

AFRICA RISK CONSULTING

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Morocco Summary 21 October 2019

King Mohammed VI (1999-present) approves prime minister Saad Dine El Othmani's cabinet reshuffle, the second reshuffle in less than two years, which reduces the number of ministers and junior ministers from 41 to 24. Government submits its 2020 Draft Budget to parliament, which shows the fiscal deficit expected to remain unchanged at 3.5% of gross domestic product (GDP) in 2020. Banque Centrale Populaire acquires a 71% stake in Madagascar-headquartered Banque de Madagascar et de l'Océan Indien (BMOI) from France-based Banque Populaire et Caisse d'épargne (BPCE).

"New blood" in the cabinet

King Mohammed VI (1999-present) approved prime minister **Saad Dine El Othmani's** (2017-present) cabinet reshuffle on 9 October, which was the second reshuffle in less than two years and reduced the number of ministers and junior ministers from 41 to 24.¹ The move is intended to support the king's development agenda and clean up a political system that is beset by issues of unaccountability.

The ruling **Parti de la Justice et du Développement (PJD)** and the **Rassemblement National des Indépendants (RNI)** parties kept the key ministries in the reshuffle while the other three parties saw their portfolios reduced, which is likely to increase to spark internal conflicts.² The PJD has seven posts in the new cabinet, while the RNI, led by business tycoon and agriculture minister **Aziz Akhannouch**, will handle four and the **Mouvement Populaire (PM)** party has two.

Importantly, the interior, religious affairs, agriculture, energy, trade and industry and education ministers remained unchanged. The ministers of tourism, housing, youth and culture, employment, justice and health lost their posts.

Morocco's new cabinet ³		
Minister	Ministry	Party
Saadeddine El Othmani (maintained)	Head of Government	PJD
Mustapha Ramid (maintained)	State for Human Rights and Relations with Parliament	PJD
Abdelouafi Laftit (maintained)	Interior	No political affiliation
Nasser Bourita (maintained)	Foreign Affairs and African Cooperation and MRE	No political affiliation
Mohamed Benabdelkader	Justice	USFP

¹ Morocco World News, 9 Oct 2019

² Source, analyst, Morocco

³ Medias24, 9 Oct 2019

(maintained)		
Ahmed Toufiq (maintained)	Habous and Islamic Affairs	No political affiliation
Mohamed El Hajjoui (maintained)	Secretary General of the Government	No political affiliation
Mohamed Benchaaboun (maintained)	Economy, Finance and Administration Reform	NIR
Aziz Akhannouch (maintained)	Agriculture, Maritime Fisheries, Rural Development and Waters and Forests	NIR
Saaïd Amzazi (maintained)	National Education, Vocational Training, Higher Education and Scientific Research	MP
Khalid Ait Taleb (new)	Health	No political affiliation
Moulay Hafid Elalami (maintained)	Industry, Trade and the Green and Digital Economy	NIR
Abdelkader Amara (maintained)	Equipment, Transport, Logistics and Water	PJD
Nezha Bouchareb (new)	Spatial Planning, Urban Planning, Housing and City Policy	MP
Nadia Fettah Alaoui (new)	Tourism, Crafts, Air Transport and Social Economy	NIR
Aziz Rebbah (maintained)	Energy, Mines and Environment	PJD
Mohamed Amakraz (new)	Employment and Occupational Integration	PJD
Hassan Abyaba (new)	Culture, Youth and Sports, Government Spokesman	UC
Jamila El Moussali (maintained)	Solidarity, Social Development, Equality and Family	PJD
Abdellative Loudiyi (maintained)	Deputy, National Defense Administration	No political affiliation
Noureddine Boutayeb (maintained)	Delegate, Interior	No political affiliation
Mohcine Jazouli (maintained)	Delegate, Foreign Affairs	No political affiliation
Nouzha El Ouafi (maintained)	Delegate, Moroccans Residing Abroad	PJD
Driss Ouaouicha (new)	Delegate, Higher Education and Scientific Research	No political affiliation

During a speech in July, King Mohammed VI called for “*new blood*” and a government reshuffle with “*high-level national elites chosen on merit and competence*”, which is part of his new development model agenda to tackle social inequalities and poverty. The king’s demands were reflected in the new cabinet appointees, predominantly technocrats without a clear party affiliation, which illustrates the palace’s political influence. **Moroccan Institute for Policy Analysis** director **Mohamed Masbah** notes:

*"In the constitution, Morocco is a constitutional monarchy, but in reality, it is close to an executive monarchy."*⁴

It is dubious whether the new placements can be effective given that general elections are scheduled for a year from now. Their influence is also tethered by the funding allocated to their ministry in the government budget, which new appointees would not have contributed to.

