

## AFRICA RISK CONSULTING

## Morocco Monthly Briefing September 2023

## Morocco Summary 20 September 2023

*A 6.8 magnitude earthquake strikes the High Atlas Mountains on 8 September, killing at least 2,400 people and impacting 300,000 others. King Mohammed VI (1999-present) on 14 September instructs his government to raise funds and open the door to more foreign aid to help Morocco with recovery and reconstruction efforts. The reconstruction is expected to disrupt the government's efforts to improve its financial standing. The International Monetary Fund (IMF) managing director Kristalina Georgieva says on 15 September that the global lender has reached a staff-level agreement with Morocco to provide a significant \$1.3 billion loan. The loan is aimed at strengthening Morocco's resilience to climate-related natural disasters. The IMF and World Bank also announce on 18 September that their annual meeting in Marrakech will go ahead as planned in October. The Algerian presidency confirms on 9 September that Algeria will open its airspace to aid and medical flights in the aftermath of the devastating earthquake.*

## Morocco seeks funds to aid quake survivors...

A 6.8 magnitude earthquake on 8 September struck the **High Atlas Mountains**, close to the tourism hotspot of **Marrakech**, killing at least 2,800 people and impacting 300,000.<sup>1</sup> An official from the global humanitarian movement **International Red Cross and Red Crescent Movement** warned on 9 September that the response to the earthquake could take “*months if not years.*”<sup>2</sup> In response to the devastating impacts of the earthquake, King **Mohammed VI** (1999-present) on 14 September instructed his government to raise funds and opened the door to more foreign aid to help the country with recovery and reconstruction efforts.<sup>3</sup> In his speech, King Mohammed promised that no survivor of the earthquake in Morocco would remain homeless.

The funds, which will be used to strengthen infrastructure and improve public services in the areas impacted by the natural disaster, will be deposited into a special fund established at the King's instructions on 11 September to coordinate solidarity initiatives.<sup>4</sup> **Bank al-Maghrib** (central bank) and one of Morocco's biggest conglomerates, **Al Mada**, which is controlled by the royal family, also pledged to donate approximately 1 billion dirhams (\$100m) each to the special fund for managing the effects of the earthquake.<sup>5</sup> The royal cabinet, which the monarch chaired for a special meeting on 14 September, also said that the government will collect donations from private businesses, citizens and “*brotherly and friendly countries*” that wish to contribute.<sup>6</sup> The cabinet also announced that all ministers and high-ranking officials in government will contribute one month of their salaries while top-tier public sector workers will donate three days' worth of their pay.<sup>7</sup>

While the cabinet has not provided an estimate of the costs from the earthquake, it has said that reconstruction will involve rebuilding or repairing at least 50,000 homes mostly spread across mountainous regions, with contributions from the government ranging between 80,000 dirhams (\$7,800) and 140,000 dirhams (\$13,629) per household.<sup>8</sup> The cabinet also said that each resident in

<sup>1</sup> Al Jazeera, 9 Sep 2023; NPR, 19 Sep 2023

<sup>2</sup> International Red Cross, 9 Sep 2023

<sup>3</sup> Bloomberg, 15 Sep 2023

<sup>4</sup> North Africa Post, 15 Sep 2023

<sup>5</sup> North Africa Post, 15 Sep 2023

<sup>6</sup> North Africa Post, 15 Sep 2023

<sup>7</sup> Bloomberg, 15 Sep 2023

<sup>8</sup> North Africa Post, 15 Sep 2023; Bloomberg, 15 Sep 2023

the earthquake-stricken regions is also set to receive an additional “urgent” financial aid of 30,000 dirhams (\$2,920).<sup>9</sup> The former Bank al-Maghrib monetary policy and research director **Abdelouahed El-Jai** has said that the reconstruction may cost between 30 billion (\$2.9 billion) to 50 billion dirhams (\$4.8 billion) to be spread out over five to eight years.<sup>10</sup> The local publication **Medias24** also estimated that financial aid to benefit households in Morocco would cost between five to seven billion dirhams (between \$490m and \$680m).<sup>11</sup> Ultimately Morocco is expected to suffer some moderate to severe economic consequences in the short to medium term due to the impact of the earthquake (see below).

