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**Abstract**

**Purpose** – *This paper aims to analyse telecommunications in Morocco and the control exercised by the absolute monarch who also owns one of three mobile operators.*

**Design/methodology/approach** – *The single country case study provides a detailed picture of legislative, market and policy developments over a period of 15 years.*

**Findings** – *Severe conflicts of interests with the king as absolute monarch, head of the judiciary, chairman of the cabinet of ministers and owner of one of the largest operators exist. Market entry has only been possible with his sanction and only by acquiring in a stake in one of the existing operators. Investment is predominantly by domestic and Gulf Arabs. No attention has been given to competition and market bottlenecks. Expansion of the royal operator was observed.*

**Research limitations/implications** – *This is a single-country case study of an absolute monarchy.*

**Practical implications** – *Short of ending the monarchy, it is difficult to see a means to remove the conflicts of interest.*

**Social implications** – *The interests of the citizens take second place to royal profit-seeking.*

**Originality/value** – *This is the first critical assessment of telecommunications in Morocco. It adds to the small stock of case studies about bribery, corruption and patrimonialism in telecommunications.*

**Keywords** *Governance, Mobile communications systems, Information society, Telecommunications, Telephone networks*

**Paper type** *Research paper*

## Introduction

The conventional view of telecommunications in Morocco has been that its markets were successfully liberalised, for example, in case studies by EBRD (2012), World Bank (GICT, 2004; Constant, 2011) and the European Commission (EC) (Frontier Economics, 2007). In contrast, Sutherland (2012) has alleged that the policy and regulatory system was controlled by the sovereign who was also a significant market player, part of a broader pattern of bribery, nepotism and patrimonialism in the telecommunications sector. To date, researchers have shown limited interest in Moroccan telecommunications, despite the unusual circumstances of an absolute monarchy and apparent successes in mobile telephony and Internet access[1].

Morocco ought to be an example of good practice, as a member of the World Trade Organisation and host of its founding conference (WTO, 1994, 2014), reinforced by a free trade agreement with the USA (USTR, 2012). As a near neighbour of the European Union (EU), it has benefitted from tutelage through the Barcelona Process and the Union for the Mediterranean (Marks, 1998; Yusuf, 2014; UFM, 2014). Given its government has actively sought foreign direct investment (FDI), cheap, efficient and resilient telecommunications are essential prerequisites, especially for call centres and business process outsourcing.

However, an unusual feature has been the growing, if discreet, participation on the telecommunications market of its sovereign using the Bayn, Inwi and Wana brands. It has

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been without any attempt to create the mechanisms and structures essential to avoid or to mitigate the conflicts of interest between his private accumulation of wealth and his appointment of ministers, regulators and directors of competing operators, or his less direct influence and power. The present king reversed the policy of his father, who had opened the market, instead of monopolising market entry, and, in the process, making a not insignificant addition to his already considerable personal wealth (Forbes, 2010).

All Arab states are authoritarian, varying from limited political participation to none at all, with the few parliaments offering more theatre than democracy[2]. The states are classified as either (Greffrath and Duvenhage, 2014):

- *Hard authoritarianism*: Securocratic institutional rule.
- *Soft authoritarianism*: Pragmatic rule.

The sultanistic Arab monarchies are divided between those with vast financial resources, arising from their oil reserves, and the much poorer "civic myth" monarchies of Jordan and Morocco (Chehabi and Linz, 1998; Kamrava, 1998). Since the fall of the Iraqi, Libyan and Yemeni monarchies, those remaining have endeavoured to appease their subjects, either with material benefits to placate economic demands or with marginal increases in their voices in government to address political demands (Ottaway and Muasher, 2011). Lacking the enormous rents of its Persian Gulf counterparts, Morocco had to engage in limited, sometimes superficial, political liberalisation.

The continuing events of the "Arab Spring", across North Africa, the Near and Middle East present a complex picture against which to evaluate Morocco, its monarchy, its economy and its reforms (Al Sayyad and Guvenc, 2013; Stepan and Linz, 2013; Karshenas *et al.*, 2014). Of particular relevance was the departure from Tunisia of President Zine El Abidine Ben Ali[3], which exposed the substantial economic interests of his family and their manipulation of the economy (Rijkers *et al.*, 2014). Excessive regulations and the threat of further regulations are known to attract rent-seeking, making it unsurprising that market entry in Tunisia had been "to some extent dictated" by the business interests of the extended presidential family, whose members had "manipulated investment laws to further its own business interests" with the result that:

> The disproportionate aggregate contribution of Ben Ali firms reflects their superior performance; Ben Ali firms are on average significantly larger than their competitors and record spectacularly higher levels of output, profits and growth. Thus, a very small group of connected entrepreneurs was able to amass a large portion of Tunisia's wealt (Rijkers *et al.*, 2014, p. 24).

The incoming government confiscated stakes in 220 firms, representing about 21 per cent of all private sector profits and about 3 per cent of private sector output, predominantly in markets subject to government authorisation and restrictions on FDI. The family had drawn such substantial funds from the banks for their investments that the International Monetary Fund (IMF, 2013) had to address critical vulnerabilities accumulated over years, as a result of "directed and insider lending, substandard norms, and weak banking supervision". Of the three telecommunication operators, one son-in-law of Ben Ali owned one quarter of Tunisiana and another held one half of Orange Tunisie.

In conventional corruption, there are two parties, the briber and the bribee, analogised with the Argentinian Tango. In extractive states, rulers can take resources, which in clientelistic regimes they must share with those groups supporting them in power, whereas in predatory or kleptocratic regimes, they can keep the money themselves (Grzymala-Busse, 2008). Under Ben Ali, Tunisia was a predatory state, with its ruler sharing only with his family or they were able to use his name to the same effect, while in Morocco, it is only the monarch himself (Graciet and Laurent, 2012). Both used the state, fully under their control, to extract resources, sometimes termed state capture, although Morocco had been a patrimonial state for centuries, somewhat mitigated during the French Protectorate (1912-1956).

The king of Morocco has had longstanding control over the press, for example, proscribing any mention of the illegal annexation of Western Sahara, the population of which continues to call for restoration of its independence (Maghraoui, 2003; UNSC, 2013; White, 2014). He also blocks any criticism of the monarchy and the established religious cult, which he commands, while seeking to repress its more extreme adherents. The OpenNet (2009) Initiative found an absence of political filtering of the Internet, but selective filtering on social and security issues. Reporters sans frontières (2014) continue to encounter significant difficulties in Morocco, ranking it 136th, a view confirmed by Human Rights Watch (HRW, 2014). With the sovereign and the state owning two of the three major operators, it facilitates control of the Internet, both of the content available to citizens and monitoring their use of it.

