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Moroccans will celebrate the 20th anniversary of the enthronement of King Mohammed VI (1999-present) this month as optimism over the country's economic and social outlook grows, and the country begins to benefit from its continent-leading infrastructure developments. Morocco and the European Union (EU) launch the Euro-Moroccan Partnership for Shared Prosperity, promising to improve cohesion and relaunch talks on a free trade agreement, as well as the prospect of Morocco's integration into several new EU programmes and agencies. The House of Councillors approves a law governing Sharia-compliant insurance, known as Takaful, which will expand the country's small but growing Islamic finance sector if it passes parliament's second chamber in the coming weeks.

King Mohammed VI's 20th anniversary: 20 years of progress

Moroccans will celebrate the 20th anniversary of the enthronement of **King Mohammed VI** (1999-present) on 30 July, during which period the country has transformed into a development exemplar for the rest of the continent – albeit an unconventional one. The king's political, economic and social reforms have significantly improved the investment climate and boosted economic development.¹ King Mohammed VI and Moroccan citizens will reflect positively on the past two decades and will have great optimism looking to the future.

Morocco currently stands as the fifth largest economic power on the continent. Gross domestic product (GDP) has risen from \$41.6 billion in 1999 to \$121.4 billion in 2019, and per capita income has more than doubled, from \$1,490 to \$ 3,360 over the same period. The **International Monetary Fund (IMF)** expects Morocco's economic growth to continue upwards with real GDP growth of 4.5% in 2024 (almost 1% above the world average).²

The country's success is in large part attributed to King Mohammed VI's decisive decision making. **South Africa**-based news outlet **Daily Maverick's Greg Mills** recently praised various policy areas that the king has worked on:³

*"This has included moves to better balance gender rights, roll out social housing on a massive scale, modernise government, and improve the country's foreign relations, not least through a big diplomatic and economic push into Africa."*⁴

Continent- and world-leading infrastructure is one of the most notable signs of the country's progress over the past two decades – for which some credit must be given to King Mohammed VI. As Mills notes:⁵

*"The lesson of Morocco's contemporary success at delivering and then using efficiently, big infrastructure assets, is down to a combination of leadership, vision and delivery."*⁶

¹ Source, analyst, London

² World Economic Outlook, International Monetary Fund, April 2019

³ Daily Maverick, 18 Jul 2019

⁴ Daily Maverick, 18 Jul 2019

⁵ Source, analyst, London

⁶ Daily Maverick, 18 Jul 2019

Major infrastructure projects include the **Al-Boraq** railway, Africa's only high-speed rail network that runs between **Casablanca** and **Tangier**; the **Tangier Med** port, Africa's largest port complex that is capable of handling 9 million containers annually; and, the **Noor 1** solar power complex, the world's largest concentrated solar power plant that produces 580 megawatts of power at peak.

Morocco's soft power has grown substantially and now acts as a significant international player. The country contributes to the **African Union** and **United Nations'** peacekeeping and security missions. The **Mohammed VI foundation of African Ulemas** was set up to develop religious tolerance in Africa. It is now a strong advocate of regional development in Africa though the framework of South-South cooperation. More than 1,500 cooperation agreements have been signed with more than thirty other African countries. Morocco has become one of the most influential African investors in **West Africa** and the second largest African investor on the continent. Telecommunications company **Maroc Telecom**, a subsidiary of **United Arab Emirates**-headquartered **Etisalat**, is present in over ten African countries, and three Moroccan banks, **Attijariwafa Bank (AwB)**, **Banque Marocaine du Commerce Extérieur (BMCE)** (Moroccan Bank of Foreign Trade) and **Banque Centrale Populaire (BP)** (Central People's Bank), are present in more than thirty countries in Africa.⁷

Foreign minister's EU visit a huge success

Morocco and the **European Union (EU)** launched the **Euro-Moroccan Partnership for Shared Prosperity** on 27 June. The joint political declaration aims to improve cohesion and relaunch talks on a free trade agreement, as well as the prospect of Morocco's integration into several new EU programmes and agencies.⁸ Morocco will hope that the renewed momentum for cooperation between the two sides will carry on until November's **EU-Africa Business Summit in Marrakech**.

The declaration came at the end of the 14th meeting of the **EU-Morocco Association Council**, led by Morocco's foreign minister, **Nasser Bourita**, and the EU's foreign affairs chief, **Federica Mogherini**. Bourita hailed the "*relaunch*" of relations with the EU during his visit to **Brussels (Belgium)**, saying he expects it will pave the way for improved cooperation.⁹ Morocco is also thought to have its eye on some of the EU's new development-related private finance initiatives.¹⁰ Bourita will be pleased with the outcome of his red-carpet visit, primarily because Morocco has "*invested much time and cash on Brussels-based PR firms over the past 18 months to reinvigorate its relations with the EU.*"¹¹ Negotiations over the details of the agreements are expected to start immediately and to dominate the next 18 months.