### ... while taking stock of economic and social impacts

Authorities are reckoning with the economic and social impacts of the earthquake, which was the strongest to hit the country in 120 years and the deadliest since 1960.<sup>12</sup> There are particular concerns about how the local tourism sector will be impacted by the disaster. Morocco received approximately 10.9 million tourists last year and the sector has become a vital driver of the country’s \$140 billion economy together with agriculture and trade with the **European Union (EU)**.<sup>13</sup> The three sectors have helped Morocco bolster its credit rating, with US-headquartered **Standard & Poor’s (S&P)** assigning Morocco a BB+ rating with a stable outlook, a step below investment grade and one of the highest levels in Africa.<sup>14</sup>

While in the short term, it is likely that Morocco’s tourism sector will take a hit, the country’s size and diversity of attractions are expected to provide an economic cushion.<sup>15</sup> Major European airlines were still flying into Marrakech in the days following the earthquake. In a recent similar example, **Turkey** was impacted by a catastrophic earthquake in its eastern provinces in February but has mostly rebounded with surging summer tourist arrivals to the major city of **Istanbul** and the country’s **Mediterranean** coast.<sup>16</sup> Morocco’s tourism sector is expected to follow a similar trajectory. It also appears that most of Morocco’s critical infrastructure was largely spared by the disaster, which is a major boost for the country.<sup>17</sup>

Local think tank **MIPA Institute**’s head of research **Rachid Aourraz** forecast on 10 September that the disaster will probably not “*impact Morocco’s economy as a whole*” but will have an impact on the local economies of villages near Marrakech that live off tourism revenue as well as the city itself.<sup>18</sup> In the short to medium term, it is expected that any large-scale reconstruction in the disaster-hit areas will pile additional pressure on Morocco’s economy which for the last two years has been struggling with a historic drought. The reconstruction is also expected to disrupt the government’s efforts to improve its finances given that major funds will have to be diverted to disaster relief and reconstruction.<sup>19</sup> However, international aid will most likely help blunt the fiscal impact.<sup>20</sup> Before the earthquake, Morocco’s economy was on track to continue its recovery from **Covid-19** with the government targeting 3.4% economic growth this year in addition to plans to trim the budget deficit from 4.5% of gross domestic product (GDP) to 4% in 2024.<sup>21</sup> Those plans will most likely be disrupted by the earthquake, however, the government has yet to release updated financial figures.

<sup>9</sup> North Africa Post, 15 Sep 2023; Bloomberg, 15 Sep 2023

<sup>10</sup> Bloomberg, 15 Sep 2023

<sup>11</sup> Bloomberg, 15 Sep 2023

<sup>12</sup> Bloomberg, 10 Sep 2023

<sup>13</sup> Bloomberg, 10 Sep 2023

<sup>14</sup> Morocco World News, 31 Mar 2023

<sup>15</sup> Bloomberg, 10 Sep 2023

<sup>16</sup> Moneyweb, 11 Sep 2023

<sup>17</sup> Moneyweb, 11 Sep 2023

<sup>18</sup> Bloomberg, 10 Sep 2023

<sup>19</sup> Moneyweb, 11 Sep 2023

<sup>20</sup> Moneyweb, 11 Sep 2023

<sup>21</sup> Bloomberg, 10 Sep 2023

## IMF to disburse \$1.3 million to Morocco

The **International Monetary Fund (IMF)** managing director **Kristalina Georgieva** said on 15 September that the global lender had reached a staff-level agreement with Morocco to provide a significant \$1.3 billion loan to the North African country.<sup>22</sup> The loan from the IMF's new **Resilience and Sustainability Trust** is directed at strengthening Morocco's resilience to climate-related natural disasters, particularly in the aftermath of the 8 September earthquake.<sup>23</sup> The earthquake was shortly followed by a massive storm on 11 September in Libya, leaving close to 4,000 dead. These events highlight the **World Bank's** warning that **Middle East and North Africa (MENA)** countries are becoming increasingly vulnerable to natural hazards such as droughts, floods and earthquakes.

