the general secretaries of Morocco's political parties to discuss the PF's activities east of the defence wall.<sup>12</sup> The meeting aimed to display a unified front and adopt a common declaration. In response to El Othmani's reports of the PF's "*repeated separatist provocations*" in the buffer zone, the assembled political factions reportedly agreed that they would tolerate no changes to the status of this zone, which Morocco had ceded during the peace process.<sup>13</sup> The legal representatives of the citizens from the southern regions of Morocco also sent a message to the UN and its organisations in charge of the Western Sahara case, calling for their help in putting an end to the Polisario's actions, reiterating that Morocco had the right to intervene with the necessary measures to preserve its rights.<sup>14</sup> The **Forces Armées Royales (FAR)** (Moroccan armed forces) launched a series of preparatory measures, including troop mobilisations, calling back all retired officers, and organised various meetings under the direction of lieutenant general **Abdelfattah Louarak** to discuss the situation in the south of the country, which was elevated to the status of maximum alert.<sup>15</sup> Moroccan fighter aircrafts were also identified doing reconnaissance flights above the region to detect any new incursions in the buffer zone by the PF.<sup>16</sup>

The crisis was further internationalised as the different factions reached out for political support. Kohler continued the UN's programme, with the drafting of a new resolution on the Western Sahara underway in the Security Council.<sup>17</sup> Kohler met with **Russia's** foreign minister, **Serguei Lavrov**, and **Mikhail Bogdanov**, special representative of President **Vladimir Putin** (2000-2008, 2012-present) for the Middle East and Africa, in **Moscow** on 10

<sup>7</sup> Jeune Afrique, 2 Apr 2018.

<sup>8</sup> Jeune Afrique, 2 Apr 2018.

<sup>9</sup> Jeune Afrique, 2 Apr 2018.

<sup>10</sup> Yabiladi, 10 Apr 2018

<sup>11</sup> Yabiladi, 10 Apr 2018

<sup>12</sup> Le Matin, 9 Apr 2018.

<sup>13</sup> Le Matin, 9 Apr 2018.

<sup>14</sup> Le Matin, 9 Apr 2018.

<sup>15</sup> TSA, 10 Apr 2018.

<sup>16</sup> Le Matin, 9 Apr 2018.

<sup>17</sup> Yabiladi, 11 Apr 2018.

April to ensure his support in the resolution of the territorial dispute.<sup>18</sup> The meeting coincided with the arrival of a Polisario delegation, led by **M'hammed Khaddad**, the coordinator with MINURSO.<sup>19</sup> Moroccan and Algerian diplomats also met with **French** representatives in **Paris** on 8 April, as France is mediating between the two countries.<sup>20</sup> Algerian head of diplomacy **Abdelkader Messahel** met with French foreign minister **Jean-Yves le Drian**, approaching the topics of terrorism in **Mali, Sahel** and **Libya**, and finally the Western Sahara question.<sup>21</sup> **King Mohammed VI** also visited France on 10 April, meeting with President **Emmanuel Macron** (2017-present), and the crown prince of **Saudi Arabia, Mohammed Ben Salman**.<sup>22</sup>

The recent crisis in the buffer zone follows a **European Commission** recommendation to the **European Council** on 21 March that Western Sahara be included in the next fishing agreement between Morocco and the **European Union**.<sup>23</sup> The document underlines Guterres' continuous efforts to ensure the right of self-determination of the people of Western Sahara according to the UN Charter.<sup>24</sup> The commission recommended the inclusion of a clause on the consequences of human rights and democratic principles violations, while creating a mechanism to ensure the fair social distribution of socio economic benefits stemming from the agreement.<sup>25</sup>

### **Africa Investment Index reflects Morocco's growing attractiveness and connectivity...**

**Swiss** investment fund **Quantum Global** shared the results of the second edition of its '**Africa Investment Index 2018**' ahead of the **Africa CEO Forum**, which took place on 26 and 27 March in **Abidjan**.<sup>26</sup> The study places Morocco as the most attractive economy for foreign investments in Africa, followed by **Egypt, Algeria, Botswana** and **Cote D'Ivoire**.<sup>27</sup> Morocco's first place is mainly explained by its geographical proximity to **Europe**. According to, **l'Office des Changes** (Morocco's foreign exchange office), Morocco attracted \$2.57 billion in foreign investment in 2017, growing by 12% compared to 2016. Investment sectors vary from finance, renewable energies, automotive, aeronautic or information and communication technology.<sup>28</sup>

Morocco's high connectivity also makes it a desirable consumer market. **Jumia**, the largest African online retailer, published a study on mobile phones in Morocco and Africa on 15 March, showing high growth in mobile phone sales, especially smartphones.<sup>29</sup> According to Jumia, 42% of the population use their smartphones to connect to the internet.<sup>30</sup> The internet penetration rate reached 63% in 2017, representing 12% growth compared to 2016.<sup>31</sup> Morocco is the most connected country in Africa, which has 1.04 billion users in total.<sup>32</sup> The drivers behind Morocco's growth in connectivity range from increasing competitiveness with

<sup>18</sup> Yabiladi, 11 Apr 2018.

