

AFRICA RISK CONSULTING

Morocco Monthly Briefing November 2019

Morocco Summary 22 November 2019

The World Bank ranks Morocco 53rd out of 190 countries worldwide in its Doing Business report for 2020, which is a seven-place improvement on last year's ranking and thus solidifies the country's position as a portal for investors to African markets. King Mohammed VI (1999-present) appoints former interior minister and ambassador to France, Chakib Benmoussa, as head of a special committee in charge of social development, signifying that the king's new development model may not be an empty promise. The defence ministry's budget is set to increase by 29% to \$4.71 billion in 2020, as government seeks to develop its national military industry.

Improvement in Doing Business ranking

The **World Bank** has ranked **Morocco** 53rd out of 190 countries worldwide in its **Doing Business** report for 2020, which is a seven-place improvement on last year's ranking.¹ The Moroccan government has adopted tax cuts, business reforms and other measures through the national committee on the business environment. These, coupled with the relative stability of the country, make it a leading investment destination in the **North Africa and Middle East (MENA)** region and a portal to **African** markets.²

Morocco ranked third out of 54 in Africa and third out of 20 countries in the MENA region.³ On the African continent, Morocco maintained its third spot behind **Mauritius** (13th) and **Rwanda** (38th) and ahead of **Kenya** (56th), **South Africa** (84th), **Senegal** (123rd) and **Nigeria** (131st). This high-ranking position makes Morocco a favoured destination for potential investors in Africa, which is continuing to receive a high level of interest as an investment destination. The 2019 **Africa Investment Forum** in **Johannesburg (South Africa)** on 11-13 November, secured investment interests for deals valued at \$67 billion, up from \$38.7 billion in 2018, its inaugural year.⁴

The Doing Business 2019 report mentions several measures the Moroccan government has implemented to improve the ease of doing business:⁵

- *Tax reductions:* Corporate income tax reductions in specific sectors, including the automotive and aeronautics sectors;
- *Trading across borders:* Introduction of e-payments of port fees, streamlining paperless customs clearance and extending port hours of operation;
- *Obtaining construction permits:* Improvements to the online platform and streamlining the process;
- *Access to electricity:* Generalising online applications for new connections and expanding the use of prebuilt transformers.

