

AFRICA RISK CONSULTING**Morocco Monthly Briefing January 2018****Morocco Summary 16 January 2018**

Protests continue in Jerada against lack of government funding and job opportunities in the Oriental Region. Partial elections in Guercif and Nador secure the Union Socialiste des Forces Populaires (USFP) the requisite seats to maintain a parliamentary group. The World Bank and the Haut Commissariat au Plan (HCP) (state planning agency) publish their economic prospects for Morocco in 2018. The dirham is partially liberalised. The government launches an international tender for a \$4.6 billion natural liquefied gas contract amid media allegations of United States lobbying.

Unrest in Jerada over economic grievances

The death of two brothers in an illegal coalmine in the north-eastern city of **Jerada (Oriental Region)** triggered a series of protests that began on 22 December.¹ The protests are indicative of long-standing economic grievances over the lack of employment opportunities in the Oriental Region. Government spokesman **Mustafa El Khalif** said on 28 December that the government is working on different projects for Jerada. However, this did not appease protesters, who held a “Friday of Anger” on 29 December.² The interior ministry held a meeting with the regional council in Jerada on 30 December to discuss the region’s challenges.³ The president of the regional council, **Mohamed Abdellaoui**, stressed the need for a new and more inclusive development model, increased regionalisation, and better geographic management to bridge the gap between urban and rural areas.⁴ The regional council also underlined the need to create economic opportunities.⁵ Since the closing of coalmines in 1998, the region has faced social and economic issues due to a lack of investment.⁶

The past eighteen months have seen a number of social protests in **Morocco**. In the neighbouring **Rif Province**, the death of a fisherman in October 2016 triggered protests over the underdevelopment of the region. In the city of **Zagora (Zagora Province)**, there have been so-called ‘thirst demonstrations’ over recent cuts to the water supply.⁷ The government’s response to these protests – including numerous arrests and jail sentences – has tended to exacerbate the original tension.⁸

Energy minister **Aziz Rebbah** visited Jerada on 4 and 5 January, promising an action plan to improve the social and economic situation of the province.⁹ The authorities also announced

¹ RFI, 29 Dec 2017.

² RFI, 29 Dec 2017.

³ RFI, 29 Dec 2017.

⁴ Telquel, 29 Dec 2017.

⁵ Telquel, 29 Dec 2017.

⁶ Telquel, 30 Dec 2017.

⁷ VOA, 30 Dec 2017.

⁸ VOA, 30 Dec 2017.

⁹ Menara, 6 Jan 2018.

the strengthening of the control of exploitation licences, while protestors demanded sanctions against so-called “*coal lords*” who exploit the local workers.¹⁰ The prime minister, **Saad Eddine El Otmani**, publicly acknowledged on 5 January that some regions of Morocco are not benefiting from the economic growth of the country, mentioning the low level of respect for employment rights.¹¹

New elections in Nador and Guercif follow invalidation of October results

New elections took place on 4 January to fill one vacant parliamentary seat in **Nador** and two in **Guercif**, after their results were invalidated on 5 October.¹² In Nador, magistrates of the court removed one deputy from the **Mouvement Populaire (MP)** after charging him with using a national symbol, the Moroccan flag, during his campaign. In the case of Guercif, the victory of two deputies was invalidated, with one from the **Parti Authenticité et Modernité (PAM)** on the same charge of using national symbols, and the other one from **Istiqlal** for concealing the name of other candidates on his list.¹³

The **Union Socialiste des Forces Populaires (UFSP)** was the main winner of the partial elections with one seat in Nador and Guercif, while a candidate from the PAM won the second seat in Guercif.¹⁴ Those results enabled the UFSP to maintain the 20 seats necessary to create a parliamentary group.¹⁵ This comes amid party reorganisation following recommendations of the **Court of Auditors** to create a more transparent party financing system.¹⁶

Multiple parties have held congresses ahead of the election of the president of the **Chambre des Conseillers** (house of councilors, upper house of parliament) in October 2018 and the president of the **Chambre des Représentants** (house of representatives, lower house of parliament) in 2019.¹⁷ For now, three groupings are seen as dominating the political scene. These are the **Mouvement National des Indépendants**, Istiqlal and the **Parti de la Justice et du Développement (PJD)**. The **Rassemblement National des Indépendants (RNI)**, since the appointment of **Aziz Akhannouch** at its head, won three seats during the partial elections, meaning it now holds more than 40 seats in the chamber of representatives. The Istiqlal is also renewing its strategy, since electing **Nizar Baraka** as party leader, although it is still challenged by its failure to retain its political elite in its executive committee. The PJD is challenged by the perceived weak performance of its ministers under the former government.¹⁸

