

AFRICA RISK CONSULTING

Morocco Monthly Briefing December 2020

Morocco Summary 9 December 2020

Moroccan authorities extend the state of emergency until 10 January as the strained healthcare system continues to grapple with a heavy COVID-19 case load. An immunisation campaign is expected to begin shortly, although the government has yet to confirm a launch date. The health minister hopes to strengthen Morocco's healthcare sector in 2021. The finance ministry releases a \$3 billion bond on the international financial market with an order book grossing \$13 billion. Morocco receives financial packages from Japan and Germany to build healthcare capacity and strengthen social welfare. A joint initiative by French and German companies specialising in vehicle safety testing announces plans to build Africa's first automotive testing centre in Oued Zem as the automotive industry continues to lead as Morocco's top industrial sector export.

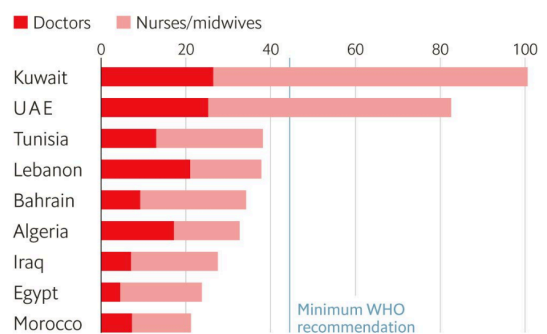
Morocco works to strengthen its healthcare capacity

Morocco's King Mohammed VI (1999-present) ordered on 8 December that the vaccine against COVID-19 should be made available to all citizens at no cost to them.¹ The government's official statement did not announce a launch date for the immunisation campaign,² however, on 5 December, **Morocco World News** reported that doses of the vaccine were being distributed to regional health directorates, who would then oversee the vaccine's local distribution.³ Health minister **Khalid Ait Taleb** publicly confirmed on 1 December that the first vaccines Morocco will receive are produced by **Sinopharm**, a **Chinese** state-owned enterprise.⁴ While the government finalises logistical preparations, it is also combatting public scepticism fuelled by the spread of misinformation on social media. Traditional media have hosted experts to dispel falsehoods and reassure the population of the vaccine's safety.⁵ Obstacles to the vaccine campaign's success also include under-staffed and at-capacity hospitals. Morocco has the lowest ratio of healthcare professionals per person of the Arab nations within the **Middle East and North Africa (MENA)** region.⁶

Moroccan authorities have mobilised 12,750 public and private medics to increase capacity for vaccination in order to avoid placing extra strain on the already overburdened healthcare system and to assist in achieving their target to immunise 20 million Moroccans within three months.⁷ Taleb also has longer term goals for the Moroccan healthcare sector; he announced on 28 November that the health ministry has drafted a budget for 2021 with an increase of MAD 1.09 billion (\$120 m), totalling MAD 19.77 billion (\$2.17 billion). The budget increase plans to fund the construction of new

Much of the Arab world is short of doctors

Medical staff per 10,000 people
2018 or latest available



Source: WHO

The Economist

¹ Reuters, 8 Dec 2020

² Atalayar, 9 Dec 2020

³ Morocco World News, 5 Dec 2020

⁴ Arab Weekly, 3 Dec 2020

⁵ Arab Weekly, 3 Dec 2020

⁶ Morocco World News, 28 Nov 2020

⁷ Arab News, 2 Dec 2020

regional and community hospital projects throughout the country, adding a total of 2,260 beds. Other 2021 projects outlined in the announcement include upgrades to existing healthcare facilities and the expansion of basic medical coverage, which currently only benefits about 60% of the population.⁸ Budget will also be allocated to human resources to increase staffing capacity, and to the sustainability and resiliency of the healthcare system by strengthening public investment, public-private partnership, and proactive programme management.⁹