The **Parti du Progrès et du Socialisme (PPS)**, a member of the governing coalition, withdrew from the coalition and joined the opposition on 1 October ahead of the reshuffle, due to a lack of solidarity among the parties.⁵ The move made the reshuffle easier for the PJD party. The PPS cited a "*democratic deficit*" and "*backtracking*" from a new 2011 constitution under which the king was to devolve more powers to parliament.

Draft budget raises public investment

The government submitted its **2020 Draft Budget** to parliament on 21 October, showing the fiscal deficit expected to remain unchanged at 3.5% of gross domestic product (GDP) in 2020. The budget focuses on achieving the country's medium-term debt-to-GDP goal of 3% while improving social disparities, health and education.⁶ **United States**-based rating agency **S&P Global Ratings** on 7 October upgraded Morocco's economic outlook from negative to stable due to continuing fiscal consolidation.⁷

Public investment is planned to increase to 198 billion Moroccan dirhams (MAD) (\$20.6 billion) in 2020, from MAD 195 billion (\$20.3 billion) this year. The budget increases funding for education and health to MAD 72.4 billion (\$7.5 billion) and MAD 18.6 billion (\$1.9 billion) respectively. Both have been identified as priority spending areas in the draft budget. The budget also allocates MAD 9.6 billion (\$1 billion) to boost the purchasing power of poor people, MAD 18 billion (\$1.9 billion) to reduce social and territorial disparities and MAD 14.6 billion (\$15.2 billion) to subsidies. The cost of subsidies of sugar, semolina and cooking gas will be cut to MAD 13.6 billion (\$1.4 billion) in 2020 from MAD 18 billion (\$1.9 billion) this year. The latest fiscal deficit forecast is based on expected privatisation receipts of MAD 3 billion (\$313m). The deficit in 2020 is also expected to be influenced by the cost of a public wage hike set at MAD 6 billion (\$625m).

The draft budget introduces tax incentives to encourage the declaration of assets and the repatriation of cash in foreign currency, aiding Moroccan banks which have been hit by falling deposits this year and bolstering the tax base in line with the government goal to bolster revenue. Government plans to continue clearing the stock of value added tax (VAT) repayments by releasing MAD 10 billion (\$1 billion) owed to public and private enterprises next year.

Government spokesman **Hassan Abayba** said on 17 October that the economy is expected to grow 3.7% in 2020 from 2.9% this year.⁸ The estimate is based on an average cereals harvest of 7 million tonnes and an oil price at \$67 per barrel. However, the **Bank Al-Maghrib** (central bank) and the **International Monetary Fund** have provided less optimistic growth forecasts of 2.7% this year from 3% in 2018 following a lower cereal yield due to a lack of rainfall.

The economy and finance ministry said on 7 October that the country had a MAD 21.8 billion (\$2.2 billion) budget deficit as of June 2019.⁹ Government said on 2 October that external debt reached \$35.3 billion at the end of June, a 3.4% year-on-year increase.¹⁰

⁴ Mohamed Masbah quoted in Reuters, 9 Oct 2019

⁵ Morocco World News, 1 Oct 2019

⁶ Reuters, 19 Oct 2019

⁷ North Africa Post, 7 Oct 2019

⁸ Reuters, 17 Oct 2019

⁹ Morocco World News, 7 Oct 2019

¹⁰ Aawsat, 2 Oct 2019

BCP finalises three acquisitions in a month

Banque Centrale Populaire (BCP) on 17 October acquired a 71% stake in **Antananarivo (Madagascar)**-headquartered **Banque de Madagascar et de l'Océan Indien (BMOI)** from France-based **Banque Populaire et Caisse d'épargne (BPCE)**.¹¹ BCP has been expanding its presence in the **Indian Ocean** area to benefit from the rapidly increasing trade and investment between **Africa** and **Asia**. It also plans to develop digital services in Madagascar, which has very low bank penetration.

BCP strengthened its footprint in Africa this month with the finalisation of three acquisitions from BPCE. As well as BMOI, it acquired a 100% stake in **Republic of Congo**-based **Banque Commerciale Internationale (BCI)** and a 68.5% stake in **Cameroon**-based **Banque Internationale du Cameroun pour l'Épargne et le Crédit (Bicec)**. Moroccan banks have expanded their operations across the continent and revenues from international ventures are soaring – indicating that investments are more than worth the risk (see *ARC Briefing Morocco September 2019*). BCP is already present in Madagascar via **BCP Mauritius** but the acquisition of BMOI gives a new local scale to the Moroccan group. BMOI was founded in 1989 and is the first private bank in Madagascar and the first bank certified on all its banking production activities.

BCP is also in the process of acquiring **Tunisia**-based **Banque Tuniso-Kowetienne** and its subsidiaries from which BCP is expected to recover 60% of the shares. According to Tunisia-based research firm **Alpha Mena**, negotiations slowed down because of the difficulties to reach an agreement with the state shareholder to 20%.

