

AFRICA RISK CONSULTING

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Protesters reject the government's plan for the economic development of Jerada. Protests intensify after authorities arrest four Hirak leaders. Member parties of the ruling coalition sign the "Charte de la Majorité", an agreement to promote cohesion and dialogue as political factions increase campaigning and trigger rumours of anticipated legislative elections. The government actively seeks international support ahead of potential new rounds of talks with the Sahrawi Arab Democratic Republic. The European Court of Justice rules against Morocco over a fishing agreement in Western Saharan waters. Despite an increased trade deficit at the beginning of 2018, recently published studies display a positive economic outlook for Morocco in 2018. Financial statements for 2017 of several major Moroccan companies show positive performance.

Regional economic inequality protests escalate despite government job plans...

Despite the government's publication on 14 February of its ambitious socio-economic development plans for **Jerada Province**, protests have escalated in the region. The plan is in response to the **Hirak** protest movements, on-going since the death of two illegal coal miners in December 2017 (see *ARC Briefing Morocco January and February*).¹ An emergency 2018-2020 plan provides for the creation of 1,000 jobs, with 300 dedicated to the coal mining industry.² The government will prioritise jobs in Jerada's thermal stations for the province's youth with diplomas, and will launch new construction projects to expand the industrial zone, which it expects will generate 1,500 additional jobs.³ The plan also offers miners the possibility of organising themselves in companies or cooperatives in order to commercialise their coal production with the **Office National d'Électricité et des Eaux (ONEE)** (national office of electricity and water) and to sign contracts with ONEE in the coal transport sector and other outsourcing activities.⁴

The plan includes a programme to create 5,000 direct jobs in different sectors, including agriculture, by mobilising 3,000 hectares of land for exploitation in addition to redeveloping current irrigated perimeters. The government has launched 108 projects to reinforce roads, education, health, water and electricity, as well as a programme to reduce territorial disparities, representing 500m Moroccan dirham (MAD) (\$55m), from 2018 to 2023.⁵ The government has pledged financial assistance to water and electricity consumers for the payment of arrears.⁶

However, the plan has not satisfied protesters and the government has started to respond forcefully to the unrest. Protesters organised another demonstration in Jerada on 12 March,

¹ Aujourd'hui, 14 Feb 2018.

² Aujourd'hui, 14 Feb 2018.

³ Aujourd'hui, 14 Feb 2018.

⁴ Aujourd'hui, 14 Feb 2018.

⁵ Aujourd'hui, 14 Feb 2018.

⁶ Aujourd'hui, 14 Feb 2018.

following the arrest of four young **Hirak** movement leaders on 10 and 11 March.⁷ The arrest exacerbated growing tensions and is encouraging the movement to expand the scope of the protests outside of the city.⁸ This has raised fears of a national spill-over similar to protests in the north (**Rif Region**) that followed the death of a fish merchant in October 2016 (see *ARC Briefing Morocco November 2016*) and in the south in October 2017, after agricultural over-exploitation caused water shortages.⁹ A government warning to protesters on 13 March that the interior ministry has the right to ban demonstrations and to respond forcefully to any irresponsible behaviour has heightened the risk of further instability.¹⁰

The discontent in the marginalised regions of the country is expected to continue. The growing economic dynamism of the **Atlantic Tangiers-Rabat-Casablanca** axis only serves to highlight the regional inequalities in a context of high youth unemployment.¹¹

Coalition parties sign charter to reduce growing dissent within ruling coalition...