Morocco was one of the first countries in the MENA region to enforce strict lockdown measures in response to COVID-19 by imposing a state of health emergency from 19 March. The ninth extension of the state of emergency was announced on 3 December, pushing the state of emergency that was scheduled to end 10 December to 10 January.¹⁰ Several regions have extended their restrictions or implemented further restrictions under the emergency powers. Authorities in the **Casablanca-Settat** region and the **Mediouna**, **Nouaceur**, and **Taroudant** provinces have again extended their restrictions, including nightly curfew and limited movement, until at least 22 December.¹¹ Casablanca-Settat remains a hotspot for cases and fatalities in the country.¹² Local governance in the provinces of **Agadir-Ida-Ou Tanane** and **Tiznit** extended similar restrictions until at least 20 December,¹³ while authorities in the **Al Hoceima** province and the city of **Tetouan** increased their restrictions to match, in response to a local increase in infections.¹⁴ **Agadir** was one of the first Moroccan cities to receive international tourists after the country reopened borders, which was welcomed at the time as a step towards economic recovery from the effects of COVID-19 (see *ARC Briefing Morocco October 2020*). However, the city's largest market was closed only one month later on 21 November, and beach hours were restricted. The increasing number of COVID-19 cases in the area also led to the 27 November opening of a field hospital in order to support existing medical infrastructure.¹⁵

The Moroccan government's aggressive response to COVID-19 initially limited cases and maintained a low mortality rate (see *ARC Briefing Morocco Aug 2020*). Along with economic pressures, this led Moroccan authorities to begin a slow re-opening of borders from 15 July (see *ARC Briefing Morocco Jun-Oct 2020*). Morocco experienced a steep upward trend in cases and deaths from September through mid-November (see *ARC Briefing Morocco Sep-Nov 2020*). The last record for the number of daily confirmed cases was on 12 November with 6,195 new infections; since then, the rate of new cases has slowed.¹⁶ However, Morocco is faring poorly with the pandemic compared to its peers in the MENA region by most accounts. On 9 December, the Moroccan government reported 4,096 new cases, bringing the total number of confirmed cases to 384,088 in its population of 36 million. Morocco's mortality rate has far surpassed that of other countries in the MENA region, currently at 174.66 deaths per million people, comparable only to **Saudi Arabia's** current mortality rate of 174.77.¹⁷

| COVID-19 deaths per one million population ¹⁸ | | | |
|----------------------------------------------------------|------------------|--------------------|-----------------------|
| | Confirmed deaths | Deaths per million | Population (millions) |
| Morocco | 6,370 | 174.66 | 36.03 |
| Qatar | 239 | 84.39 | 2.83 |
| United Arab Emirates | 596 | 61 | 9.77 |
| Saudi Arabia | 5,989 | 174.77 | 34.27 |

⁸ Morocco World News, 29 Nov 2020

⁹ Maroc.ma, 28 Nov 2020

¹⁰ Morocco World News, 3 Dec 2020; Garda World, 3 Dec 2020

¹¹ Garda World, 3 Dec 2020

¹² Morocco World News, 9 Dec 2020

¹³ Garda World, 7 Dec 2020

¹⁴ Garda World, 3 Dec 2020

¹⁵ Morocco World News, 28 Nov 2020

¹⁶ Worldometers, 9 Dec 2020

¹⁷ Statista, 9 Dec 2020

¹⁸ Statista, 9 Dec 2020

... and receives financial assistance from several international actors

Morocco will be the beneficiary of several newly announced financial aid packages from international partners which aim to support its recovery from the economic crisis caused by the COVID-19 pandemic. On 1 December, negotiations concluded as **Germany** committed over €1.38 billion (\$1.68 billion), €202.6m (\$245.2m) of which is donations, in financial support to Morocco for advancement of the economy and development. The package allocates €717m (\$867.8m) to Morocco's **National COVID-19 Fund**, while €420m (\$508.36m) is earmarked to finance development projects, with particular focus on renewable energy.¹⁹ The remaining €250m (\$302.6m) will be part of the 2020-2022 "Partnership for Reforms" between the two countries launched at the end of last year, which aims to improve Morocco's investment climate to promote sustainable private sector growth.²⁰