This paper first considers the developments of liberalisation and regulation of telecommunications in Morocco, followed by the privatisation of Maroc Telecom. The creation by the sovereign of a telecommunications operator is then analysed. The problems of corruption in Morocco are outlined, with particular attention to the roles of the royal household. Comments are made on the role of the European Union. Finally conclusions are drawn and issues for future research identified.

## Telecommunications in Morocco

Like many Arab states, Morocco has adopted a number of top–down, somewhat rose-tinted, visions of economic growth based on information and communication technologies (ICTs) and the knowledge economy, despite systemic weaknesses in education, entrepreneurship, infrastructure and, even, literacy. For example, in October 2009, the programme *Maroc Numeric 2013* aimed to boost the use of ICTs (GOM, 2013), while the *Initiative Maroc Innovation* hoped to produce 100 start-ups each year (GOM, 2014). To date, the primary success has been in transferring jobs from France and Spain through offshoring, exploiting low labour costs (Farrell, 2006; Rossi, 2013).

Reform of telecommunications began with a 1997 law that split the PTT into:

- the national regulatory authority, the *Agence Nationale de Réglementation des Télécommunications* (ANRT, 2014a);
- the telecommunications operator, Maroc Telecom or *Itissalat al Maghrib* SA (IAM, 2014); and
- the post office, *Barid al Maghrib* (Poste Maroc, 2014).

The supervisory board of ANRT comprises cabinet ministers (Table I), two of whom are also directors of Maroc Telecom, while the sovereign chairs the cabinet and owns Inwi, a rival operator. Consequently, there are irreconcilable conflicts of interest and a violation of a WTO (1996) commitment, by failing to make the regulator independent from operators.

As in other Arab states, there has been very little use of competition law and policy (Dabbah, 2007). Instead, markets have been controlled by bureaucratic and legalistic

**Table I** Board of directors of ANRT

| *Prime minister (chairman)* | *Minister of communication* |
|---|---|
| Minister of the Interior[a] | Minister of the Public Sector and Privatisation |
| Minister of Economy & Finance[a] | Minister of the Administration of National Defence |
| Minister of Industry, Trade, and Information Technologies | Minister of the General Affairs of the Government |
| Minister of Higher Education, Staff Training, and Scientific Research | Secretary of State of the Post and Information Technologies |
| Secretary General of the Government | |

**Note:** [a]Directors of Maroc Telecom

measures, such as export, import and production licences, creating lucrative monopolies and oligopolies, usually assigned to cronies or relatives of the ruler. While ANRT has competition law powers for the sector, it does not engage in the analysis of markets or seek to eliminate abuses and bottlenecks – indeed it does not appear to have the capacity or even the necessary data. Moreover, like the competition authority, it is fully under the control of the sovereign.

Instead, a series of legalistic measures was introduced to reform telecommunications (Table II). While these appeared to favour competition, there were neither preparatory impact assessments nor subsequent reviews to analyse their effectiveness, with some having facilitated only the expansion of Inwi.

In addition to direct supervision of the regulator, the government periodically issues policy guidance[4]. For example, in 2004, it noted the success of the second licence and the partial privatisation of Maroc Telecom, which it claimed was achieved:

> [. . .] grâce à une stratégie claire du gouvernement de Sa Majesté Le Roi et à la transparence et la crédibilité des mécanismes mis en jeu pour la conduite de ces opérations (Premier Ministre, 2004, p. 1)[5].

Current aims include expansion of access to broadband and an increase in competition in mobile telecommunications, but the intention to also safeguard the existing players contradicts the expectation of lower prices if profits are to be preserved. Market entry has been controlled by licensing, the winners sometimes bolstered by periods of exclusivity (Table III). In 2010, the government envisaged licensing 4G services and an extension of existing networks to those without access to voice and data services (Premier Ministre, 2010). At present, the 4G licensing exercise is underway (ANRT, 2014b).

The traditional fixed telephone network has shown very limited growth since the 1980s, and while there was significant interest in fixed wireless services, this declined almost as rapidly, with customers switching to mobile (Figure 1). The royal operator had been granted an exclusive licence for wireless services, under the Bayn brand, using CDMA technology to provide pre-paid fixed and limited mobility, both without an activation fee (ITU, 2007)[6]. Méditel also received a fixed network licence but not a spectrum licence, making minimal progress for lack of comparable services.

DSL broadband services proved popular when launched by Maroc Telecom in 2004, with customers quickly switching away from dial-up, although this soon levelled off (Figure 2). While growth resumed in 2012, there are still less than one million lines, and at modest speeds – three-quarters are at only 4 Mbps – representing only 11 per cent of broadband users, the others using mobile networks[7]. Partial and full local loop unbundling were introduced in 2007 and 2008, respectively, apparently intended to allow Wana to offer fixed

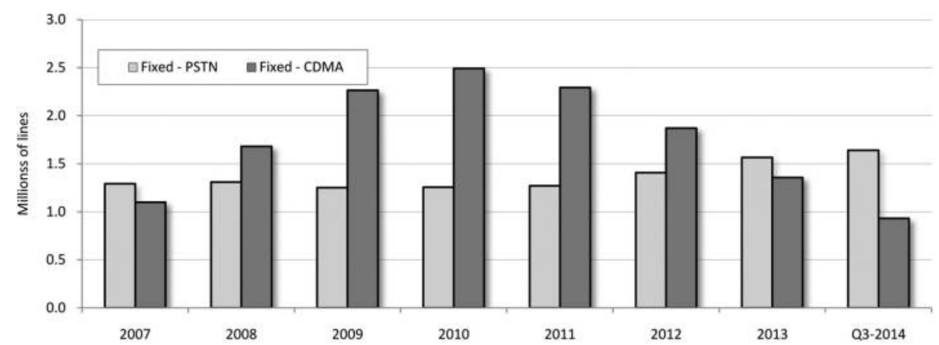
**Table II** Primary and secondary legislation

| *Measure* | *Effect* |
|---|---|
| Law 24-96 (7 August 1997) | Creation of the regulator and separation of posts and telecommunications |
| Laws 79-99 and 34-96 (22 June 2001) | Changes to the rules on accounting and decision-making by ANRT |
| Law 55-01 (4 November 2004) | Framework for competitive markets. ANRT assigned exclusive competition law powers for the telecommunications sector |
| Prime Minister's Order 3-3-06 (7 February 2006) | Implementation of carrier selection (CS) and local loop unbundling (LLU): partial in January 2007 and full in July 2008 (Premier Ministre, 2006) |
| Law 29-06 (17 April 2007) | ANRT to be responsible for standards for cryptography and e-signatures, plus control of the MA domain names |
| Laws 59-10 and 24-96 (2 July 2011) | Organisational changes |