BCP is the sixth leading banking group on the continent and has now become the only African bank present in **North Africa, West Africa, Eastern Africa** and the Indian Ocean area. It is third behind **Attijariwafa Bank** and **BMCE Bank Of Africa** in the internationalisation of Moroccan banks in Africa. BCP has 6.2 million clients in Morocco and branches in **Europe** and the **Gulf**. It operates in 30 countries including 16 in Africa. BCP reported on 18 September a 5.5% increase in its first-half net profit attributable to shareholders to MAD 1.64 billion (\$170m), citing improved margins.¹² US-based **S&P Global Ratings** gives BCP a BB/B rating with a stable outlook.

Planner

Oct 2019 (**Morocco**) National congress of **Parti Authenticité et Modernité (PAM)**;

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

2019 (**Morocco**) Energy and mining minister will introduce a roadmap for the energy sector;

2021 **Marrakech (Morocco) International Monetary Fund** and **World Bank** annual meetings to take place in Morocco;

2021 (**Morocco**) Scheduled legislative, regional and local elections;

¹¹ Reuters, 17 Oct 2019

¹² Reuters, 18 Sep 2019

Chronology

21 Oct 2019 **Rabat (Morocco)** *Maroc Telecom*. **Maroc Telecom** reports an adjusted third quarter profit of \$170m, up 0.4% compared with the same period last year;

19 Oct 2019 **Rabat (Morocco)** *Reuters*. Government draft budget shows fiscal deficit expected to be unchanged at 3.5% of gross domestic product in 2020;

18 Oct 2019 **Washington (Unites States)** *CNN*. Morocco, the **European Union**, **China**, **India** and several other countries form the **International Platform on Sustainable Finance** to coordinate rules and standards for trillions of dollars of private and public green investment;

17 Oct 2019 **Antananarivo (Madagascar)** *Reuters*. **Banque Centrale Populaire** acquires a 71% stake in **Banque de Madagascar et de l'Océan Indien** from **France**-based **BPCE**;

16 Oct 2019 **Rabat (Morocco)** *Morocco World News*. **King Mohammed VI** pardons journalist **Hajar Raissouni**, who was sentenced to a year in prison last month for extramarital sex and an abortion, along with her fiancé, a doctor and two of his colleagues;

16 Oct 2019 **London (United Kingdom)** *Reuters*. **United Kingdom**-based transport firm **National Express Group** wins a 15-year bus contract in **Casablanca** through its unit **ALSA**, which is expected to make over \$1.11 billion in revenue;

11 Oct 2019 **Rabat (Morocco)** *Morocco World News*. **King Mohammed VI** says banks should make it easier for young entrepreneurs and small- and medium-sized enterprises to access loans;

10 Oct 2019 **Rabat (Morocco)** *Reuters*. **King Mohammed VI** approves prime minister **Saad Dine El Othmani's** new list of ministers for his cabinet;

9 Oct 2019 **London (United Kingdom)** *Amnesty International*. A report by **United Kingdom**-based **Amnesty International** shows hackers have targeted two Moroccan human rights activists since 2017 amid a government crackdown on protests in recent years;

9 Oct 2019 **Rabat (Morocco)** *Morocco World News*. Economy minister **Mohamed Benchaaboun** says the economy will grow 2.9% in 2019, lower than the previously forecast 3.2%;

8 Oct 2019 **Rabat (Morocco)** *Xinhua*. The **Moroccan Tourism Observatory** says 9.3 million tourists visited **Morocco** in the first eight months of 2019, up 6.4% year-on-year;

7 Oct 2019 **Rabat (Morocco)** *Morocco World News*. The economy and finance ministry says that the country has a MAD21.8 billion (\$2.2 billion) budget deficit as of June 2019;

7 Oct 2019 **Rabat (Morocco)** *North Africa Post*. **United States**-based ratings agency **S&P Global Ratings** upgrades **Morocco's** economic outlook from negative to stable due to continuing fiscal consolidation;

7 Oct 2019 **Rabat (Morocco)** *Reuters*. The **Office des Changes** (foreign exchange regulator) says that the trade deficit increased by 2.4% year-on-year to \$14.5 billion in the first eight months of 2019;

2 Oct 2019 **Rabat (Morocco)** *Aawsat*. The government says that external debt reached \$35.3 billion at the end of June, a 3.4% year-on-year increase;

1 Oct 2019 **Rabat (Morocco)** *Morocco World News*. Political party, the **Parti du Progrès et du Socialisme**, leaves the government due to a lack of solidarity among coalition parties;

30 Sep 2019 **Rabat (Morocco)** *Morocco World News*. A **Rabat** court sentences journalist **Hajar Raissouni** to a year in prison for sex outside marriage and having an abortion in a highly controversial case;

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