¹ World Bank's Doing Business Report 2020, Oct 2019

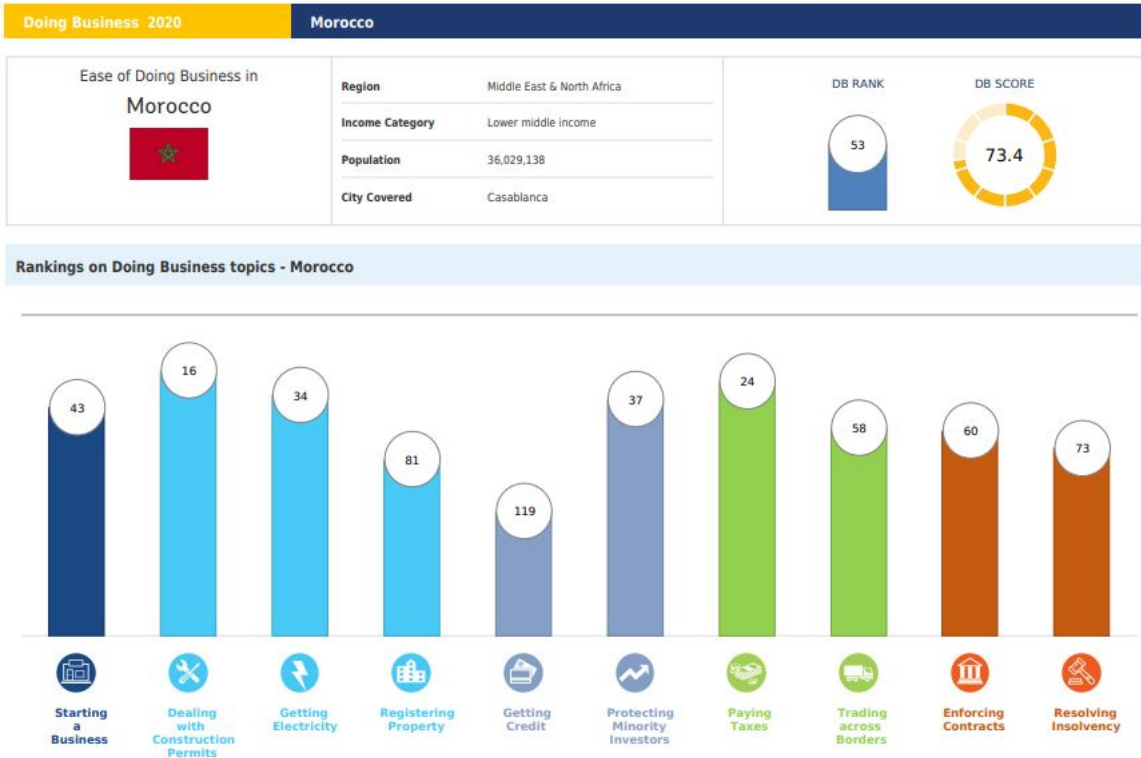
² ARC's Morocco analyst

³ World Bank's Doing Business Report 2020, Oct 2019

⁴ IPS, 18 Nov 2019

⁵ World Bank's Doing Business Report 2020, Oct 2019

Morocco performed particularly well in *dealing with construction permits*, where it ranked 16th globally, *paying taxes*, ranking 24th, and *getting electricity*, ranking 34th; Morocco performed its worst in *getting credit*, ranking 119th, and *resolving insolvency*, ranking 73rd (see below).



Source: World Bank's Doing Business Report 2020, 24 Oct 2019

The Doing Business rankings are an annual barometer that uses a variety of indicators to assess the business environments of World Bank member states. These indicators include starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

However, it is worth noting that Morocco's **Office des Changes** (Foreign Exchange Office) said on 4 November that FDI declined by 32% year-on-year to a total of \$1.4 billion between January and September.⁶ The Office des Changes said this was because of a 16% increase in FDI expenditures and a 4.7% decrease in revenues. Most FDI in Morocco is from the **European Union**, which is going through an economic slowdown.

A new development model – more than an empty promise?

King Mohammed VI (1999-present) on 19 November appointed former interior minister and ambassador to **France, Chakib Benmoussa**, as head of a special committee in charge of Morocco's new development model.⁷ Benmoussa will be responsible for tackling Morocco's high level of social inequality and poverty. Analysts were sceptical that King Mohammed VI's development model would be implemented after it was announced on **Throne Day**, 30 July, but the appointment of Benmoussa signifies that the king is following through on his promises.⁸ The creation of the special committee is widely seen as a strategy by the king to improve his and his country's reputation with Western governments to pull in more foreign investment.⁹

⁶ Morocco World News, 5 Nov 2019

⁷ Asharq Al-awsat, 19 Nov 2019

⁸ Source, analyst, West Africa

⁹ Source, analyst, United Kingdom

King Mohammed VI announced plans to create the new government committee on 29 July, saying it would be tasked to form a new development model to tackle social inequalities by the end of the year (see *ARC Briefing Morocco August 2019*).¹⁰ The announcement came amid a government reshuffle to improve the country's development strategy. The committee will serve as an advisory body to make suggestions to improve reforms in fields such as education, health, agriculture, investment and taxation. The establishment of the committee is an acknowledgement that infrastructure achievements of recent years, such as highways, high-speed railways, ports, renewable energy and urban development, have not been felt by all sectors of society.

Benmoussa, born in 1958, was ambassador to France between 2012 and 2019, and was previously head of the social-economic and environmental council, between 2011 and 2012.¹¹ He was the interior minister between 2006 and 2010 and the deputy secretary-general of the ministry of interior between 2002 and 2006. Benmoussa graduated as an engineer from the **Ecole Polytechnique of Paris** (France) in 1969 and received a master's degree in science from the **Massachusetts Institute of Technology (US)** in 1983, as well as a postgraduate diploma in project management from the **Institute of Construction Management** (Morocco) three years later.

Morocco ranks 123rd in the **United Nations Human Development Index**, as rural areas lag in access to education and health services.¹² A World Bank publication in April 2018 said that although Morocco has experienced an improvement in its standard of living and a combined decline in poverty and vulnerability between 2001 and 2014, subjective poverty remains at a high level, especially in rural areas.¹³

Morocco's protests during the **Arab Spring** led to a constitutional referendum in 2011, which caused the monarchy to delegate some of its powers to an elected government. The king retained overall authority as head of state, chief of the military and the country's top **Islamic** authority, as well as tight control over key sectors of the economy.

Military expansion continues

Morocco's defence ministry is set to increase its budget by 29%, to \$4.71 billion, in 2020.¹⁴ Morocco has built up its military capabilities over the past decade and is planning a shift toward military industrialisation to develop its defence industry. The move is part of Morocco's five-year plan, established in 2017, to reach "*regional supremacy*" through modernising the military equipment of its army, air force and navy.