<sup>19</sup> Yabiladi, 11 Apr 2018.

<sup>20</sup> Yabiladi, 10 Apr 2018.

<sup>21</sup> Yabiladi, 10 Apr 2018.

<sup>22</sup> Jeune Afrique, 10 Apr 2018.

<sup>23</sup> Medias 24, 21 Mar 2018.

<sup>24</sup> Medias 24, 21 Mar 2018.

<sup>25</sup> Medias 24, 21 Mar 2018.

<sup>26</sup> Jeune Afrique, 10 Apr 2018.

<sup>27</sup> Jeune Afrique, 10 Apr 2018.

<sup>28</sup> Jeune Afrique, 27 Mar 2018.

<sup>29</sup> L'Economiste, 19 Mar 2018.

<sup>30</sup> L'Economiste, 19 Mar 2018.

<sup>31</sup> L'Economiste, 19 Mar 2018.

<sup>32</sup> L'Economiste, 19 Mar 2018.

the entry of **Chinese** brands offering a better quality price ratio.<sup>33</sup> Competition has also been driving prices down for telecom operators.<sup>34</sup>

As a further indication of the dynamism of the Moroccan telecommunication market, the **Autorité Marocaine du Marche des Capitaux (AMMC)** (Moroccan capital markets authority) issued a notice on 6 April regarding a planned share buyback programme for state-owned telecommunication company **Maroc Telecom (IAM)**.<sup>35</sup> The AMMC will present details of the programme before the **Assemblée Générale Ordinaire (AGO)** (ordinary general assembly) on 24 April.<sup>36</sup> Maroc Telecom aims to regularise its traded share prices through the buyback programme by issuing purchase orders and or sales orders to reduce the excessive variation of share price.<sup>37</sup> Maroc Telecom, whose shares are traded on the **Casablanca Stock Exchange (CSE)** and **Euronext Paris**, proposed a maximum share price of 189 dirhams (MAD)(\$20.5) and a minimum share price of MAD96 (\$10.4), or against value in euro on a maximum number of 1.5 million shares for acquisition (0.17% of the total capital).<sup>38</sup> The programme covers a period of 18 months from 10 May 2018 to 8 November 2019. Maroc Telecom is likely to buy back its own shares on the CSE without going over the maximum engagement level of MAD283.5m (\$30.9m).<sup>39</sup> Maroc Telecom will use its own resources – in December 2017 it had available cash assets of around MAD498m (\$54m).<sup>40</sup>

### ... as OCP launches second phase of development plan...

State-owned phosphate company **l'Office Cherifien des Phosphates (OCP)** launched the second phase of its development plan on 22 March, representing an investment of MAD75 billion (\$8.2 billion).<sup>41</sup> The OCP is looking to accelerate the repayment of the VAT credit, amounting to MAD20 billion (\$2.2 billion) at the end of 2017, to facilitate the financing of this phase.<sup>42</sup> The second phase of the OCP targets production of 26 million tonnes of fertilisers, against the 12 million tonnes currently produced.<sup>43</sup> The plan aims to improve domestic production capacities, in addition to the development of its factories abroad.<sup>44</sup> The programme expects investment to reach reaching MAD100 billion (\$10.9 billion) by 2025, in order to target 50% of world growth in phosphate fertilisers and increase market share.<sup>45</sup>

While the first phase of the plan focused on the more important region in production terms of **Khourigba-Jorf Lasfar**, the second phase specifically looks to develop two other axes.<sup>46</sup> The first is **Laayoune-Boucraa**, where the OCP invested to ensure a yearly production of one million tonnes of fertilisers.<sup>47</sup> The second axis, around the sites of **Benguerir-Youssoufia-Safi**, is still at conception studies stage.<sup>48</sup> The aim there is for acid production to be closer to the mine, and to transport it through a pipeline to Safi in order to produce fertilisers, therefore minimising costs.<sup>49</sup>

<sup>33</sup> L'Economiste, 19 Mar 2018.

<sup>34</sup> Telquel, 28 Mar 2018.

<sup>35</sup> Telquel, 9 Apr 2018.