Georgieva's announcement came amidst increasing speculation on whether the annual meetings of the **World Bank** and the IMF would take place in Marrakech as scheduled for 9 to 15 October.<sup>24</sup> Marrakech, 45 miles (72 km) from the earthquake's epicentre, suffered some damage to its ancient **Medina** quarter, but Georgieva stressed that "*Moroccan authorities are fully committed to the meetings*".<sup>25</sup> The IMF and World Bank on 18 September announced that an assessment concluded that the meetings would not disrupt any reconstruction and relief and would be held as planned, providing an opportunity for the international community to express solidarity with Morocco.<sup>26</sup>

Georgieva had mentioned on 15 September that she held discussions with Moroccan prime minister **Aziz Akhannouch** where she stressed that the IMF "*don't want to be a burden*" to the country with an international gathering amidst its recovery efforts.<sup>27</sup> However, Akhannouch stressed the importance of the IMF and World Bank meetings for Morocco's hospitality sector, emphasising that if the meetings were not held it would have a "*quite devastating*" impact on the economy. Between 10,000 to 15,000 people are expected to arrive in Marrakech for the meetings, providing a vital source of revenue to the city and surrounding areas.<sup>28</sup> Georgieva noted that she agreed to find ways to simplify the meetings should they proceed in Marrakech, including reducing their length and scaling back attendance.<sup>29</sup> This will allow Morocco to focus on recovery while concurrently economically benefitting from hosting the prestigious event.

This will be the first annual meeting held by the two global lenders on the African continent since 1973.<sup>30</sup> A local source told **Africa Risk Consulting and Briefing (ARC Briefing)** that going ahead with the meetings indicates the two global lenders' "*trust*" in Morocco's ability to handle the event despite its recovery efforts:

*"It's a huge benefit to have the world's two largest lenders in Morocco at a time when the country is most in need of aid and funding".<sup>31</sup>*

## Algeria reopens airspace to Morocco...

The Algerian presidency confirmed on 9 September that Algeria will open its airspace to aid and medical flights in the aftermath of the 8 September earthquake.<sup>32</sup> The major decision to reopen its airspace comes two years after Algeria took the unilateral decision in September 2021 to suspend ties with Morocco.<sup>33</sup> The statement from the presidency said that the country is also prepared to provide

<sup>22</sup> Reuters, 15 Sep 2023

<sup>23</sup> Reuters, 15 Sep 2023; Morocco World News, 17 Sep 2023

<sup>24</sup> Reuters, 15 Sep 2023; Morocco World News, 17 Sep 2023

<sup>25</sup> Morocco World News, 17 Sep 2023

<sup>26</sup> World Bank, 18 Sep 2023

<sup>27</sup> Reuters, 15 Sep 2023; Morocco World News, 17 Sep 2023

<sup>28</sup> Reuters, 15 Sep 2023; Morocco World News, 17 Sep 2023

<sup>29</sup> Reuters, 15 Sep 2023

<sup>30</sup> Bloomberg, 18 Sep 2023

<sup>31</sup> ARC Source, Local Resident

<sup>32</sup> Le Monde, 9 Sep 2023

<sup>33</sup> Simply Flying, 10 Sep 2023

humanitarian aid and mobilise material and human resources if Morocco requests such help.<sup>34</sup> In a statement published earlier that day, the foreign ministry also offered the country's "sincere condolences to the brotherly Moroccan people for the victims of the earthquake".<sup>35</sup>

The dramatic change in position comes after a major border incident between the two countries. The Algerian coastguard on 1 September shot and killed two Moroccan tourists on jet skis who had strayed across the maritime border between the two countries.<sup>36</sup> Algerian authorities said on 3 September that its security authorities had opened fire on a group on a group of jet skiers who ignored warning thoughts and refused to comply with orders to stop.<sup>37</sup> Dozens of Moroccans demonstrated outside the parliament in Rabat to denounce "the crime committed by the Algerian state" and **Ligue Marocaine pour la Citoyenneté et les Droits Humains (LMCDH)** (Moroccan league for citizenship and human rights) member **Hicham Mellioui** at the rally in **Rabat** on 4 September called for Morocco's government to "take a very firm stance in the face of these crimes".<sup>38</sup> Another LMCDH member **Thami Belmaalam** said that Moroccan and international associations will be filing applications with the international courts on 6 September.<sup>39</sup>

The incident came weeks after King Mohammed called for renewed efforts in reaching a diplomatic settlement to restore relations and reopen borders between the two countries.<sup>40</sup> The reopening of borders for reopening for humanitarian reasons could be a step toward a warming of relations but it is yet to be seen whether it will be a permanent move.