The five parties of the ruling coalition signed the '*Charte de la Majorité*' (charter of the majority) on 19 February in order to strengthen the government.¹² The general secretaries of the **Rassemblement National des Indépendants (RNI)**, the **Mouvement Populaire (MP)**, the **Parti du Progrès et du Socialisme (PPS)**, the **Union Socialiste des Forces Populaires (USFP)**, as well as the **Parti de la Justice et du Développement (PJD)** signed the document.¹³ The charter is expected to improve relations within the government, which is regularly divided by ideological divergences. The charter was drawn up under the administration of the former prime minister, **Abdelilah Benkirane**, and was meant to be signed during the nomination of the current prime minister, **Saadeddine El Othmani**, in March 2017.¹⁴ However, the initiative failed due to a crisis between Benkirane, the current minister of agriculture, **Aziz Akhannouch**; and **Driss Lachgar**, general secretary of the USFP.¹⁵

The charter establishes the ministers' commitment to coordinate during the elaboration of their policies.¹⁶ It also gives an official character to the meetings of the representatives of the majority coalition, in order to promote discussion and reach consensus.¹⁷ However, party rivalry remains high as the different political factions enter the 2021 legislative election race. Prime minister El Othmani ended rumours about anticipated legislative elections, in a meeting on 11 March of the executive committee for elected officials of his PJD party.¹⁸ The rumours had intensified following the last political and media comments of RNI president **Aziz Akhannouch**, interpreted as a signal of early campaign.¹⁹ Akhannouch accused opponents of the PJD of spreading those rumours as a strategy to oust the RNI from power.

⁷ L'Expression, 13 Mar 2018

⁸ L'Expression, 13 Mar 2018.

⁹ L'Expression, 13 Mar 2018.

¹⁰ TSA, 13 Mar 2018.

¹¹ Le Point, 12 Feb 2018.

¹² Jeune Afrique, 16 Feb 2018.

¹³ Jeune Afrique, 16 Feb 2018.

¹⁴ Jeune Afrique, 16 Feb 2018.

¹⁵ Jeune Afrique, 16 Feb 2018.

¹⁶ Jeune Afrique, 16 Feb 2018.

¹⁷ Jeune Afrique, 16 Feb 2018.

¹⁸ Telquel, 11 Mar 2018.

¹⁹ Telquel, 11 Mar 2018.

Akhannouch presented the RNI's programme on 24 February, ending a year-long regional tour to promote the RNI and showing Akhannouch's ambition for his party in the context of the 2021 legislative elections.²⁰ Akhannouch presented the RNI's model of national development, which King **Mohammed VI** (1999-present) had questioned before parliament on 13 October.²¹ The RNI proposes to increase provision of compulsory education in rural areas and to promote professional training in universities.²² The RNI also promised the creation of two million jobs by 2025 through the promotion of the private sector, the support of the service industry and youth training, and promoting entrepreneurship.²³ Akhannouch highlighted the necessity of re-establishing investors' confidence in Morocco's business climate through continuing the reform of the **Centres Regionaux d' Investissement** (regional investment centres) and by strengthening production and logistics infrastructure.²⁴ He also assured the RNI's promotion of a family health plan system to reduce pressure on hospitals and deliver health services closer to home.²⁵

Diplomatic campaign to rally support ahead of new round of talks ...

Prime minister Saad Eddine El Othmani co-presided on 12 March the seventh session of the high **Qatari** Moroccan commission, leading to the signing of 11 agreements and protocol agreements.²⁶ These concerned multiple sectors, such as agriculture, trade, transport, finance, education, media, youth and craftsmanship.²⁷ The Qatari government reiterated its support for the Moroccan autonomy proposition, ahead of the presentation of the report of **United Nations (UN)** general secretary **Antonio Guterres** on the **Western Sahara**.²⁸ The Qatari delegation congratulated King Mohammed VI for his role in reinforcing the basis of sustainable development in **Africa**.²⁹

A Moroccan delegation went to **Lisbon (Portugal)** on 6 March for discussions with **Horst Kohler**, personal envoy of the UN general secretary for the Western Sahara.³⁰ The foreign affairs ministry described the bilateral meeting as Morocco's constant cooperation with the UN in order to find a definitive political solution to the Saharan problem.³¹ The delegation, headed by foreign affair minister **Nasser Bourita**, also included **Omar Hilale**, permanent representative of Morocco at the UN; **Sidi Hamdi Ould Errachid**, president of the **Laayoune-Sakia El Hamra** region; and **Ynja Khatta**, president of the **Dakhla-Oued Eddahab** region.³² The discussions follow Morocco's active diplomatic campaign to turn the situation to its advantage by positioning itself as willing to cooperate, while the **République arabe sahraouie démocratique (RASD) (Sahrawi Arab Democratic Republic)** has been adopting a more aggressive stance, with the occupation of the demilitarised zone of

²⁰ Telquel, 25 Feb 2018.