Bourita said it was necessary to relaunch the partnership because of "*difficulties*" in recent years.¹²

*"This was partly due to the fact that in recent years the EU seemed busier with its own internal issues...we hope that this new joint declaration agreed with the EU today will give fresh impetus to the relationship."*¹³

Bourita's comment concerning their weak relations misses some critical points. Relations have been strained by the EU's backing of a controversial fisheries and agriculture deal in February, which would see EU vessels trawling off the **Western Saharan** coast and jeopardise ongoing **United Nations (UN)**-sponsored peace talks between the **Polisario Front** and Morocco (see *ARC Briefing Morocco March 2019*). Also, Moroccan officials argue that the country's current trade deal with the EU favours the latter, and they point to Morocco's \$783m trade deficit to the EU as evidence.¹⁴ Moroccan exports to the EU have stood at around 60% of the country's total exports for about a decade.

⁷ The Arab Weekly, 27 Jan 2019

⁸ Africa Confidential, 12 July 2019

⁹ Morocco World News, 27 Jun 2019

¹⁰ Africa Confidential, 12 July 2019

¹¹ Africa Confidential, 12 July 2019

¹² Morocco World News, 27 Jun 2019

¹³ Morocco World News, 27 Jun 2019

¹⁴ Africa Confidential, 12 July 2019

Morocco and the EU have also clashed over illegal immigration. The **West Mediterranean** has become the key transit route to **Europe** in 2018 and early 2019.

Bourita stressed the importance of tackling migration and asylum issues in Brussels. He said his country was particularly well placed to play a vital role in addressing the issue and called for greater cooperation.

*"We want the borders to remain safe, open and fluid but they must be closed to those who wish to exploit them for their own gain. People have to realise that migration is here to stay. Migration is a natural human movement but must be respected. We must promote legal migration but do all we can to combat illegal migration and human trafficking."*¹⁵

The EU wants to reach migration deals with **Middle Eastern** and **North African** countries, such as Morocco, **Egypt**, **Tunisia**, and **Libya** and has suggested building migrant reception centres in these countries to hold asylum seekers.¹⁶ **Spain**, one of Morocco's main EU allies, pledged to provide \$33.6m to Morocco on 19 July to help curb illegal immigration into Europe.¹⁷ Morocco hosted last December's **UN Migration Summit**, at which countries formally signed the non-binding 'global compact' on migration.

Sharia-compliant insurance will boost the financial sector

The **House of Councillors** approved a law governing **Sharia**-compliant insurance, known as **Takaful**, on 9 July, which will expand the country's small but growing Islamic finance sector.¹⁸ Insurance companies will be able to launch Takaful subsidiaries once the bill passes through the 395-member **House of Representatives**, Morocco's second chamber of parliament, which is expected to happen in the coming weeks.¹⁹

Sharia insurance differs from conventional insurance, primarily in that it operates based on solidarity and mutual assistance.²⁰ Members of Takaful companies all contribute financially to a fund to provide mutual assistance, unlike conventional insurance companies, which rely on each member paying a premium for coverage.

Morocco is the most advanced country in North Africa in developing Islamic finance. The country has allowed five Islamic banks and three shop fronts to offer Sharia-compliant banking services in the country since early 2017.²¹ While the sector is still growing, it now provides sharia-compliant financing for real estate, automobile and equipment purchases. Morocco-based **BTI Bank** general manager **Mohamed Maarouf** told **World Finance** magazine:

*"The Moroccan model is unique in many regards, and has been designed with both local and international markets in mind."*²²

Moroccan Association for Participatory Finance Professionals president **Said Amaghdir** said Takaful would equip Moroccan Islamic banks with life and general insurance mechanisms.²³ He added that Islamic banks have so far issued uninsured real estate and car loans, known as **Mourabaha**, for a total of 6 billion Moroccan Dirhams (MAD) (\$626m).

The **World Takaful Report 2016** valued the global Takaful industry at \$33 billion in 2014.²⁴ In the same year, over 300 Takaful companies operated worldwide. Gross Takaful contribution was

¹⁵ The Parliament, 28 Jun 2019

¹⁶ The Parliament, 28 Jun 2019

¹⁷ El Pais, 19 Jul 2019

¹⁸ Reuters, 10 Jul 2019

¹⁹ Source, analyst, London

²⁰ Morocco World News, 13 Jul 2019

²¹ Morocco World News, 13 Jul 2019

²² World Finance, 23 Jun 2019

²³ Said Amaghdir quoted in Reuters, 10 Jul 2019

²⁴ Unless otherwise noted: World Takaful Report, Middle East Global Advisors, 2016

estimated to be around \$14 billion. The market is highly concentrated in the **Gulf Cooperation Council (GCC)** and **South East Asia** regions, with **Saudi Arabia** and **Malaysia** as the predominant markets. The report states:

“Takaful forms an essential element of the Islamic financial ecosystem, and it is seen to be spreading out of its core markets, albeit at a small pace.”²⁵

The first Takaful company, the **Islamic Insurance Company of Sudan**, was established in 1979.²⁶ In 1985, Saudi Arabia-based **Grand Council of Islamic Scholars** passed a resolution stating that conventional insurance is not acceptable under Sharia law. By the mid-1990s, seven companies were in operation in several Muslim countries, including **Jordan**, Saudi Arabia, and **Bahrain**.