**Table III** Licences issued by ANRT

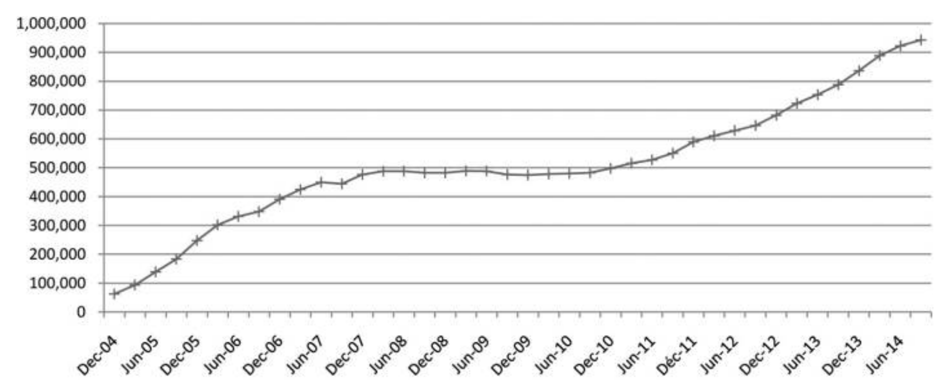
| *Date* | *Operator* | *Price (millions)* | *Type of licence* |
|---|---|---|---|
| 1994 | Maroc Telecom | n/a | GSM |
| 1999 | Méditel | USD1,142 | GSM 15 years, duopoly until 2003 (Wellenius and Rossotto, 1999) |
| 2000 | Orbcomm Maghreb & Tesam Maroc | n/a | GMPCS (mobile service using satellite) |
| 2001 | SpaceCom, Gulfsat Maghreb & Argos/Cimecom | USD10 (each) | VSAT, 10 years (renewable for a further 5), with exclusivity until 31 January 2004 |
| 2005 | Méditel | MAD75 | Fixed services (Telegeography, 2005a) |
| 2005 | Maroc Connect (later Inwi | MAD306 | Fixed services plus 800 MHz spectrum for CDMA with limited mobility (Telegeography, 2005b) |
| 2006 | Inwi, Méditel and Maroc Telecom | MAD360 | Ministers agreed terms for 3G, but licences awarded by ANRT (2006), with Wataniya the sole loser |
| 2009 | Inwi | n/a | GSM 15-year licence with 1800 MHz spectrum to Wana Corporate (Reuters, 2009a) |
| 2014 | – | – | Tender for 4G/LTE spectrum |

**Figure 1** The market for fixed telecommunications in Morocco




**Source:** ANRT (2014c)

**Figure 2** Growth of DSL broadband lines




**Source:** ANRT (2014d)

broadband, but proved a near total failure, with almost no loops having been unbundled to it or to Méditel.

The mobile market was opened to competition by the auctioning of a second GSM licence in August 1999, under King Hassan II, the first having been awarded automatically to Maroc

Telecom as the incumbent operator. Coming at the peak of the dot com bubble, the auction generated a sum equivalent to 5 per cent of foreign debt (Table IV) (Rohlfs *et al.*, 2000), although the new King Mohamed VI took USD740 million, the excess over the anticipated fee, to establish the Hassan II Fund, controlled by the royal household (Hibou and Tozy, 2002). The licence was won by a consortium of foreign operators and domestic investment funds (Figure 3), including the government, which had conducted the auction.

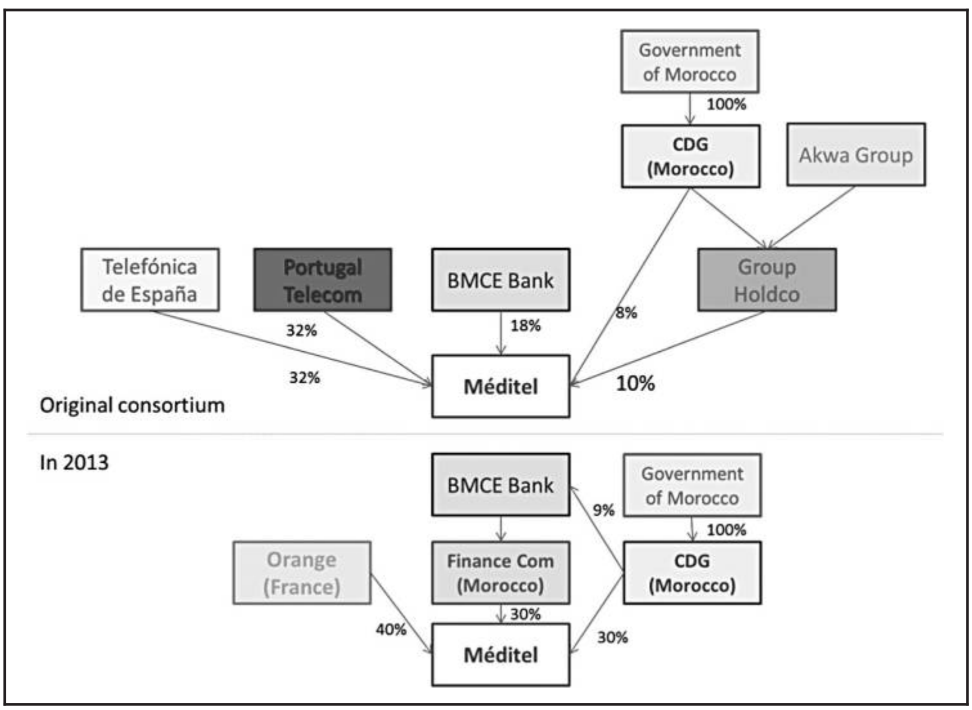
In September 2009, Portugal Telecom and Telefónica sold their stakes to Moroccan investors for €400 million each, valuing Méditel at €1.25 billion (Middleton, 2009). The purchasers were RMA Watanya and BMCE (both controlled by Othman Benjelloun), and the state-owned *Caisse de Dépôt et de Gestion* (CDG). The following year Méditel was apparently worth €2.1 billion, a 68 per cent increase, when France Telecom (2010) bought 40 per cent for €640 million from CDG and the Finance.Com group. France Telecom also obtained a commitment to be allowed to increase its holding to 49 per cent in 2015.

**Table IV** Bidders for the second GSM licence

| *Consortium name* | *Consortium members* | *USD millions* |
|---|---|---|
| Medi Telecom (Méditel) | Telefónica, Portugal Telecom, etc. (see Figure 3) | 1,140 |
| Badil Com | France Telecom, Motorola, etc. | 915 |
| TIM Maroc | Telecom Italia Mobile | 634 |
| Orange Communications Maroc | Orange plc,[a] etc. | 529 |
| Marphone | Vivendi (CGSAT), SBC International, etc. | 526 |
| Vodafone Maroc | Vodafone, Air Touch, etc. | 441 |
| Maghreb Cell | GTE, Bell Atlantic, etc. | 296 |

Note: [a]Not the France Telecom Group at that time, but owned by Hutchison Whampoa of Hong Kong, SAR
Source: Wellenius and Rossotto (1999)

**Figure 3** The Méditel consortia[8]



Initially, Méditel had grown quite rapidly, but from 2007, growth was more modest, as it faced increased competition from Inwi/Wana (Figure 4).