²¹ Telquel, 25 Feb 2018.

²² Telquel, 25 Feb 2018.

²³ Telquel, 25 Feb 2018.

²⁴ Telquel, 25 Feb 2018.

²⁵ Telquel, 25 Feb 2018.

²⁶ Telquel, 12 Mar 2018.

²⁷ Telquel, 12 Mar 2018.

²⁸ Telquel, 12 Mar 2018.

²⁹ Telquel, 12 Mar 2018.

³⁰ Menara, 2 Mar 2018.

³¹ Menara, 2 Mar 2018.

³² Menara, 2 Mar 2018.

Guerguerat since 3 January.³³ **Zambian** foreign affairs minister **Joseph Malanji** reaffirmed on 1 March his country's decision in July 2016 to withdraw its recognition of the RASD.³⁴ Malanji said Zambia would support the UN-led political process to resolve the regional issue, but would remain neutral.³⁵ Morocco's relationship with Zambia has improved dramatically since Mohammed VI's visit to **Lusaka** in 2017.

... as ECJ rules against Morocco on fishing agreement

The **European Court of Justice** ruled on 27 February on the fishing agreement between the **European Union** and Morocco, stating that it was not applicable to the waters adjacent to the disputed region of Western Sahara, as it does not respect the right to self-determination.³⁶ A **British** court had brought the matter to the attention of the ECJ in September 2017, following an appeal by the **Western Sahara Campaign (WSC)**³⁷ The high representative of the EU for foreign affairs and vice president of the commission, **Federica Mogherini**, and the Moroccan foreign affairs and international cooperation minister, **Nasser Bourita**, issued a statement reiterating their determination to preserve their cooperation in the fisheries sector.³⁸

Industrial exports drive a positive economic outlook for 2018 ...

The **Office des changes** (exchange office) published official data for January 2018 on 16 February, showing a 4% increase in the trade deficit by the end of January.³⁹ This growth represents MAD15.47 billion (\$1.7 billion) against MAD14.87 billion (\$1.6 billion) during the same period in 2017.⁴⁰ Imports reached MAD35.85 billion (\$3.9 billion), growing by 3.6% while exports grew by 3.2%, reaching MAD20.38 billion (\$2.2 billion), making the coverage rate of imports by exports 56.8% in January 2018, against 57% in 2017.⁴¹ Food products grew by 31.8% and energy products by 7% while crude products imports dropped by 2.9%.⁴² The aeronautic sector led with 14.8% growth in exports, followed by phosphates and derived products at 13.9%, pharmaceuticals by 3% and textiles and leather at 1.3%.⁴³ Foreign direct investments grew by more than 25% at the end of January at MAD1.88 billion (\$205m), compared to MAD1.5 billion (\$164m) in January 2017.⁴⁴ Remittances increased by 21.1%, representing MAD5.7 billion (\$622m).⁴⁵

Despite the growing trade deficit beginning of 2018, the **Oxford Business Group (OBG)** report for Morocco, published on 1 March, highlights positive economic growth, driven by industrial sector growth estimated at 14% - 23%, by 2020.⁴⁶ The study shows that the automotive and aeronautic sectors, as well as mining and agro-industrial activities, should post a positive performance, partly due to low labour costs, as well as the country's strategic

³³ Turkey Telegraph, 6 Jan 2018.

³⁴ Menara, 1 Mar 2018.

³⁵ Menara, 1 Mar 2018.

³⁶ Jeune Afrique, 27 Feb 2018.

³⁷ Jeune Afrique, 27 Feb 2018.

³⁸ Jeune Afrique, 27 Feb 2018.

³⁹ Les Eco, 16 Feb 2018.