Positive economic growth recorded for 2017 but slower growth expected in 2018

The **Haut Commissariat au Plan (HCP)** (state planning agency) published third quarter data on 29 December showing growth of 3.8% year-on-year compared to 1.3% in the same quarter 2016.¹⁹ Growth was largely on the back of the agricultural sector, which grew 14.5%.²⁰ The extractives sector grew 17.8%, and the manufacturing sector 1.6%.²¹ In the

¹⁰ Menara, 6 Jan 2018.

¹¹ Menara, 5 Jan 2018.

¹² L’Economiste, 3 Jan 2018.

¹³ L’Economiste, 3 Jan 2018

¹⁴ L’Economiste, 3 Jan 2018.

¹⁵ L’Economiste, 3 Jan 20

¹⁶ L’Economiste, 3 Jan 2018.

¹⁷ L’Economiste, 3 Jan 2018.

¹⁸ Source, Morocco analyst, UK

¹⁹ Yabiladi, 29 Dec 2017.

²⁰ Yabiladi, 29 Dec 2017.

service sector, aside from lower performances in education, health and social aid, most subsectors showed a faster growth compared to 2016. Hotels and restaurants posted 8.1% growth compared to 7.7% during the same period last year; transport grew 5.7% compared to 3.8%; and financial services and insurance grew 2.6% compared to 1.6% in 2016.²² The HCP noted that growth was mainly sustained by external trade as national demand only increased 0.2% during the quarter compared to 7.2% during the corresponding period in 2016.²³

Economic forecasts for 2018 vary. The HCP predicted slower growth of 3.2% for 2018.²⁴ The HCP established a 2.6% GDP growth for 2018 first quarter, compared to 3.8% same period in 2017. Non-agricultural activities will be the main factor of GDP growth, at 3.2% in 2018.²⁵ The **Bank Al-Maghrib** (central bank) forecasts growth of 3% for 2018 and 3.6% for 2019.²⁶ The **World Bank** published its 2018 global economic prospect on 9 January, establishing Morocco's GDP growth at 3.1% in 2018, compared to 4.1% in 2017, and 3.2% for 2019 and 2020.²⁷ The World Bank describes Morocco as "*economically solid*" in 2017, partly due to good agricultural production, but also benefitting from low oil prices, helping to reduce energy subsidies. However, because the government did not complete its subsidies reform, compensation costs are expected to soar, as oil prices increase and consumption of butane gas grows.²⁸

The World Bank report also attributes Morocco's good economic performance to a better balanced budget following **International Monetary Fund (IMF)** and World Bank programmes, in addition to larger reforms improving the labour market, business environment and overall competitiveness. The country was ranked 69th in the **Doing Business 2018**, and aims at 50th place by 2020, through the enactment of measures such as the creation of a barometer for business environment or reform of the **Loi relative aux sociétés anonymes** (law on anonymous (public limited) companies).²⁹

The partial liberalisation of the dirham exchange rate came into effect on 15 January. The IMF had advised this reform to help reassure foreign investors. Subjecting the currency to the law of offer and demand makes the dirham less subject to artificial over-evaluation.³⁰ Until now, the currency exchange rate was fixed by the monetary authorities, and based on the euro and the dollar, with a 0.3% flexibility margin around the rate.³¹ The margin was extended to 2.5% of fluctuation above or under the rate.³² Some concerns around speculation risks, and potential currency devaluation were addressed by maintaining the Moroccan central bank's right to intervene in case of excessive fluctuation.³³

²¹ Yabiladi, 29 Dec 2017.

²² Yabiladi, 29 Dec 2017.

²³ Yabiladi, 29 Dec 2017.

²⁴ L'Economiste, 10 Jan 2018

²⁵ L'Economiste, 10 Jan 2018

²⁶ L'Economiste, 10 Jan 2018

²⁷ L'Economiste, 10 Jan 2018.

²⁸ L'Economiste, 10 Jan 2018

²⁹ Source, Morocco analyst, UK

³⁰ Le 360, 14 Jan 2018.

³¹ Le 360, 14 Jan 2018.

³² Le 360, 14 Jan 2018.