The announcement of the second mobile operator in 1999 triggered growth of the market (Figure 5), with Maroc Telecom expanding its operations to pre-empt and then compete with Méditel, proving more successful than many incumbents faced with new entrants, in part by support from Vivendi, its strategic investor. By 2006, when Wana entered the market, it was already relatively saturated, making it more difficult to win customers; nonetheless, by the end of 2013, it had 28 per cent market share in terms of customers (Figure 6). ANRT does not publish operator shares of data and voice traffic or of revenues, concealing the dynamics of the market. Customer numbers can be extremely misleading, with some holding multiple subscriptions and by the many Moroccans living in Europe who retain active subscriptions for their return visits (Sutherland, 2009). Only about two million customers are post-paid.

Despite the extensive data published by ANRT, it is very difficult to assess the competitiveness or growth of the market, with customers spreading their spending across more than one network. The data are collected from operators and presented with little analysis by ANRT. In particular it is silent on money, with no data available on shares of revenues or the beneficial ownership of operators.

**Figure 4** Financial data for Méditel (billions)[9]

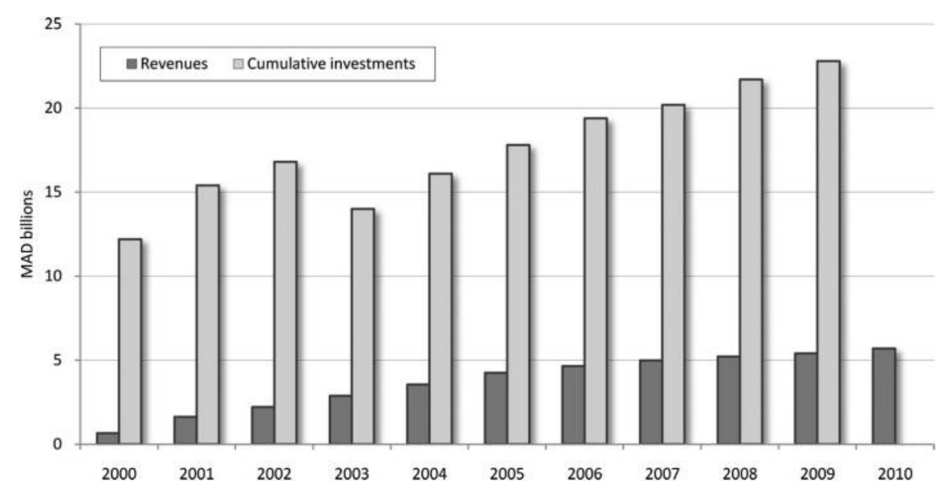
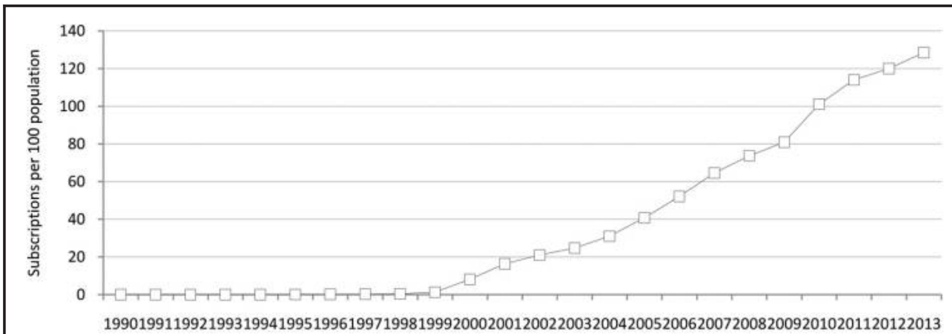
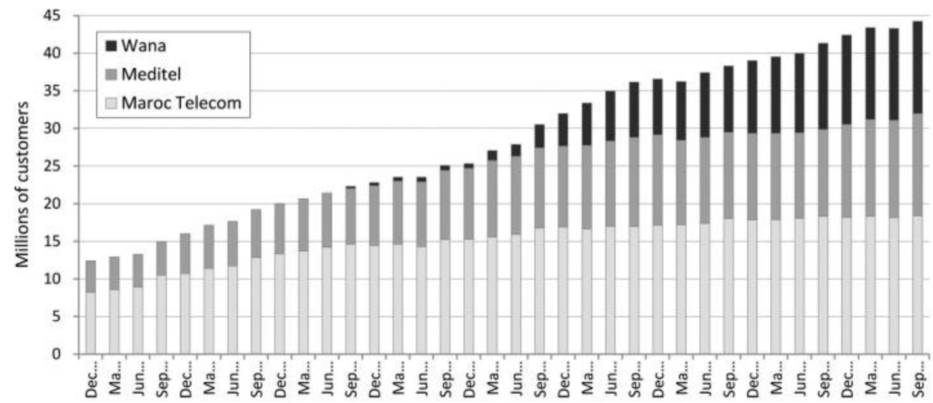



**Figure 5** Growth of mobile telecommunications in the Kingdom of Morocco




**Source:** UN (2014)

**Figure 6** The growth of the mobile operators




**Source:** ANRT (2014a)

## The privatisation of Maroc telecom

The incumbent operator, Maroc Telecom, having been split from the PTT, was corporatised and then privatised in phases, including two flotations of shares on the *Bourse des Valeurs de Casablanca* (BVC) (Table VI). The first stage was the selection of a foreign strategic investor, Vivendi of France, which eventually took a controlling interest (Orange and Johnson, 2003). In addition to paying over USD2 billion for an initial 35 per cent, Jean-Marie Messier, CEO of Vivendi, made an irrevocable agreement to buy a further 16 per cent of the stock for €1.1 billion, should it be offered by the government. Vivendi was listed on the New York Stock Exchange (NYSE), bringing it under the US Securities and Exchange Commission (SEC), which held that the failure by Vivendi to disclose to stockholders this financial commitment was "materially false and misleading". Vivendi, its chief executive officer (CEO) and chief financial officer agreed to pay USD51 million in disgorgement and civil penalties for false and misleading statements to stockholders (*SEC* v. *Vivendi Universal, S.A., J-M Messier, and G Hannezo* [2003]). A related class action by investors was dismissed (In re: Vivendi Universal, S.A., 2012) (Table V).

While the state had reduced its holding to 30 per cent, it continued to appoint cabinet ministers and senior officials to the supervisory board of Maroc Telecom (Table VI). These directorships were intended by Vivendi to ensure strong links to the highest levels of government and to the royal household to secure the position of the firm and its influence over further reforms (Hibou and Tozy, 2002).