⁴⁰ Les Eco, 16 Feb 2018.

⁴¹ Les Eco, 16 Feb 2018.

⁴² Les Eco, 16 Feb 2018.

⁴³ Les Eco, 16 Feb 2018.

⁴⁴ Les Eco, 16 Feb 2018.

⁴⁵ Les Eco, 16 Feb 2018.

⁴⁶ Le 360, 3 Mar 2018,

location close to Europe, making it an ideal foreign investment destination.⁴⁷ The OBG underlined that agriculture remains a key pillar of Morocco's economy, employing close to half the active population and contributing to 15% of its GDP.⁴⁸ The OBG projects GDP growth to reach 3% in 2018, and maintains that the launch of different industrial ecosystems and **Zones économiques spéciales (ZES)** (special economic zones) promoted diversification and regionalised investment, increasing foreign direct investment for the first time in two years.⁴⁹

The strong performance of energy production in 2017 is also likely to attract more investment in the sector in 2018 through growing investor confidence. The **Direction des Etudes et des Prévisions Financières (DEPF)** (board of financial studies and forecasts), shared on 21 February the results of national energy production in 2017.⁵⁰ The study shows that national production of electrical energy grew by 3.4% end of 2017, compared to 3.1% in 2016.⁵¹ The growth was driven by a steady production from the ONEE at 3.4% and from the private sector growing at 2.4%.⁵² Added to a growth of the volume of electrical energy imports at 14.5 %, net electricity registered 5.1% growth in 2017, against 2.9% in 2016.⁵³ Electrical energy consumption grew faster at 4.5% in 2017 than in 2016 at 1.9%, representing its strongest performance during the past five years.⁵⁴ This is attributed to the strengthening of sales of very high, high and medium tension energy increasing by 5% against 1.2% in 2016.⁵⁵

... as Moroccan companies in key sectors share solid 2017 performance

Several Moroccan companies have published financial statements for the 2017 financial year showing positive performance. Morocco-based **Attijariwafa Bank** published its results for 2017 on 26 February. The growth of the group's consolidated net results was driven by the organic growth of all sectors' activities and by the consolidation of the bank's presence in **Egypt**.⁵⁶ The activities of the bank in **Morocco, Europe and offshore Tangiers (BMET)** registered 14.7% growth, while the specialised financing companies grew by 1.3% and the international retail banking grew by 45.2%.⁵⁷ Net consolidated results for the Attijariwafa Bank group reached MAD6.6 billion (\$716m) in 2017, representing a 16.5% increase compared to 2016.⁵⁸ The net banking income amounted to MAD21.6 billion (\$2.3 billion), growing by 10% and the gross operating income reached MAD11.7 billion (\$1.3 billion), posting 10.8% growth.⁵⁹ The group's robust financial results were supported by an increase of MAD3.4 billion (\$369m) in shareholders' equity, reaching MAD50.8 billion (\$5.5 billion), posting a 7.2% growth against the previous year. In total the group registered a 10.9% growth to attain MAD475.7 billion (\$51.6 billion).⁶⁰

⁴⁷ Le 360, 3 Mar 2018,

⁴⁸ Le 360, 3 Mar 2018,

⁴⁹ Le 360, 3 Mar 2018,

⁵⁰ Aujourd'hui, 22 Feb 2018.

⁵¹ Aujourd'hui, 22 Feb 2018.

⁵² Aujourd'hui, 22 Feb 2018.

⁵³ Aujourd'hui, 22 Feb 2018.

⁵⁴ Aujourd'hui, 22 Feb 2018.

⁵⁵ Aujourd'hui, 22 Feb 2018.