Minister delegate for national defence **Abdellatif Loudiyi** has said that Morocco is seeking to develop its military equipment manufacturing and maintenance capabilities. A report by the committee of foreign affairs and national defence says Morocco wants its arms suppliers to share their manufacturing technology and know-how in the field of military equipment with the **Forces Armées Royales (FAR) (Royal Moroccan Armed Forces)**. Morocco has started manufacturing ammunition and has also set up several military equipment maintenance sites.¹⁵

Morocco is currently the second largest arms exporter and seventh largest military power in Africa behind **Algeria**.¹⁶ Algeria is the fifth largest exporter of arms in the world, spending nearly three times Morocco's annual defence budget for the military every year.¹⁷

The Moroccan government in August 2018 passed a law reinstating compulsory military service for men and women aged 19-25 in an attempt to further social cohesion and tackle high youth

¹⁰ Al Jazeera, 30 Jul 2019

¹¹ Asharq Al-awsat, 19 Nov 2019

¹² 'Morocco' United Nation Human Development Index 2019

¹³ 'Poverty in Morocco', World Bank, 9 Apr 2018

¹⁴ Morocco World News, 18 Nov 2019

¹⁵ Al Ahdath Al Maghribia, 20 Nov 2019

¹⁶ Military Strength Ranking, Global Fire Power, SIPRI, 2019

¹⁷ Trends in World Military Expenditure, 2018

unemployment (see *ARC Briefing Morocco September 2018*). Over 133,000 Moroccans enlisted, including over 13,000 female candidates. Only 15,000 (1,100 female) made it to the final list.

The **United States (US) Department of Commerce** on 21 November greenlighted a possible sale to Morocco of **Boeing**-manufactured **AH-64E Apache** attack helicopters worth an estimated \$4.25 billion.¹⁸ The US revealed in July that the Moroccan government had put in a bid to purchase the helicopters (see *ARC Briefing Morocco August 2019*).¹⁹ Morocco and the US have close security and military-to-military ties, and Morocco is the largest US weapons buyer in Africa.²⁰ The US has given Morocco "*major non-North Atlantic Treaty Organization (NATO) ally status*", which qualifies Morocco for increased US military cooperation.

Planner

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

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

Chronology

20 Nov 2019 **Washington (US) Defense News. US State Department** greenlights a possible sale to **Morocco** of **Boeing**-manufactured **AH-64E Apache** attack helicopters worth an estimated \$4.25 billion;

19 Nov 2019 **Rabat (Morocco) Asharq Al-awsat. King Mohammed VI** appoints former interior minister and ambassador to **France, Chakib Benmoussa**, as head of a committee to tackle social inequality and poverty;

8 Nov 2019 **Rabat (Morocco) Reuters. Attijariwafa Bank** agrees with **Chinese** state-owned **Export-Import Bank of China** to set up a \$5 billion fund to promote **African** exports to China and industrial zones on the continent;

5 Nov 2019 **Casablanca (Morocco) Asharq Al-awsat.** Foreign exchange regulator says the trade deficit increased to \$16.25 billion at the end of September, up 2.4% from the same period last year;

4 Nov 2019 **Rabat (Morocco) Morocco World News. Moroccan Exchange Office** says inward FDI reached MAD 13.35 billion (\$1.39 billion) in the first nine months of 2019, which is a 32% decline from the year before;

24 Oct 2019 **Rabat (Morocco) Morocco World News. Russian** state-controlled bank, **VEB**, plans to loan \$2.2 billion to local energy company, **Mya Energy**, to build a refinery;

23 Oct 2019 **Essaouira (Morocco) Morocco World News.** The energy ministry and local officials inaugurate the first 'solar city', with energy produced entirely from 32 solar PV panel and which is autonomous from the national grid;

23 Oct 2019 **Rabat (Morocco) Reuters. Russian** state-owned development bank, **Vnesheconombank**, signs a deal to build a \$2.2 billion oil refinery in **Morocco**;

22 Oct 2019 **Rabat (Morocco) Reuters.** Finance minister **Mohamed Benchaaboun** says **Morocco** will issue a \$1 billion international bond in November;

21 Oct 2019 **Rabat (Morocco) Morocco World News.** The defence ministry announces that its budget is set to increase by 29%, to \$4.71 billion, in 2020;

¹⁸ Defense News, 21 Nov 2019

¹⁹ DefenceWeb, 2 Aug 2019

²⁰ 'Trends in World Military Expenditure 2018', SIPRI Military Expenditure Database, Apr 2019

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.

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

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