In 2013, Vivendi announced the sale of its controlling stake to Etisalat, formally Emirates Telecommunications Corporation, which had built up a geographic footprint in central, North and West Africa (Smith, 2013). Etisalat is 60 per cent owned by the government of the United Arab Emirates (UAE), through the Emirates Investment Authority. Etisalat subsequently transferred its West African holdings to Maroc Telecom.

**Table V** Privatisation of Maroc Telecom

| *Year* | *Vivendi (%)* | *State (%)* | *BVC (%)* | *Purchaser* | *Value (billions)* |
|---|---|---|---|---|---|
| 2000 | 35.0 | 65.0 | – | Stake sold to Vivendi Universal | USD2.11 |
| 2004 | 35.0 | 50.1 | 14.9 | IPO on Casablanca Stock Market | USD2.53 |
| 2005 | 51.0 | 34.1 | 14.9 | Second government stake sold to Vivendi Universal | USD1.20 |
| 2007 | 51.0 | 30.1 | 18.9 | 4% sold on Casablanca Stock Market | USD0.55 |
| 2009 | 53.0 | 30.1 | 16.9 | Vivendi acquired 2% from CDG for 0.6% of its own stock | NA |
| 2014 | 0.0 | 30.1 | 16.9 | Sale of Vivendi stake to Etisalat | USD5.70 |

**Table VI** Government directors of Maroc Telecom 2006-2013

| *Minister of finance and privatisation*[a] | *Fathallah Oualalou*[b] *(2001-2006)* |
|---|---|
| Minister of Economy and Finance[a] | Salaheddine Mezouar[b] (2007-2009), Nizar Baraka[b] (2011-2012), Mohamed Boussaïd (2013) |
| Minister of the Interior[a] | El Mustapha Sahel (2002-2006), Chakib Benmoussa (2006-2008), Taïeb Cherqaoui[b] (2009-2011), Mohand Laenser (2011-2012) & Mohamed Hassad (2013) |
| Junior Minister for Economic Affairs | Rachid Talbi el Alami (2002-2006) |
| Senior civil servant | Abderazzak el Massadeq (2002-2006) |
| Director of Public Entreprises and Privatisation, Ministry of Economy & Finance | Abdelaziz Talbi (2006-2009), Samir Mohammed Tazi (2010-) |

**Notes:** [a]Member of supervisory board of the regulatory authority; [b]Chairman
**Source:** Annual reports

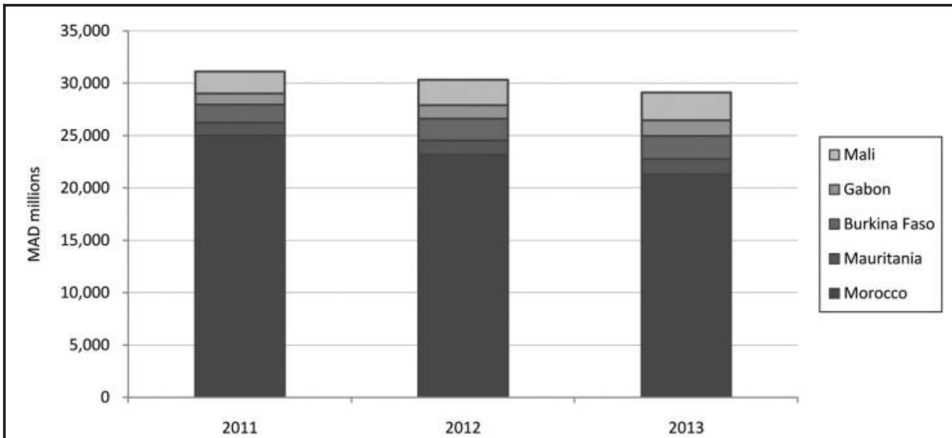
The partially privatised Maroc Telecom had expanded domestically, especially with its mobile network (Figure 6), and regionally by taking stakes in West African operators (Table V and Figure 7). It also established, but later sold, two mobile virtual network operator (MVNOs) in Europe, addressing the market for migrants making cheap calls back to North Africa (Table VII).

Maroc Telecom has greatly expanded its domestic networks, adding new technologies, while abroad, it has a substantial footprint in West Africa. Today, it is controlled by the royal families of the UAE. It is more difficult to judge the influence of the Moroccan king, who has access to ministerial directors and to their confidential papers, although whether for purposes of the state or his own operator is impossible to know.

## The creation of a royal operator

The death of Hassan II brought a faster tempo to the royal accumulation of wealth, with his son Mohammed VI developing its commercial interests. While at his promulgation he was termed the "king of the poor", he has more recently been castigated as "the predator king" (Graciet and Laurent, 2012)[10]. *Forbes* (2010) estimated his wealth at USD2.5 billion, spread across a range of economic sectors (Figure 8), some investments acquired from the state and others from French groups (e.g. Paribas) seeking to leave Morocco (Graciet and Laurent, 2012, p. 40)[11]. Many produce goods which benefit from government subsidies