⁵⁶ Le Matin, 26 Feb 2018

⁵⁷ Le Matin, 26 Feb 2018

⁵⁸ Le Matin, 26 Feb 2018

⁵⁹ Le Matin, 26 Feb 2018

⁶⁰ Le Matin, 26 Feb 2018

Taqa Morocco, the first private electricity producer in Morocco, presented its results for 2017 on 8 March.⁶¹ It attributes its good performance to six efficient production units, four of which show availability rates reaching 93.2%.⁶² During 2017, operating income remained stable at MAD2.57 billion (\$279.3m), thanks to optimisation effort of exploitation charges and to the evolution of international coal prices, although this effect was neutralised by the drop of the dollar against the Moroccan dirham.⁶³ The company will distribute a dividend of MAD40 (\$ 4.3) per share, representing 8% growth, and a share performance of 4%.⁶⁴ With 15,407 GWh capacity in the electric network in 2017, Taqa Morocco ensures 50% of the national production and responds to 42% of the demand, which grew by 4.5% in the past year.⁶⁵ However, with the opening of the ONEE's electric central in **Safi**, Taqa is expected to see its market share reduce.⁶⁶

Maroc Telecom announced its consolidated results for 2017 on 19 February, showing growth of 4.4% compared to the previous year and reaching MAD5.87 billion (\$641m).⁶⁷ Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 1.5% to reach MAD17.16 billion (\$1.9 billion), while revenues amounted to MAD34.96 billion (\$3.8 billion), decreasing by 0.8%.⁶⁸ The group was able to widen its customer base by adding approximately 57 million new customers, and investments reached 23% of the group's revenue.⁶⁹ CEO **Abdeslam Ahizoune** attributed the good performance to its ability to anticipate market evolution, as well as an efficient investment policy for its African subsidiaries and its focus on research and development.⁷⁰

⁶¹ L'Economiste, 9 Mar 2018.

⁶² L'Economiste, 9 Mar 2018.

⁶³ L'Economiste, 9 Mar 2018.

⁶⁴ L'Economiste, 9 Mar 2018.

⁶⁵ L'Economiste, 9 Mar 2018.

⁶⁶ L'Economiste, 9 Mar 2018.

⁶⁷ Challenge, 19 Feb 2018.

⁶⁸ Challenge, 19 Feb 2018.

⁶⁹ Challenge, 19 Feb 2018.

⁷⁰ Challenge, 19 Feb 2018.

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

13 Mar 2018, **(Morocco) TSA**: The government warns protesters, threatening to forbid a demonstration and respond forcefully to any provocation;

12 Mar 2018, **(Morocco) L'Expression**: The **Hirak** movement organises a march following the arrest of four of its leaders and announces its ambition to expand the movement outside of the city;

12 Mar 2018, **(Morocco) Telquel**: Prime minister **Saad Eddine El Othmani** co-presides the seventh session of the high **Qatari** Moroccan commission;

11 Mar 2018, **(Morocco) Telquel**: Prime minister El Othmani ends on-going rumours about anticipated legislative elections;

1 Mar 2018, **(Morocco) Le 360**: **Oxford Business Group (OBG)** publishes its Morocco report for 2018, highlighting positive economic growth driven by the industrial sector, estimated at 14% - 23% by 2020.

27 Feb 2018, **(Morocco) Jeune Afrique**: The **European Court of Justice** rules that the fishing agreement between the **European Union** and Morocco is not applicable to the waters adjacent to the disputed region of **Western Sahara**;

21 Feb 2018, **(Morocco) Aujourd'hui**: **The Direction des Etudes et des Prévisions Financières (DEPF)** (board of financial studies and forecast) 2017 national energy production results show that national electrical energy production grew by 3.4% end of 2017;

19 Feb 2018, **(Morocco) Jeune Afrique**: Ruling coalition parties **Rassemblement National des Indépendants (RNI)**, **Mouvement Populaire (MP)**, **Parti du Progrès et du Socialisme (PPS)**, **Union Socialiste des forces populaires (USFP)**, and the **Parti de la Justice et du Développement (PJD)** sign 'Charte de la Majorité';

16 Feb 2018, **(Morocco) Les Eco**: L'**Office des changes** (exchange office) publishes January 2018 data showing trade deficit increased by 4%;

14 Feb 2018, **(Morocco) Aujourd'hui**: The government publishes an economic development plan **Jerada** in response to on going protests by the **Hirak** movement;

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