### Planner

Sep 2023 **Rabat (Morocco)** Negev Summit

Oct 2023 **Marrakech (Morocco)** Annual meetings of the **World Bank** and the **International Monetary Fund**

### Chronology

18 Sep 2023 **Rabat (Morocco)** *Bloomberg*. **United States (US)** President **Joseph Biden** holds a phone call with King **Mohammed VI** to express his condolences for the tragic loss of life and devastation caused by the 8 September earthquake;

13 Sep 2023 **Rabat (Morocco)** *Morocco World News*. Moroccans lash out at **French** President **Emmanuel Macron** for appearing to subtly suggest that Morocco needs French help to efficiently tackle the tragic aftermath of last week's earthquake;

13 Sep 2023 **Paris (France)** *Bloomberg*. President **Emmanuel Macron** releases a video in which he criticises "controversies that shouldn't exist" between **Morocco** and France and repeats that his government is ready to send help. Macron didn't elaborate, but is seemingly referring to Morocco's lack of response to proposed aid from France following last week's earthquake;

12 Sep 2023 **Marrakech (Morocco)** *France24*. King **Mohammed VI** visits earthquake victims in Marrakech;

11 Sep 2023 **Rabat (Morocco)** *Bloomberg*. Morocco begins allowing teams from **Spain**, the **United Kingdom (UK)**, **Qatar** and the **United Arab Emirates (UAE)** to assist in earthquake rescue efforts, as public anger grows over the domestic response to the earthquake;

<sup>34</sup> Algerian Presidency, 9 Sep 2023

<sup>35</sup> Le Monde, 9 Sep 2023

<sup>36</sup> World Politics Review, 5 Sep 2023

<sup>37</sup> Africa News, 5 Sep 2023

<sup>38</sup> Africa News, 5 Sep 2023

<sup>39</sup> Africa News, 5 Sep 2023

<sup>40</sup> World Politics Review, 5 Sep 2023

8 Sep 2023 **Rabat (Morocco)** *AP News*. Foreign affairs minister **Nasser Bourita** receives the **United Nations (UN)** envoy for the **Western Sahara**, **Staffan de Mistura**, in Rabat;

7 Sep 2023 **Rabat (Morocco)** *Morocco World News*. **United States (US)** deputy assistant secretary for **North Africa**, **Joshua Harris**, affirms US support for the Morocco-proposed autonomy plan for the **Western Sahara**;

6 Sep 2023 **Rabat (Morocco)** *Morocco World News*. The **United Nations (UN)** once again reiterates its determination to deepen consultations with all parties to the **Western Sahara** dispute;

4 Sep 2023 **Rabat (Morocco)** *Morocco World News*. **Office des Changes** (foreign exchange office) reports that Moroccan travellers are spending significantly more on international trips this year, with a significant 49.2% increase in the first seven months of 2023;

3 Sep 2023 **Rabat (Morocco)** *Maroc Gazette*. **Office des Changes** (foreign exchange office) indicates that the automotive industry has continued on its positive momentum, with exports soaring by 37% year-on-year at the end of July 2023;

1 Sep 2023 **Rabat (Morocco)** *Morocco World News*. **Office des Changes** (foreign exchange office) reports that the tourism sector has seen a remarkable recovery in the first seven months of 2023, with revenue reaching MAD 57.2 billion (\$5.6 billion);

31 Aug 2023 **Rabat (Morocco)** *Morocco World News*. **Canadian** mining company **Aya Gold & Silver** announces the completion of the first drawdown of its \$100m project financing facility for the expansion of the **Zgounder Silver Mine**;

30 Aug 2023 **Paris (France)** *BNN News*. Member of parliament **Michele Tabarot** criticises President **Emmanuel Macron's** foreign policy regarding **Algeria** and expresses concern over France's neglect of its relationship with **Morocco**;

30 Aug 2023 **Rabat (Morocco)** *Morocco World News*. Parliament's upper house speaker **Naam Miyara** will travel to **Israel** on 7 September as part of a regional tour that will include **Jordan** and **Palestine**. Miyara will be the first prominent political official to visit Israel since the countries resumed diplomatic relations in 2020;

28 Aug 2023 **Rabat (Morocco)** *Morocco24*. Government is set to reinstate the "exceptional" financial support for professionals in the road transport sector. The decision comes in the wake of professionals threatening to go on strike following the recent uptick in fuel prices;

23 Aug 2023 **Rabat (Morocco)** *Morocco World News*. **South Africa** extends an invitation to the separatist **Polisario Front's** leader **Brahim Ghali** to participate in the upcoming **BRICS/Africa** meeting scheduled for 24 August;

### About Africa Risk Consulting:

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