**Figure 7** Turnover of Maroc Telecom by country



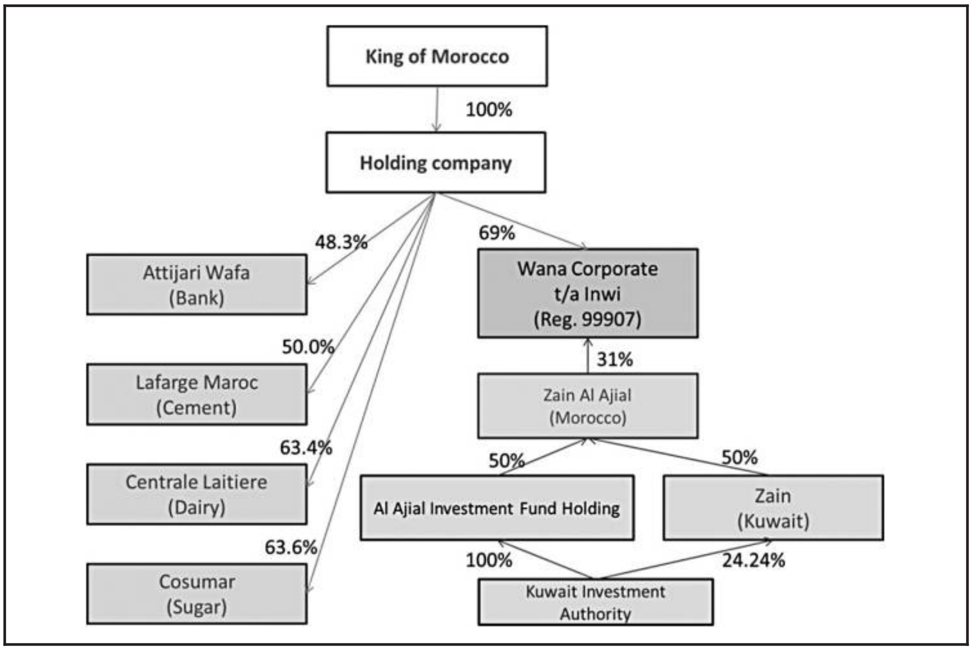

**Source:** Annual reports

**Table VII** Foreign subsidiaries of Maroc Telecom

| *Operator* | *Holding (%)* | *Activity* |
|---|---|---|
| Gabon Télécom (Gabon) | 51 | On 9 February 2007, Maroc Telecom acquired 51% of the capital of Gabon Telecom and 100% of its mobile subsidiary, Libertis, at a total cost of €61 million. Only finalized in 2010, following negotiations and litigation |
| Mauritel (Mauritania) | 41.2 | In April 2001, Maroc Telecom won a government tender to acquire 54%. In January 2002, it created a wholly owned Compagnie Mauritanienne de Communication (CMC) to hold that stock, then the following June, it sold 20% of CMC to Mauritanian investors[a]. In 2003, CMC sold 3% of Mauritel stock to employees for MAD17 million reducing its holding to 51%. The golden share of the government expired at the end of June 2004, giving Maroc Telecom control over Mauritel. In 2006, CMC bought 0.527% of the Mauritel stock back from employees, giving it 51.527% |
| Onatel (Burkina Faso) | 51 | On 29 December 2006, Maroc Telecom paid €220 million to acquire 51% of Onatel, and 100% of its mobile subsidiary, Telmob |
| Sotelma (Mali) | 51 | On July 31, 2009, Maroc Telecom acquired a 51% stake |
| Mobisud (Belgium) | 100 | An MVNO founded in May 2007, targeted at Mahgrebian immigrants. Sold to Scarlet in 2010 |
| Mobisud (France) | 66 | Launched as an MVNO in 2006 by Maroc Telecom (66%), SFR (16%)[b] and Saham Group (17%) to target Maghrebian immigrants. SFR bought out Maroc Telecom in 2009 and rebranded it Buzz in 2012 |

**Notes:** [a]The investors were not identified; [b]Vivendi Group
**Source:** TeleGeography and annual reports

**Figure 8** Ownership structure of Royal holdings




paid to the poor to support their consumption. Most businesses prefer to avoid competition with his firms, fearing royal influence would put them at a disadvantage.

In March 2010, *Societe Nationale d'Investissement* (SNI) was merged with *Omnium Nord Africain* (ONA) consolidating the royal holdings, while announcing they would move away from controlling interests, instead taking large minority stakes (SNI, 2010). The listing on the Casablanca Bourse was cancelled, almost eliminating any requirement to report revenues and profits.

In telecommunications, the sovereign owns 69 per cent of Wana Corporate, which now trades primarily as Inwi, providing a full range of telecommunications and Internet services.

He sold 31 per cent to Kuwaiti interests in 2009 for MAD2.85 billion (€250 million), valuing Inwi at MAD9.2 (€0.8 billion) (Balancing Act, 2009; Le Matin, 2009; Al Ajial, 2013).

The origins of Inwi lie in Maroc Connect, a joint venture created in 1999 by ONA and France Telecom (Table VIII), which initially offered Internet access under the Wanadoo brand, using dial-up and leased lines, later adding MPLS. In 2004, France Telecom sold its interests in Maroc Connect to CDG and Attijari Wafa Bank ONA, allowing it to be rebranded as Wana.

The breakthrough for Wana was the licence for CDMA in the 800 MHz band, allowing it to offer fixed and limited mobility services, for both telephony and Internet access. This was granted by the government, without offering comparable licences to Maroc Telecom or Méditel. Moreover, deployment of the network was aided by an exclusive deal to use the national optical fibre backbone network constructed by the state-owned *Office national d'électricité* (ONE). This was quickly followed by a 3G licence, allowing Wana to enter this growing market. In February 2010, Wana and Bayn services were rebranded as Inwi (Wana Corp, 2010).

The relationship between the holding company and Inwi was not easy, with rebranding and with the 2008 dismissal of the CEO of ONA for mismanagement of Wana, which drew unwanted attention to the business activities of the sovereign (Le Matin, 2008).

There are very few financial details available for Inwi, only brief press releases reporting basic numbers (Inwi, 2011, 2013). At the end of 2012, it claimed 12 million customers, with 3,000 base stations, including coverage of the occupied Western Sahara, apparently having invested MAD8.4 billion in total, including MAD1.5 billion in 2013. Its revenues in 2011 had been MAD3.76 billion, up 38 per cent from the previous year, with EBITDA of MAD452 million. Telecommunications has proved a lucrative and growing business for the monarch, one where he can exercise considerable influence of policy and regulation. An accurate value of Inwi is difficult to reach, but it should be in the region of €1 billion, largely the result of licences issued by ministers and regulators to the king.

## Corruption in Morocco

Corruption had been well established in the Moroccan Sultanate, continued through the French Protectorate and into the re-established monarchy. While anti-corruption courts were created in 1964, these were exclusively for the "small fry". The failed *coup d'état* of 1971 focussed on complaints against corruption, although the rebellious army officers had themselves been its beneficiaries. (Waterbury, 1973, 1976).

To external observers, Morocco presents itself as a good global citizen, having ratified the UN Convention against Corruption (UN, 2013) hosting its 2011 Conference of the States Parties. It also participates in the Arab Anti-Corruption and Integrity Network (ACINET, 2014). Laws have been enacted against corruption and the *Instance Centrale de Prevention de la Corruption* created as the anti-corruption authority (ICPC, 2014). However, with three ministers sitting on its board and the sovereign as the head of the judiciary, the

**Table VIII** France telecom investment in Maroc Connect

| *Year* | *Interest (%)* | *Control (%)* | *Other investors* |
|---|---|---|---|
| 2000 | 80 | 90 | ONA |
| 2001 | 66 | 90 | ONA |
| 2002 & 2003 | 69 | 98 | ONA |
| 2004 | 71 | 100 | ONA |
| 2005 | 0 | 0 | ONA and CDG |

**Note:** France Telecom first spun off then reintegrated its Wanadoo subsidiary with the effect of reducing then increasing its holding investigation and prosecution of corruption are fully controlled and pose little concern for the well connected (Denoeux, 2007):

> [. . .] the most likely systemic cause of corruption in Morocco stems from the exercise of clientelistic and patronistic relationships – exercised by the Moroccan monarch – leading to the monopolistic division of rents. Allegedly, King Mohammad VI and his entourage (the *makhzen*) sit at the centre of a large nexus of people who give favours and opportunities for corruption in order to maintain political power and accumulate wealth (Michael and Nouaydi, 2009).

