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The cabinet sets 7 October as the date for the 2016 general elections. The ruling Parti de la Justice et du Développement (PJD) faces increased opposition to its fiscal consolidation plans. Four major public and private sector unions call a general strike on 24 February that could harm the PJD's electoral chances. The oil and gas sector sees increased activity across January and February as Qatar Petroleum and AIM-listed Sound Energy both make significant acquisitions. Maroc Telecom posts a 17.5% increase in turnover but a 4.3% drop in profit as its West Africa business grows but takes on increased debts. The government commissions the first phase of the Noor Solar Power Project after a six-week delay.

Government sets date for general election as strikes loom

The cabinet set 7 October as the date for the 2016 general election in a meeting on 28 January.¹ With eight months to go before the vote, the ruling **Parti de la Justice et du Développement (PJD)** of prime minister **Abdelilah Benkirane** (2011-present) is facing increasing opposition over the government's fiscal consolidation plans.² Morocco's four major unions have called a general strike opposing pension reforms (see below).³

The October 2015 municipal elections started the political manoeuvring to gain the upper hand in the forthcoming general election. Following the municipal elections the PJD were well set to take first place in October's general election (see *ARC Briefing Morocco November 2015*).⁴ However, the impact of austerity measures could negatively affect their electoral chances.⁵ The PJD's primary electoral rivals are technocratic royalist **Parti Authenticité et Modernité (PAM)** and former ruling party **Istiqlal**, both of which performed strongly in the 2015 municipal elections.⁶

*"This time last year the PJD was in a stronger position; the economy was growing, there were more jobs for people; all the papers ran stories about how rich Morocco was. But now, all the austerity measures the PJD passed in 2011 and 2012 are biting, growth will be lower, the price of grain is going to rise... their chances are not as good."*⁷

Other sources agree that the economic performance of the country will be a significant factor in the upcoming elections:

*"The battleground will be the economy...people will vote on whether they feel the PJD has made them richer or poorer since 2013."*⁸

Recent reforms to state pension plans and benefits which raise the retirement age of public sector employees from 60 to 62, are proving unpopular (see *ARC Briefing Morocco January 2016*).⁹ Four of

¹ Le Matin, 28 Jan 2016.

² L'Economiste, 10 Feb 2016.

³ L'Economiste, 10 Feb 2016.

⁴ Le Matin, 28 Jan 2016.

⁵ Le Matin, 28 Jan 2016.

⁶ Le Matin, 28 Jan 2016.

⁷ Source, journalist, Casablanca

⁸ Source, political analyst, Rabat

⁹ Le Matin, 28 Jan 2016.

Morocco's major unions met on 10 February and called a general strike to take place on 24 February.¹⁰ The **Union Marocaine du Travail (UMT)**, **Confédération Démocratique du Travail (CDT)**, **Union Générale des Travailleurs du Maroc (UGTM)** and **Fédération Démocratique du Travail (FDT)** called the strike. They represent workers from both the public and the private sector. The official reason for striking is the “*deteriorating conditions for workers due to government policies*”.¹¹ However, the UMT and CDT called a general strike in early December to protest the pension reform that only a few thousand workers observed.¹² Organisers cited the last minute nature of the strike as a reason for poor turnout, combined with the fact that the private sector UGTM and FDT unions were not involved. The UGTM and the FDT have the potential to extend the impact of a strike into the private sector.¹³

The PJD remains calm about the potential impact of the strikes, citing improving employment figures as evidence the party has delivered on its economic promises. The **Haut Commissariat du Plan (HCP)** announced unemployment fell to 9.7% in 2015 from 9.9% the previous year.¹⁴ Unemployment in urban areas fell to 14.6% from 14.8% and in rural areas fell to 4.1% from 4.2%.¹⁵

“The biggest economic problem for Moroccans is unemployment, especially for the educated youth who have few opportunities...the PJD policies for reducing unemployment are beginning to pay off...the people will recognise this, despite the strikes.”¹⁶

Activity increases in Morocco's hydrocarbons sector

Morocco's oil and gas sectors saw increased activity across the first two months of 2016. On 8 February **Qatar**-based state-owned oil company **Qatar Petroleum (QP)** purchased a 30% stake in offshore drilling licences in Morocco which **United States (US)**-based **Chevron** owns.¹⁷ **London Alternative Investment Market (AIM)**-listed **Sound Energy** announced its acquisition of a further 50% operating interest in three onshore gas permits in Morocco on 26 January.¹⁸

Chevron has prospected offshore for oil and gas in Morocco since 2013, but has yet to announce a significant find.¹⁹ The company turned to QP in order to fund continued exploration activities as low oil prices have negatively impacted their balance sheet. QP purchased an overall stake in the **Cap Rhir Deep**, **Cap Cantin Deep** and **Cap Walidia Deep** drilling areas.²⁰ They are located between 100-200km from coastal city **Agadir** and encompass an area of approximately 11,274 square miles.²¹ Chevron previously held 75% of the concessions with state-owned petroleum body **Office National des Hydrocarbures et des Mines (ONHM)** holding the remaining 25%. Under the new deal Chevron will retain a 45% stake and will continue to operate the leases; QP will hold 30% and the ONHM will retain its 25% stake.²² The Moroccan government reportedly gave its approval to the deal prior to its agreement.²³ It fits into a trend of Morocco looking to the **Gulf States** for financial backing. QP chief executive **Saad Sherida Al-Kaabi** commented that:

¹⁰ L'Economiste, 10 Feb 2016.

