



MOROCCO:

CLEAR DECISIONS ON TELECOMMUNICATIONS POWER ECONOMIC GROWTH

In a Nutshell

When the Moroccan government began deregulating its telecommunications industry, it first split post and telecommunications services and then set up a National Agency of Telecommunications Regulations. A cell phone license was issued that attracted international interest and earned the country \$1.1 billion. The state-owned Maroc Telecom went private after extensive modernization, and phone access skyrocketed over a period of seven years, from 4.5 to 20 lines per 100 inhabitants.

Morocco's successful transformation of its telecommunications industry can be attributed to strong national vision and leadership, sound regulations, total transparency and prudent use of international expertise to bolster local capacities.

The Story

Deregulation was first proposed in Morocco during a telecommunications workshop held in 1994. The subject stirred a vigorous debate – for Morocco, the choice was either to follow the international movement in this direction or remain on the fringe of competitiveness. Eventually, the former option held out, and in October 1996, the Moroccan Cabinet passed legislation to launch deregulation. It was guided by three principle objectives: splitting postal and telecommunications activities; separating regulatory functions and business activities; and establishing regulation, verification and arbitration bodies for the industry. An estimated \$6-7 billion would be needed to reach a phone density of 15 lines per 100 inhabitants, a goal beyond the means of the state or the post and telecommunications authority. Capital from national and foreign partners was the only way to mobilize financing.

In 1997, post and telecommunications services were split through the creation of the *Ittissalat Al Maghreb (IAM)*, a public limited company with the task of ensuring universal access. It was also mandated to set up one or more public telecommunications networks. A private company, *Barid Al Maghreb (BAM)*, was designated for improving the postal services.

The separation of management and marketing duties, and the establishment of verification and arbitration mechanisms soon followed with the formation of the National Agency of Telecommunications Regulations (*ANRT*). This body, placed under the authority of the Prime Minister, and administered by a board and a management committee, is responsible for granting licenses, permits, agreements and registrations, and for ensuring appropriate oversight.

IAM then created its own trademark, *Maroc Telecom*, to provide cell phone services, while the ANRT launched an invitation to tender for a second cell phone

license. The license was predicted to cost between \$150-200 million, but 15 operators showed strong interest. Through competitive bidding, the professionalism of the ANRT, and the credibility and transparency that accompanied the entire process, the purchase price soared to \$1.1 billion.

While during the first five years of cell phone operations there were only 120,000 subscribers, the sale of the second network accelerated development of the market in a way that even the most optimistic observers would not have forecast: from 600,000 at the start of the second license to 6 million in 2002. Two factors spurred this boom: first, the competition between the two operators and their very aggressive marketing strategies, and second, a prepaid card formula, which was very attractive and netted about 80 per cent of the subscriptions.

The privatization in December 2000 of Maroc Telecom – through the sale of 35 per cent of its assets, and the introduction of another segment on the local and international stock exchanges – was the largest such transfer to take place in Morocco. The preparation for privatization was accompanied by a thorough modernization. New value-added services were offered, including technological innovations such as short messaging service (SMS); the wireless application protocol (WAP), which allows Internet access; specialized connections, etc. The network is now 100 per cent digital and has more than 5,000 kilometres of fibre optic cables. For the first six months of 2000, a turnover of \$500 million and a profit of \$100 million were up 32 per cent and 48 per cent, respectively, compared with the same period the year before.

However, the privatization coincided with the world economic downturn. Since the spring of 2000, the value of industry stocks has crashed 40 per cent, reducing the financing capacity of buyers. Only Vivendi made an offer for Maroc Telecom, of \$2.3 billion, which was 15 per cent above the minimum price set by the state.

Throughout the deregulation process, ANRT leaders consistently stressed human resources capacity development. The European Union participated in creating the agency, contributing to its business plan and human resources training, with teamwork playing an important role. Once nominated, the ANRT director selected five university-educated people to take on different management positions. These were Moroccan nationals who did not have much experience initially. But they carefully studied the experiences of other countries, each one examining how a particular nation introduced the telecommunications industry to the free market. They also learned from highly qualified international advice on subjects such as markets, market strategy and preparation of specifications.

Results and Critical Factors

Liberalization resulted in the rapid development of a modern industry, with the number of phones soaring from 4.5 to 20 lines per 100 inhabitants between 1995 and 2002. Subscription prices, access and communication costs, and the waiting

time to get a connection all dropped dramatically. Telecommunications has become one of the most important motors powering Morocco's economic development, pulling in \$3.5 billion in foreign investments since 1999, or about two-thirds of the country's global foreign investments between 1998 and 2001. This achievement stems from a combination of critical factors:

- The government took a clear position on embracing deregulation, and implemented the necessary measures to facilitate a smooth transition, based on sound regulations and total transparency.
- Staunch political commitment combined with timely actions to split up the industry and establish the necessary regulatory mechanisms inspired confidence among international investors to take advantage of viable market opportunities.
- International expertise and experience were selectively used to enhance the work of local managers at the ANRT, and to strengthen the capacity and credibility of the organization.

Further information:

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