It is unsurprising that Morocco has performed poorly in perceptions of its corruption, with a gradually declining ranking, largely because other countries have improved (Table IX). National surveys show endemic corruption (e.g. in public hospitals and courts) seen as a major issue for three-quarters of the population (Transparency Maroc, 2011). The national integrity system was found to have a considerable weaknesses and in need of significant improvements, ranging from a public register of interests for politicians and officials to an end to absolute monarchy (TI, 2009).

Without significant and systemic reforms (e.g. a freedom of information act and publication of financial interests), corruption will not be brought under control. Resolving the problem of immunity of those engaged in corruption and the conflicts of interest of judges and ministers is likely to require an end to the monarchy or its reduction to a Scandinavian model.

## The royal household

The Arab Spring took two months to arrive in Morocco, on 20 February 2011, with demonstrations against corruption and calls for the sovereign to hold neither significant political power nor extensive commercial interests. Remarkably quickly a new, but far from radical, constitution was proposed by the royal household and, that July, adopted in a national referendum (Benchemsi, 2012).

For decades, Moroccan monarchs had appointed and dismissed ministers and, more recently, the head of the telecommunications regulatory authority, entirely at their discretion – this was now to be limited[12]. Since 1963, there had been a legislature (Parlement, 2014), for which there were periodic elections, most recently in November 2011 (Election Guide, 2011), but with the monarch selecting alternating parties to form the government. Political parties had been divided by and co-opted to, rather than opposed to, the power of the royal household, based on its own reinterpretation of tradition, leadership of the sole religious cult, direct control over a large part of the economy and a powerful secret police with a record of abusing human rights.

The present dynasty has ruled since the seventeenth century. Following the interruption of the French Protectorate (1912-1956), there has been the absolute rule of three monarchs, principally Hassan II (1961-1999) and his son Mohammed VI (1999-present). The *makhzen*, as the royal household and its associated institutions are known, maintains a strong and

**Table IX** Corruption perceptions index for North Africa

| | *2013* | | *2011* | | *2009* | | *2007* | | *2005* | | *2003* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Country* | *Rank* | *Score* | *Rank* | *Score* | *Rank* | *Score* | *Rank* | *Score* | *Rank* | *Score* | *Rank* | *Score* |
| Tunisia | 77 | 41 | 73 | 3.8 | 65 | 4.2 | 61 | 4.2 | 43 | 3.9 | 39 | 4.9 |
| **Morocco** | **91** | **37** | **80** | **3.4** | **89** | **3.3** | **72** | **3.5** | **78** | **3.2** | **70** | **3.3** |
| Algeria | 94 | 36 | 112 | 2.9 | 111 | 2.8 | 99 | 3.0 | 97 | 2.8 | 88 | 2.6 |
| Egypt | 114 | 32 | 112 | 2.9 | 111 | 2.8 | 105 | 2.9 | 70 | 3.4 | 70 | 3.3 |
| Mauritania | 119 | 30 | 143 | 2.4 | 130 | 2.5 | 123 | 2.6 | – | – | – | – |
| Mali | 127 | 28 | 118 | 2.8 | 111 | 2.8 | 118 | 2.7 | 88 | 2.9 | 78 | 3.0 |
| Libya | 172 | 15 | 168 | 2.0 | 130 | 2.5 | 131 | 2.5 | 117 | 2.5 | 118 | 2.1 |

**Note:** Emboldening is for Morocco, the subject of the case study
**Source:** TI

usually predominant influence in politics. It relies on its civic myth and re-imagined tradition, its policies of divide and rule and electoral manipulation, buttressed by the secret police (Greffrath and Duvenhage, 2014). Political demands from ordinary citizens have either been repressed or a few concessions offered personally by the sovereign (Ottaway and Muasher, 2011). Periodically, the democratic façade of its authoritarian regime has had to be burnished, to maintain an appearance of pluralism (Cavatorta, 2009). For example, the 2011 constitution bound the monarch to appoint as prime minister the leader of the party with the largest number of votes, presently the *Parti de la Justice et du Développement*, with the power to appoint other ministers (Benchemsi, 2012; Lefèvre, 2013). However, the sovereign continues to chair the cabinet of ministers and has reserved his power over security and the, catchall, strategic policy choices. He also retains the title "Commander of the Faithful" of the religious cult, although he has been downgraded from "sacred" to "inviolable" (Fernández Molina, 2011).

Despite their shared religious cult, political parties remain bitterly divided over whether it should be observed in private, as argued by those in the European tradition of secular government, or whether it should permeate all aspects of the government, law and society, as argued by traditionalists. They are unified only in their failure to provide a critique of the monarchy, which could serve as the basis for a productive political debate. Instead, a multi-party democracy exists under an authoritarian monarchy, to which it presents little threat, with the sovereign presenting himself as essential to any project to modernise or democratise Morocco (Maghraouia, 2011).

There has been long-running tension between authoritarian resilience and democratic change (Maddy-Weitzman and Zisenwine, 2013). The Arab Spring brought demonstrations:

> The February 20 movement is in many ways the expression of the growing public concern over corruption and a Moroccan political system that has sustained itself over the years by providing power and privilege to those that are willing to serve its interests. More specifically targeted are close advisers and friends of the monarch (Maghraouia, 2011).

Thus, Morocco has its seventh royal constitution, adopted by an implausible majority of the electorate, seemingly unmoved by the Arab Spring. Dalmasso (2012) argues that the political parties no longer perceive the king as a contender in the political game but as the ultimate arbiter, suggesting a meaningful process of restructuring has occurred. However, the ambiguities of the text leave much to the interpretation placed on them by the sovereign. Future economic and social progress will depend on addressing the serious problems of unemployment and underemployment, inequalities in education, health and income and the endemic corruption, with the outcomes increasing or decreasing the legitimacy of political parties and of the sovereign (Dalmasso and Cavatorta, 2013).

## A near neighbour of the EU

Proximity to the EU has brought a number of benefits for Morocco, principally in access to its markets for manufactures and services. Additionally, there has been extensive emigration of surplus labour, as the growth of the Moroccan economy is much less than its unrestrained demographic expansion, which causes significant levels of unemployment, with attendant risks of political unrest.

There have been a variety of partnership agreements between the EU and the countries of the Near East and North Africa, seeking to support:

- Democracy.
- Environmental protection.
- Good governance.
- Research.

This is within the grandiose framework of the "Union for the Mediterranean", more prosaically the Barcelona process. It comprises the EU plus 14 southern Mediterranean countries, including the Balkans, Turkey, North Africa and the Near East, from which Palestine is excluded and Syria is suspended[13].