¹¹ L'Economiste, 10 Feb 2016.

¹² La Source Maroc, 11 Dec 2015.

¹³ L'Economiste, 10 Feb 2016.

¹⁴ L'Economiste, 9 Feb 2016.

¹⁵ L'Economiste, 9 Feb 2016.

¹⁶ Source, PJD official, Rabat

¹⁷ Fuel-fix, 8 Feb 2016.

¹⁸ Energy Voice, 25 Jan 2016.

¹⁹ Africa Petroleum, 8 Feb 2016.

²⁰ Fuel-fix, 8 Feb 2016.

²¹ Africa Petroleum, 8 Feb 2016.

²² Fuel-fix, 8 Feb 2016.

²³ Fuel-fix, 8 Feb 2016.

*"It is no coincidence that Qatar Petroleum's international presence is now extended to Morocco, a country which Qatar enjoys special relations with."*²⁴

Sound Energy is one of the leading prospectors of Morocco's nascent onshore gas sector. Gaining operator status, with a total 75% ownership, at the wells allows it to develop and exploit gas reserves rather than simply prospecting.²⁵ Further developments and energy discoveries will help to build Morocco's energy security, especially if the price of oil and gas increases.

Sound purchased the stake in the **Sidi Moktar** licences from state-owned oil and gas company **PetroMaroc** for \$3.65m in share capital.²⁶ Sound purchased its original 25% stake in the licences from state-owned prospecting company **Maghreb Petroleum Exploration** on 14 January.²⁷ The licences cover 2700 square km (sq/km) in the **Essaouira** basin in central Morocco. Sound has already drilled two wells at **Kechoula** and is awaiting a near-term well test at the same site to determine potential production levels.²⁸ The company estimates that the site holds some 293 billion cubic feet of gas.²⁹ Sidi Moktar is the second onshore asset that Sound owns in Morocco. Sound also holds an operating stake in the **Tendrara** permit in **Figuig Province** in the north-east of the country.³⁰ According to chief executive **James Parsons** the company expects production at Sidi Moktar to start during 2016.³¹

Both the QP and Sound acquisitions indicate there is appetite in the markets for oil and gas assets, despite the low prices. According to industry analysts it is good news for Morocco in particular:

*"Investors are able to buy into oil and gas assets at reduced prices due to the low market...they may be more willing to take a risk on Morocco's untapped market when the more competitive regional markets such as **Egypt** and **Algeria** are in freefall."*³²

Maroc Telecom announces increased turnover but fall in profits due to Africa business

Maroc Telecom announced a 4% fall in profits and a 17% increase in revenue for 2015 on 15 February.³³ The company said that figures were due to the poor domestic performance in the Moroccan market and its recent acquisitions in **West Africa**. Maroc Telecom is listed on the **Casablanca Stock Exchange (CSE)** and the **Euronext** and is the largest telecoms operator in Morocco.³⁴ The company acquired its 53% majority interest in **United Arab Emirates (UAE)**-based **Etisalat Group's** operations in West Africa for \$528m in 2013.³⁵ The second largest shareholder is the Moroccan government, which holds a 30% interest.³⁶ The operations are branded as **Moov** in **Benin, Cote d'Ivoire, Gabon, Niger, the Central African Republic and Togo**.³⁷

As a result, 59% of Maroc Telecom's customers are from West Africa, and contribute 41% of the company's annual turnover, which increased to \$3.51 billion from \$2.99 billion in 2015.³⁸ The companies have grown from contributing just 27.5% to the business in 2013 to 41% in 2015, bringing in total revenue of \$1.43 billion across the year.³⁹ Maroc Telecom witnessed particularly high

²⁴ Africa Petroleum, 8 Feb 2016.

²⁵ Energy Voice, 25 Jan 2016.

²⁶ Energy Voice, 25 Jan 2016.

²⁷ Maghreb Energy Digest, 14 Jan 2016.

²⁸ Energy Voice, 25 Jan 2016.

²⁹ Maghreb Energy Digest, 14 Jan 2016.

³⁰ Sound Energy website, 2016.

³¹ Energy Voice, 25 Jan 2016.

³² Source, oil and gas analyst, London

³³ L'Economiste, 15 Feb 2016.

³⁴ L'Economiste, 15 Feb 2016.

³⁵ L'Economiste, 15 Feb 2016.

³⁶ L'Economiste, 15 Feb 2016.