³³ Source, Morocco analyst, UK

Controversy surrounds international tender for \$4.6 billion natural gas project

The ministry of energy, mines, water and sustainable development, **Aziz Rebbah**, announced on 14 January that Morocco will be launching an international tender for the construction of an industrial complex for the transformation of natural gas in **El Jadida**, worth \$4.6 billion.³⁴ The information was leaked a few days before in **Newsweek**, as the press was covering a story involving **Scott Pruitt**, head of the **United States (US) Environmental Protection Agency (EPA)**. Pruitt is under investigation after a controversial trip to Morocco, where he was suspected of meeting with Rebbah, justice minister **Mohamed Aujjar** and state secretary of foreign affairs **Mounia Boucetta**, to encourage Morocco to import liquefied natural gas (LNG) from the US.³⁵ Critics accuse US gas lobbies of supporting Pruitt's political career during his time as general prosecutor of **Oklahoma**, the third largest US LNG producer, and allege that those lobbies are behind the initiative towards Morocco.³⁶

The project, led by **l'Office National de l'électricité et des Eaux (ONEE)** (national electricity and water office), is behind schedule as development of the gas infrastructure was expected to begin in late 2017. The ONEE aimed for the infrastructure to become active in 2021, when the Algeria-Europe convention supplying Algerian gas via the **Gazoduc Maghreb Europe (GME)** is due to expire. The call for expression of interest in 2015 received 93 offers, including from companies such as **Nareva**, the energy subsidiary of Moroccan holding company **Société Nationale d'Investissement (SNI)** (national investment society), US-based **Jacobs Engineering** and **General Electric**, and the **France-based EDF**, which are still in the competitive process.³⁷ Morocco's national security needs are estimated to reach five billion of cube meters per year by 2025.³⁸

France-based Vinci Construction wins €284m contract

France-based Vinci Construction won a €284m (\$347m) contract in **Agadir (Souss-Massa Region)** on 9 January. The project, launched by ONEE, aims to store hydraulic energy and help better manage national demand of the Moroccan energy grid.³⁹ Vinci Construction will lead a consortium including **Austria-based Andritz Hydro**, to build a new pumped-storage hydroelectric plant in **Abdelmoumen**, 70 kilometres from Agadir, employing 840 people over 48 months.⁴⁰ The consortium will conduct execution studies, undertake civil engineering, supply material and transfer equipment, and be responsible for the assembling, trials and activation of the station. Vinci Construction will take over civil engineering works and the digging of the production factory, while Andritz Hydro will supply the equipment using its new 175 MW **Francis** turbines.⁴¹

³⁴ Le Desk, 14 Jan 2018.

³⁵ Le Desk, 14 Jan 2018.

³⁶ Source, Morocco analyst, UK

³⁷ Le Desk, 14 Jan 2018.

³⁸ Le Desk, 14 Jan 2018.

³⁹ Jeune Afrique, 9 Jan 2018.

⁴⁰ Jeune Afrique, 9 Jan 2018.

⁴¹ Jeune Afrique, 9 Jan 2018.

Planner

2021: Expiry of the **Algeria-Europe** convention supplying Algerian gas via **Maghreb Europe Gazoduc** (GME);

2021: Legislative, regional and local elections;

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

Oct 2018: Election of president of **Chambre des Conseillers** (house of councilors, upper house of parliament)

Chronology

15 Jan 2018: *Le360*, Partial liberalisation of the dirham is implemented, expanding the flexibility margin from 0.6% to 5%, following an **International Monetary Fund** recommendation to attract foreign investors;

14 Jan 2018: Le Desk, Energy minister **Aziz Rebah** announces an international tender for a \$4.6 billion industrial complex project;

10 Jan 2018: *Jeune Afrique*, **France**-based **Vinci Construction** wins a €284m hydraulic energy contract in the region of **Agadir**;

9 Jan 2018: *L'Economiste*, The **World Bank** shares its 2018 economic prospects for **Morocco**, establishing Morocco's GDP growth at 3.1% in 2018, compared to 4.1% in 2017, and 3.2% for 2019 and 2020.

4 Jan 2018: *L'Economiste* Partial elections are held in **Nador** and **Guercif**, result in two seats for UFSP two seats and one for the PAM;

29 Dec 2017: *Yabiladi*, The **Haut Commissariat au Plan (HCP)** publishes third quarter economic results; showing a growth of 3.8% year-on-year compared to 1.3% in the same quarter 2016



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