<sup>36</sup> Telquel, 9 Apr 2018.

<sup>37</sup> Telquel, 9 Apr 2018.

<sup>38</sup> Telquel, 9 Apr 2018.

<sup>39</sup> Telquel, 9 Apr 2018.

<sup>40</sup> Telquel, 9 Apr 2018.

<sup>41</sup> Telquel, 28 Mar 2018.

<sup>42</sup> Telquel, 28 Mar 2018.

<sup>43</sup> Telquel, 28 Mar 2018.

<sup>44</sup> Telquel, 28 Mar 2018.

<sup>45</sup> La Vie Eco, 4 Apr 2018.

<sup>46</sup> La Vie Eco, 4 Apr 2018.

<sup>47</sup> La Vie Eco, 4 Apr 2018.

<sup>48</sup> La Vie Eco, 4 Apr 2018.

<sup>49</sup> La Vie Eco, 4 Apr 2018.

The OCP's market share of global phosphate fertilisers has jumped from 11% to 22% during the past ten years.<sup>50</sup> The creation of new market share rather than acquiring it from competitors, implies that the group created growth mainly through its activities in Africa.<sup>51</sup> The second stage will therefore also include investment optimisation in **Nigeria** and **Ethiopia**. Nigeria's natural gas reserves combined with phosphate fertilisers is used to produce ammoniac, whereas the OCP production platform in Ethiopia will be used to produce potassium-based fertilisers using local gas.<sup>52</sup> However, despite price stagnation in 2017, the OCP posted a good financial year, with a 14 % growth representing consolidated revenue reaching MAD48.5 (\$5.3 billion).<sup>53</sup> Phosphate production is a key export driver, enabling the economy to maintain a stable trade deficit. The optimisation of its production abroad and at home through investments is likely to boost further exports, create employment and help Morocco further establish its position in Africa.

### Planner

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

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

2021: Legislative, regional and local elections

### Chronology

8 Apr 2018 (**Morocco**) *Yabiladi*: Head of diplomacy **Abdelkader Messahel** meets with **French** foreign minister **Jean-Yves le Drian** in **Paris**;

8 Apr 2018 (**Morocco**) *Yabiladi* King **Mohammed VI** meets France's President **Emmanuel Macron** in Paris;

10 Apr 2018 (**Morocco**) *Yabiladi*: **Horst Kohler** meets with **Russian** foreign minister **Serguei Lavrov** and **Mikhail Bogdanov**, special representative of President **Vladimir Putin** for the Middle East and Africa;

9 Apr 2018 (**Morocco**) *Le Matin*: Moroccan government meets with general secretaries of political parties in **Laayoune**;

6 Apr 2018 (**Morocco**) *Telquel*: The **Autorité Marocaine du Marche des Capitaux (AMMC)** announces a share buyback programme for **Maroc Telecom**;

3 Apr 2018 (**Morocco**) *Telquel*: Prime minister **Saad Eddine El Othmani** responds to **MINURSO** statement that no incursions were detected in **Guerguerat** buffer zone;

1 Apr 2018 (**Morocco**) *Jeune Afrique*: Foreign minister **Nasser Bourita** appeals to **United Nations Security Council** following alleged incursions of **Polisario Front** in **Guerguerat** buffer zone;

<sup>50</sup> La Vie Eco, 4 Apr 2018.

<sup>51</sup> La Vie Eco, 4 Apr 2018.

<sup>52</sup> La Vie Eco, 4 Apr 2018.

<sup>53</sup> La Vie Eco, 4 Apr 2018.

26 Mar 2018, **(Morocco)**, *Jeune Afrique*: **Swiss** investment fund **Quantum Global 'Africa Investment Index 2018'** shows Morocco as one of top investment destinations;

22 Mar 2018, **(Morocco)**, *Telquel*: **The Office Cherifien des Phosphates (OCP)** launches second phase of development plan, representing investment of MAD75 billion (\$8.2 billion).

21 Mar 2018, **(Morocco)**, *Media 24*: Personal envoy of the general secretary of the UN, **Horst Kohler**, presents his first briefing to the UNSC on the status of Western Sahara negotiations;

21 Mar 2018, **(Morocco)**, *Media 24*: The **European Commission** publishes recommendations to **European Council** suggesting inclusion of **Western Sahara** in next fishing agreement between Morocco and **European Union**;

15 Mar 2018, **(Morocco)**, *L'Economist*: Online retailer **Jumia** publishes study on mobile phones in Morocco and **Africa**, showing high growth of smartphone sales;

### 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.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-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.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential online business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an online information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)