³⁷ L'Economiste, 15 Feb 2016.

³⁸ Jeune Afrique, 15 Feb 2016.

³⁹ Jeune Afrique, 15 Feb 2016.

turnover growth in Cote d'Ivoire and Niger.⁴⁰ However, the Moov acquisitions came with a significant debt burden that increased to \$760m.⁴¹ This nullified the increase in turnover and resulted in the 4.3% decrease in the group's overall profits.⁴² However, the company plans to continue its investment programme in the Moov business, allocating \$450m out of its \$900m investment budget to Moov for 2016.⁴³

The Moroccan telecoms market has reached saturation point. According to industry sources competition for contracts is driving prices down.⁴⁴ It has declined by approximately 1.2% per annum since it reached a peak of \$4.5 billion in 2012 down to \$4.2 billion in 2015.⁴⁵ This has led telecoms companies to seek growing markets, such as those in West Africa, to reclaim profits. This is a higher risk investment strategy that industry analysts believe will pay off in the long run:

*"The West African markets are still growing, and are some of the few in the world that have yet to reach 100% phone ownership and saturation...they are also leapfrogging straight to 4G allowing companies like Maroc Telecom to move existing expertise and product models into those markets...the potential for long term gain far outweighs the short term loss."*⁴⁶

Government commissions Noor Phase I

The government commissioned the first phase of the **Noor Solar Power Project** on 28 January.⁴⁷ King **Mohammed VI** (1999-present) opened the first 160 megawatt (MW) photovoltaic (PV) solar power installation at a ceremony alongside senior power ministry officials.⁴⁸ This is the first of four phases at the site, located at **Ourzazate** in the south of Morocco. The solar plants will eventually generate 580MW of electricity for Morocco when they are fully online in 2018.⁴⁹ The power ministry estimates that it will meet the needs of approximately one million people. The park is the keystone of the government's 2011 renewable energy policy that aims to generate 20% of the country's electricity from renewable sources by 2020.⁵⁰

The **Moroccan Agency for Solar Energy (MASEN)**, which has commissioned the Noor project, is due to release details of applicants for the final tender phase – **Noor IV** – in the coming weeks. **Saudi Arabia**-based **ACWA Power** and **Spain**-based **SENER** have won the first three tenders to construct the first 460MW of PV plants.⁵¹ MASEN delayed the commissioning of the first phase of Noor by three weeks. It was due to come online in the first week of January (see *ARC Briefing Morocco January 2016*). The agency cited scheduling issues with the key dignitary – the king – but sources in Morocco speculated that some technical issues on site caused the delay.⁵²

Implications

The PJD have ridden the economic high of the low price of oil and a record harvest across 2015. They used it to implement a number of economic reforms winning the support of economists and international observers. However, when harvest levels return to normal and their economic policies come into full effect, the populace will feel increased economic pressure. This will have an impact on the PJD's electoral chances in October as they will have to persuade their mostly urban voter base that

⁴⁰ Agence Econfin, 16 Feb 2016.

⁴¹ Jeune Afrique, 15 Feb 2016.

⁴² L'Economiste, 15 Feb 2016.

⁴³ Jeune Afrique, 15 Feb 2016.

⁴⁴ Source, telecoms analyst, Cairo

⁴⁵ Capacity Media, 8 Aug 2015.

⁴⁶ Source, telecoms, analyst, Cairo

⁴⁷ Agence Maroc Presse, 28 Jan 2016.

⁴⁸ Agence Maroc Presse, 28 Jan 2016.

⁴⁹ Power Technology, 2 Feb 2016.

⁵⁰ Power Technology, 2 Feb 2016.

⁵¹ Power Technology, 2 Feb 2016.

⁵² Source, journalist, Casablanca

the consolidation is worth it. The striking workers represent a key segment of that voter base and could easily swing back to Istiqlal or across to the PAM, which draws most of its support from rural areas. It opens up the election to greater competition but the PJD remains a strong contender to win the largest number of votes. No party is set to win a clear majority.

Morocco's oil and gas sector is small and usually not a target for significant acquisitions. Chevron has prospected for over a decade and not made any significant offshore finds. However, QP would not buy into the operation unless there was good evidence of oil reserves. Sound Energy is the largest player in the onshore gas exploration and production market. They have slowly and steadily increased their output and are set to make significant financial gain if the price of gas increases. The government is planning on increasing its gas refining facilities over the next few years, which will help the market grow further.

Maroc Telecom will benefit in the long run as the West African markets mature. It is one of many established Moroccan businesses that look to the rest of Africa for growth. The Moroccan state keeps a significant stake in the company. This keeps a strong relationship to the Gulf States (through majority shareholder Etisalat) and allows the government to benefit financially from good ties with West Africa.

The commissioning of the Noor Phase I plant indicates that the government is committed to the fulfillment of its renewable energy policy, first published in 2011. As the other phases of the project come online over the next three years, solar power will start to play a greater role in Morocco's energy supply mix.

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