The **Japanese International Cooperation Agency (JICA)** entered into a loan agreement with Morocco on 2 December for \$200m to support Morocco's response to the covid-19 pandemic. The loan is supported by the **African Development Bank (AfDB)** programme, **Accelerated Co-Financing Facility for Africa (ACFA)**. The loan was signed with the intent to improve the resilience of the national economy by strengthening Morocco's healthcare system, expanding social security, and supporting small and medium-sized enterprises (SMEs).²¹ The latter make up half of Morocco's work force, but traditionally are given few opportunities to obtain loans.²² The social welfare aspect of economic recovery has become a recent focus in Morocco; on 4 December, the **World Bank** approved a \$400m loan to be used as support for social assistance programmes, including emergency cash transfers to vulnerable groups. Safety nets of social assistance, especially for poorer households, are essential amid a surge in unemployment.²³ The bank acknowledged the usefulness of the new loan, citing a loss of 712,000 jobs in Morocco's formal sector, and an estimate of at least four million more informal jobs.²⁴

In addition to receiving international assistance, Morocco hopes to aid its economic recovery from the impacts of COVID-19 through the release of another bond on the international market, which the economy ministry announced on 9 December. The \$3 billion bond, which is the first bond Morocco has released in **United States** dollars in seven years, was issued in three tranches with respective values of \$750m, \$1 billion, and \$1.25 billion. The bond reportedly received a significant order book of \$13 billion from 478 international investors of geographically diverse distribution.²⁵ While the bond issuance aims to provide financial relief during the current economic downturn, it is likely to further inflate the already high debt-to-GDP ratio, worsened by increased borrowing rates due to the recent credit rating downgrade to junk by **Fitch Ratings Inc.** (see *ARC Briefing Morocco November 2020*).²⁶

Despite receiving high confidence and subsequent investment from international financial institutions, diplomatic allies and individual investors, it may not be enough. A commissioner on the parliamentary finance committee reportedly said the government understands the "need" to renew a credit line with the **International Monetary Fund (IMF)** in order to get through the current economic crisis.²⁷ This may be true, especially because the return to tourism looks much less likely than initially hoped for when Moroccan borders were opened to foreign nationals in September. Rising COVID-19 infections and strict restrictions mean there is little room for recovery in the Moroccan tourism industry, in which many had placed their hopes just a few months ago (see *ARC Briefing Morocco October 2020*).

¹⁹ Morocco World News, 2 Dec 2020

²⁰ Morocco World News, 1 Dec 2019

²¹ Morocco World News, 2 Dec 2020; Maroc.ma, 2 Dec 2020

²² Relief Web, 8 Dec 2020

²³ Reuters, 4 Dec 2020; L'Economiste, 4 Dec 2020

²⁴ North Africa Post, 9 Dec 2020

²⁵ Morocco World News, 9 Dec 2020; L'Economiste, 9 Dec 2020; North Africa Post, 9 Dec 2020

²⁶ North Africa Post, 9 Dec 2020

²⁷ Bloomberg, 1 Dec 2020

Conversely, interior minister **Abdelouafi Laftit** stated on 25 November that the pandemic may allow Morocco to positively shift its trajectory. Laftit said that in the long term, the pandemic may promote economic growth and resilience and strengthen social cohesion. He cited the success he has seen in advancing regionalisation despite pandemic-related challenges, which has promoted greater efficiency and reduced regional disparities.²⁸

Morocco chosen as site for Africa's first automotive testing centre

A French vehicle testing company and a German road safety software company will build Africa's first automotive testing centre in Morocco.²⁹ France-based **L'Utac Ceram** and Germany-based **FEV Group (Forschungsgesellschaft für Energietechnik und Verbrennungsmotoren)** (research company for energy technology and combustion engines) announced plans on 3 December for a joint venture to build an automotive testing centre in **Oued Zem**, 150 kilometres southeast of **Casablanca**.

The testing centre is slated to begin operations in 2021, and will include a wide range of capabilities and services. Testing available at the site will include endurance and reliability, vehicle dynamics, coast down, acoustics, real driving emissions (RDE), as well as technical testing for electric, hybrid and internal combustion engine vehicles. The plans for a four-kilometre coast track will differentiate the testing centre from others, even in **Europe**.³⁰ Facilities to support Advanced Driver Assistance Systems (ADAS) will also be available.³¹

Morocco is already host to several automotive factories for international manufacturers in the cities of Casablanca, Kenitra and Tangier. While these are the most likely customers, the leadership behind the new testing site intends the all-inclusive testing site to be a destination for European manufacturers as well.³² The executive vice president of the FEV Group said Morocco has acted as the company's "gateway to Africa" with a "quick connection to Europe".³³ L'Utac Ceram CEO **Laurent Benoit** stated:

"The decision to choose Morocco [as the location for the testing site] was due to its countless advantages and the dynamic policies implemented by the Kingdom with the aim of turning the country into a global hub for the automotive industry."³⁴

The launch of the testing site affirms international confidence in Morocco's automobile sector and provides support for its future growth by further anchoring Morocco into value chains of the global automotive industry.³⁵ Currently, the automobile industry makes up Morocco's largest industrial exports, despite the lull in automobile sales due to the COVID-19 pandemic, which has thus far caused a loss of MAD 57.7 billion (\$6.34 billion).³⁶ Although the current economic crisis is a setback to the steady growth Morocco's automobile sector has seen in the last few years, it may also have provided Morocco with an opening to position itself as a stable partner in which geopolitics may be leveraged to strengthen its competitiveness with leading industrial hubs such as China and **India**.³⁷

²⁸ Maroc.ma, 25 Nov 2020

²⁹ Morocco World News, 3 Dec 2020

³⁰ North Africa Post, 4 Dec 2020

³¹ Automotive Testing Technology International, 3 Dec 2020

³² Morocco World News, 3 Dec 2020

³³ Automotive Testing Technology International, 3 Dec 2020

³⁴ Automotive Testing Technology International, 3 Dec 2020

³⁵ Source, analyst, San Francisco

³⁶ Reuters, 2 Dec 2020

³⁷ Source, analyst, San Francisco

Planner

1 Jan 2021 **(Africa)** scheduled launch of the **African Continental Free Trade Area (AfCFTA)**;
 2021 **(Morocco)** Scheduled legislative, regional and local elections;
 2021 **Oued Zem (Morocco)** Scheduled opening of automotive testing centre;
 2022 **Marrakech (Morocco) International Monetary Fund and World Bank** annual meetings to take place in Morocco;

Chronology

9 Dec 2020 **Rabat (Morocco)** *Morocco World News*. **Morocco** issues a \$3 billion bond on the international market in three tranches, receiving an order book of \$13 billion;

8 Dec 2020 **(Africa)** *AIIM*. **African Infrastructure Investment Managers (AIIM)** completes an \$80m capital increase for its **pan-African** infrastructure fund, **AIIF3**, bringing the total capital committed to the vehicle to \$400m;

8 Dec 2020 **Rabat (Morocco)** *Morocco World News*. **Morocco** and **Hungary** sign a Memorandum of Understanding committing to increased cooperation between the countries' medical industries;

8 Dec 2020 **Rabat (Morocco)** *Reuters*. King **Mohammed VI** announces that all Moroccans will be able to receive a **COVID-19** vaccine for free;

8 Dec 2020 **Rabat (Morocco)** *L'Economiste*. Moroccan national airline **Royal Air Maroc (RAM)** and **l'Office National Marocain du Tourisme (ONMT)** (Moroccan national tourist office) announce 15 new air routes to Morocco from **Europe** in hopes of reviving tourism;

7 Dec 2020 **Bonn (Germany)** *Climate Change Performance Index*. The annual Climate Change Performance Index report ranks **Morocco** fourth in the world in its climate mitigation efforts;

7 Dec 2020 **Rabat (Morocco)** *Morocco World News*. Morocco's equipment minister announces over \$1 billion of projects for the nationwide expansion of the highway network;

5 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The **African Union (AU)** ratifies the **African Continental Free Trade Area (AfCFTA)** agreement and approves a launch date of 1 January 2021, creating the world's largest free trade area;

5 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The health minister officially confirms that **Morocco** will receive a **COVID-19** vaccine from **Chinese** pharmaceutical company **Sinopharm**;

5 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The **Moroccan** energy minister represents Morocco alongside 23 other countries at the inaugural meeting of the **COP26 Energy Transition Council**, which seeks to promote the global shift to clean energy;

4 Dec 2020 **Rabat (Morocco)** *Morocco World News*. Central bank **Bank Al-Maghrib** shares results of a survey that indicate improvement in the production and sales in all branches of the Moroccan industrial sector during October, as well as in overall orders excepting electrical and electronic industries;

3 Dec 2020 **Washington DC (USA)** *The World Bank*. The **World Bank** announces a \$400m programme to assist with the expansion of Morocco's social welfare system;