Meetings at ministerial level are relatively rare, looking at broad information society themes (EUROMED, 2008; EC, 2014). At the working level, there have been three programmes on telecommunications policy (see Table X), with consultants organising meetings between the EC, ministries and regulators to:

- promote cooperation;
- assist regulators in the non-EU countries through workshops and study visits;
- analysis of regulatory frameworks in individual countries and the region; and
- create an online observatory of country-level information.

However, reports on these activities have not been published.

There are overlapping arrangements for regulators, with the Moroccan regulator participating in the following:

- Arab Regulators Network (AREGNET, 2014).
- Euro-Mediterranean network of Regulators (EMERG, 2014)[14].
- Francophone regulators network (FRATEL, 2014).

While there appears to have been considerable engagement and many opportunities for travel, there is little evidence that the practice of the Moroccan regulator and ministry have benefitted. Foreigners appear to have overlooked the patrimonialism, the absence of independence of the regulatory authority, the conflicts of interest and the distorted outcomes for the economy and for citizens. The powerful network governance model that works within the EU, pulling ministries and regulators towards the standard telecommunications policy model, focussed on competition analysis, was not taken up in Morocco, probably because of the absence of the incentive of future membership and the accompanying obligation to comply with the EU *acquis*. Of course competition analysis would have undermined the arrangements for rent seeking by exposing abuses and bottlenecks.

## Conclusion

For all the enthusiasm over constitutional and political change since 2011, there has been no "spring" in Moroccan telecommunications policy. In the opposite direction, there were reductions in transparency, following the removal of the royal holding company from the Casablanca stock exchange and the transfer of control of Maroc Telecom from France to the Persian Gulf. The sovereign continues to chair meetings of ministers, who also sit on the boards of the incumbent operator, the regulatory authority, the anti-corruption agency and other bodies, with irreconcilable conflicts of interests, which remain unacknowledged and unreformed – there are not even registers of interests or of lobbying. The only simple, if disproportionate for telecommunications, solutions would be a revolution to end the

**Table X** New approaches to telecommunications in the middle East and North Africa

| | | | |
|---|---|---|---|
| NATP 1 | 2002-2003 | €2,500,000 | Regulaid |
| NATP 2 | 2005-2008 | €4,000,000 (ENPI, 2012) | Regulaid (2014) with Frontier Economics and Clifford Chance |
| NATP 3 | 2009-2012 | €990,000 (ENPI, 2009) | Regulaid with Jacobs & Associates (EMERG, 2014) |

monarchy or its reduction to a Scandinavian model, with nationalisation of its commercial interests.

A case study of a single sector in a single country offers a very limited basis on which to draw conclusions. Nonetheless, with lessons from Tunisia, it points to the need to end the isolation, both in practice and in the academic literature, of telecommunications policy, of its development distinct from anti-corruption, good governance, pro-competition and open data analyses and policies. In particular, there is a need to reconsider the apparent suspension of disbelief about the independence of regulatory authorities, critically examining their roles and status. It suggests that sector best practice, invariably presented as universally applicable, may sometimes be inappropriate and that its limitations and essential preconditions, which have often been ignored, need to be set out.

Where it is not possible to achieve transparency, the systematic identification and removal of competitive abuses, and to have effective judicial review and parliamentary oversight, then an alternative set of policies would seem unavoidable. For example, it might be that a single, state-owned operator, with its performance measured against benchmarks from economic rivals and neighbouring states could be more effective and more easily made resistant to corruption and (neo)patrimonialism.

Morocco had the institutions, laws, policies and techniques identified as sector global best practice, but implementation was far from that described in the literature, comprehensively abused to create opportunities for an operator owned by the sovereign, first to become established and then to generate greater revenues from his subjects and their businesses. He was able to ensure there were no further market entrants, with liberalisation having been effective only from 1997 to 2000. Najem (2001) described the misuse of privatisation in Morocco, which, in the case of Maroc Telecom, saw the funds used to shore up the regime and the sovereign, although this was even more evident in the abuse of the fees from the second mobile licence. Consequently, it is necessary to examine the possible abuses of the timing of the (non-)issuance of licences and of supposedly pro-competitive measures such as number portability and local loop unbundling. In particular, it is necessary to review the telecommunications sector in other autocracies, to identify the roles of heads of state, crowned or otherwise, and their effect on governance systems.

The entry of other Arab monarchies into Moroccan telecommunications is not easily explained, with Kuwaiti royalty investing in Inwi and UAE royalty buying Vivendi out of Maroc Telecom. This leaves Orange (formerly France Telecom)[15], with its minority stake in Méditel, as the only non-Arab investor. A bias towards Arab and, especially, royal Arab investors could be cultural affinity, although it could equally be collusion – it is certainly odd. The involvement of the sultanistic monarchies of the Persian Gulf in telecommunications needs to be examined, especially if they are engaged in some form of regal collusion.

Admiral Nelson, commanding British warships engaging the Danish fleet off Copenhagen, put a telescope to his blind eye, observing that he could not see a signal by flags, which he had been told ordered him to disengage the enemy, whom he went on to defeat. It is conceivable that the World Bank, the European Commission, regulators from EU member states and their consultants, collectively took the approach that they would not see the conflicts of interest and the kleptocracy in Morocco. Perhaps they believed corruption was endemic, that future reforms or competitive forces would eliminate such problems or that they did not matter. There is the more troubling possibility that they failed to detect them, which would raise grave concerns, requiring examination of their activities in other countries where corruption has also been endemic.

## Notes

1. There are accounts of telecommunications across the Middle East and North Africa (MENA), but paying little attention to Morocco (Varoudakis and Rossotto, 2004; Rossotto *et al.*, 2005).
2. Tunisia may be emerging as a democratic exception.

3. He flew into exile in the Kingdom of Saudi Arabia (BBC, 2011).
4. A promised note for 2014-2018 is overdue.
5. [. . .] due to the strategy of the Government of His Majesty the King, and to the transparency and the credibility of the mechanisms used in its implementation.
6. It defeated Orascom for the spectrum in a contest judged by ANRT.
7. Averages were 5 Mbps download and 1 Mbps upload for fixed and 4.6 and 1.2 for mobile (Ookla, 2014).
8. BMCE is *Banque marocaine du commerce extérieur*.
9. Meditel has not posted an annual report since 2010.
10. Graciet & Laurent note that the state budget for the royal household was about MAD2.5 billion, while that of the Ministries of Transport, Sport, Culture, Housing and Urban Development was only MAD2.26 billion.
11. Among the more exotic investments was the gambling hotspot of Macau SAR, not usually considered compatible with the values of the religious cult the monarch purports to lead (Reuters, 2009b).
12. The first head of ANRT was appointed by Hassan II from his personal staff.
13. For Moroccan agreements and reports see: http://eeas.europa.eu/morocco/index_en.htm
14. Funded under NATP 3 and by individual contributions from the NRAs.
15. Orange has indicated it plans to sell off African interests.

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