Planner

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

October 2019: National congress of **Parti Authenticité et Modernité (PAM)**;

2019: 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: Scheduled legislative, regional and local elections

Chronology

23 Jul 2019 **Rabat (Morocco) Xinhua**. A **Chinese** delegation, led by China’s **Council for Promoting South-South Cooperation** chairman, **Lyu Xinhua**, visits Morocco to discuss economic cooperation;

22 Jul 2019 **Rabat (Morocco) Morocco World News**. The **Office National de l'Electricité et de l'Eau Potable (ONEE)** (national office for electricity and drinking water) will invest MAD26.1 billion (\$2.71 billion) in electricity projects and MAD25.5 billion (\$282m) in water projects under its new 2019-2023 strategy;

22 Jul 2019 **Rabat (Morocco) Middle East Monitor**. The high commissioner for planning states that inflation rose 2% month-on-month in June;

22 Jul 2019 **Rabat (Morocco) Aljazeera**. **Maroc Telecom** reports a profit of 3 billion dirhams (\$312.8m) in the first half of the year, up 0.7 % compared with the same period last year;

19 Jul 2019 **Rabat (Morocco) El Pais**. **Spain’s** government pledges to provide \$33.6m to **Morocco** to curb illegal immigration into **Europe**;

18 Jul 2019 **Rabat (Morocco) Morocco World News**. **China**-based telecommunications company **Huawei** outlines plans for Morocco to be the first country in **Africa** to launch 5G internet;

18 Jul 2019 **Rabat (Morocco) Aljazeera**. Moroccan court sentences three **ISIL** supporters to death and a fourth to life in prison over the beheadings of two **Scandinavian** women last year;

17 Jul 2019 **Rabat (Morocco) Xinhua**. **France’s Agence Française de Développement** extends a \$56m loan to **Morocco** to improve access to clean drinking water;

16 Jul 2019 **Rabat (Morocco) Morocco World News**. The **International Monetary Fund** encourages Morocco to further increase the float rate of its currency;

²⁵ World Takaful Report, Middle East Global Advisors, 2016

²⁶ Morocco World News, 13 Jul 2019

16 Jul 2019 **Rabat (Morocco)** *Morocco World News*. Industry and investment minister **Moulay Hafid Elalamy** and the **United States** assistant trade representative for **Europe** and the **Middle East**, **Dan Mullaney**, lead a joint committee to boost bilateral trade and investment;

11 Jul 2019 **Casablanca (Morocco)** *Morocco World News*. **India**-based **Nuberg EPC** wins a contract to establish a chlor-alkali plant near Casablanca;

10 Jul 2019 **Rabat (Morocco)** *Aljazeera*. Renewable energy investor **Platinum Power**, minority-owned by **United States**-based private equity firm **Brookstone Partners**, partners with **China**-based **CFHEC** to build a \$300m hydropower plant in central Morocco;

9 Jul 2019 **Rabat (Morocco)** *Reuters*. Parliament approves a law governing **Sharia**-compliant insurance, known as **Takaful**;

9 Jul 2019 **Rabat (Morocco)** *Aljazeera*. **L'Agence Marocaine pour l'énergie Solaire (Masen)** (Moroccan agency for sustainable energy) opens the first stage in a tender process to build, operate and maintain a 230-megawatt solar plant, the **Noor Midelt II** project;

4 Jul 2019 **Rabat (Morocco)** *Morocco World News*. The **Bank Al-Maghrib** (central bank) opens an investigation into the loss of MAD1.2m (\$125,370) from a cash convoy;

4 Jul 2019 **Rabat (Morocco)** *Morocco World News*. **Spain**-based renewables company **Nabrawind Technologies** signs agreement to install the world's tallest wind farm tower in **Morocco**;

1 Jul 2019 **Rabat (Morocco)** *Aljazeera*. **Tangier-Tetouan-Al hoceima Region** head **El Omari** hopes to attract investments worth \$10 billion and create 100,000 jobs in new tech city, **Tangier**;

1 Jul 2019 **Rabat (Morocco)** *Aljazeera*. The trade deficit widened by 2.5% to 84.55 billion dirhams (\$8.8 billion) in the first five months of 2019 compared with the same period last year;