3 Dec 2020 **Rabat (Morocco)** *Morocco World News*. Vehicle safety and testing specialists **L'Utac Ceram** of **France** and **FEV Group** of **Germany** announce plans to build Africa's first automotive testing centre in **Oued Zem**;

3 Dec 2020 **Rabat (Morocco)** *Garda World*. **Morocco** extends the nationwide state of emergency until 10 January 2021;

3 Dec 2020 **Madrid (Spain)** *La Vanguardia*. **Iberia** airlines announces the resumption of flights to Morocco, with flights to **Casablanca** three times per week;

3 Dec 2020 **Rabat (Morocco)** *L'Economiste*. The **Casablanca Stock Exchange** launches the Morocco Stock Index 20 "MSI20" to broadcast real-time price performance of the 20 most liquid stocks on the market;

2 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The **United Nations (UN) Food and Agriculture Organization (FAO)** elects Morocco to the Executive Board of the **World Food Programme (WFP)** for a three-year term;

2 Dec 2020 **Rabat (Morocco)** *Morocco World News*. **Japan** signs a loan agreement with Morocco for \$200m to aid in Morocco's response to the **COVID-19** pandemic;

2 Dec 2020 **Rabat (Morocco)** *Morocco World News*. **Royal Air Maroc (RAM)** announces the launch of free **COVID-19** insurance for its passengers, including quarantine and medical expenses in case of infection;

2 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The **World Bank** and the **United Kingdom** sign a joint agreement to provide technical assistance and a loan of MAD 2.6m (\$285.7K) to improve Morocco's education system;

2 Dec 2020 **(France)** *Econostrum*. **French** shipping company **La Mériidionale** launches a shipping line between **Marseille** (France) and the **Tangier Med** port in Morocco, initially with two weekly round trips;

1 Dec 2020 **Rabat (Morocco)** *Morocco World News*. The foreign affairs ministers of **Germany** and **Morocco** conclude negotiations for a financial agreement in which Germany provides €1.38 billion (\$1.68 billion) to aid the advancement of several sectors, including healthcare and renewable energy;

28 Nov 2020 **Rabat (Morocco)** *Morocco World News*. Health minister **Khalid Ait Taleb** announces an increased budget for the health sector in 2021 to support a multi-pronged plan for increased medical capacity;

27 Nov 2020 **Rabat (Morocco)** *North Africa Post*. **Morocco** and **Russia** renew their fisheries cooperation agreement for another four years;

25 Nov 2020 **(Africa)** *Bloomberg*. **Africa Centres for Disease Control and Prevention** and the **African Union** discuss **COVID-19** vaccine trial partnerships with both **China** and **Russia**;

25 Nov 2020 **Rabat (Morocco)** *Morocco World News*. Morocco's agriculture ministry announces the positive performance of 2020-2021 agricultural exports thus far compared to the year prior, including increased volume of citrus exports by 60%, and peppers and chili by 27%;

25 Nov 2020 **Rabat (Morocco)** *Morocco World News*. Morocco's energy ministry shares a draft law which will allow the self-production of electrical energy;

24 Nov 2020 **Rabat (Morocco)** *Morocco World News*. **Haiti's** foreign affairs ministry announces its plans to become the first non-Arab, non-**African** country to establish a consulate to **Dakhla** in Morocco's disputed territory of **Western Sahara**;

20 Nov 2020 **Rabat (Morocco)** *Morocco World News*. **Air Arabia Maroc** announces the 21 December launch of a new flight connection between **Casablanca** and **Guelmim**, a city in southern Morocco known as the "gateway to the Sahara", in a bid to promote tourism to the area;

19 Nov 2020 **Rabat (Morocco)** *North Africa Post*. **Jordan's** King **Abdullah II** announces his plans to establish a consulate to Morocco in **Laayoune, Western Sahara**;

18 Nov 2020 **Rabat (Morocco)** *Morocco World News*. Moroccan health ministry signs

agreements with authorities in the **Fez-Meknes** region, allotting MAD 1.42 billion (\$155.62m) for the construction and upgrade of medical facilities.

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

About ARC Briefing:

ARC Briefing is ARC's essential 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 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

Getting in touch

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

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