

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing February 2020

#### Morocco Summary 24 February 2020

*The Direction des Etudes et des Prévisions Financières (DEPF) (financial studies and forecasting department) reports that Morocco's electricity exports grew by 315% while net energy consumption rose by 3.8% respectively in 2019. France and China bid to construct a high-speed train linking Marrakech and Agadir in the southwest of Morocco, putting diplomatic relations between France, Morocco's second largest infrastructure investor, and Morocco at risk. Morocco obtains a lower ranking in Germany-based NGO Transparency International's 2019 Corruption Perceptions Index despite government efforts to drive its 2016-2025 anti-corruption strategy.*

#### Electricity imports fall as net energy consumption increases

The **Direction des Etudes et des Prévisions Financières (DEPF)** (financial studies and forecasting department) reported on 21 February that **Morocco's** electrical energy imports fell by 85.9% at the end of 2019, while exports of electric energy significantly increased by 315.7% between the first quarter of 2018 and the end of 2019.<sup>1</sup> This positive performance can partly be attributed to private production, which increased by 31.5%, as well as contributions of national private companies, which increased by 158.3% at the end of 2019.<sup>2</sup> The DEPF, which falls under the ministry of economy, finance, and administration reforms, added that Morocco's net energy consumption grew by 3.8% in 2019.<sup>3</sup>

Demand for electricity in Morocco has grown rapidly as a result of steady economic development.<sup>4</sup> The challenge for Morocco's energy decision-makers will be to implement strategies that will ensure an increase in electricity supply while simultaneously reducing reliance on energy imports.<sup>5</sup> As a result of its **Stratégie énergétique nationale (SEN)** (national energy strategy), which it adopted in 2009 and implemented in 2016, Morocco has decreased its dependence on foreign electricity supply by 6% from 98% to 92%.<sup>6</sup>

Morocco's renewables targets present numerous opportunities for investment.<sup>7</sup> The country aims to produce 42% of electricity through renewable sources by the end of 2020, and 52% by 2030. To achieve its aspirations, the government is actively attracting foreign investment through its investment strategy for the energy sector. The strategy will require approximately \$40 billion in investment funds, of which electricity production from renewable sources will account for \$30 billion.<sup>8</sup> The plan is part of the strategy to diversify energy supplies and reduce Morocco's dependence on oil and gas. As such, the national energy strategy has led to a number of concentrated renewable energy projects including wind power development, hydroelectric generation projects and solar energy programmes.<sup>9</sup>

<sup>1</sup> Morocco World News, 21 Feb 2020

<sup>2</sup> Morocco World News, 21 Feb 2020

<sup>3</sup> Morocco World News, 21 Feb 2020

<sup>4</sup> Source, analyst, Pretoria

<sup>5</sup> Source, analyst, Pretoria

<sup>6</sup> Morocco World News, 21 Feb 2020

<sup>7</sup> Morocco World News, 21 Feb 2020

<sup>8</sup> Oxford Business Group Morocco 2019 Report

<sup>9</sup> Oxford Business Group Morocco 2019 Report

At the inauguration of the national energy strategy in November 2009, **Spain**-based engineering and technology company **SENER Group** country director **Anas Raisuni Perez** said that renewables are an appropriate energy solution for Morocco as solar energy production became cheaper than fuel production.<sup>10</sup>

*“The decision to focus on renewables came in 2009, when demand for electricity was rising by 5-6% per year and oil prices skyrocketed and natural gas was virtually unavailable.”<sup>11</sup>*

While large-scale business investors have so far dominated the majority of projects developed, small and medium-sized enterprises (SMEs) are yet to benefit from the development of renewable energy in Morocco. Experts in the Moroccan energy sector, including **Association des Ingénieurs Centraliens et Supélec du Maroc** (Moroccan alumni association of the Central School of Paris) vice-president **Touria Barradi**, remain optimistic that opportunities for growth are widespread for smaller firms as market liberalisation advances.<sup>12</sup>

*“Going forward, Morocco has sufficient capacity and competencies to extend the value chain, especially in electronic, as well as control and monitoring devices.”<sup>13</sup>*

The significant rise in electricity exports and considerable decrease in electrical energy imports in 2019 reflects the significant potential for electricity production and development moving into 2020.<sup>14</sup> Morocco’s geographic location fosters an appetite for foreign investment in the renewable energy sector, which will ultimately lead to the creation of jobs and the development of the country as a regional and continental force.<sup>15</sup>

### ... as China and France battle over Marrakech-Agadir train ...

**China** and **France** are competing over the high-speed train project that will connect Morocco’s two most travelled tourist destinations, **Marrakech** and **Agadir**.<sup>16</sup> Tensions between France and China began rising less than a month after Morocco’s King **Mohammed VI** (1999-present) delivered a speech on 6 November to commemorate the 44<sup>th</sup> anniversary of the **Green March** – a mass demonstration that the Moroccan government coordinated in 1975 to force Spain to hand over the disputed, autonomous semi-metropolitan province of **Western Sahara** to Morocco.<sup>17</sup>

*“I invite the authorities concerned to think seriously about the development of a rail link between Marrakech and Agadir, first before extending it to the rest of the southern regions.”<sup>18</sup>*

The king’s invitation to develop the rail line follows Morocco’s investment negotiations with France and China on 23 November.<sup>19</sup> China’s state-owned **China Railway Construction Corporation Limited** offered a significantly lower bid than that proposed by France.<sup>20</sup> Given the significant size of the contract, France stands to lose a sizeable investment if China wins the contract for the new high-speed train, which may further harm already fragile diplomatic ties between **Paris** and **Rabat**.<sup>21</sup>

According to the Moroccan tourism ministry, Marrakech and Agadir attract 57% of tourists visiting Morocco.<sup>22</sup> The development of a high-speed train between the two most popular tourist destinations

<sup>10</sup> Oxford Business Group Morocco 2019 Report

<sup>11</sup> Oxford Business Group Morocco 2019 Report

<sup>12</sup> Oxford Business Group Morocco 2019 Report

<sup>13</sup> Oxford Business Group Morocco 2019 Report

<sup>14</sup> Source, analyst, Pretoria

<sup>15</sup> Source, analyst, Pretoria

<sup>16</sup> Morocco World News, 22 Feb 2020

<sup>17</sup> International Morocco, 3 December 2019

<sup>18</sup> King Mohammed VI quoted by International Morocco, 3 December

<sup>19</sup> Source, analyst, Pretoria

<sup>20</sup> Maghreb Confidential, 22 Feb 2020

<sup>21</sup> Source, analyst, Pretoria

<sup>22</sup> Morocco tourism ministry

would thus improve the flow of commerce and traffic, and stimulate the creation of jobs in the tourism industry.<sup>23</sup>

Morocco is still paying off its **Tangier-Casablanca** rail project, which was constructed in 2018 at a cost of \$2.1 billion as part of the continent’s first-ever high-speed line, with 51% of the cost being loaned by France.<sup>24</sup> While borrowing funds for another billion-dollar project may be justifiable in terms of regional security and profitability, Morocco’s decision-makers need to weigh the risk of borrowing against the added value of an efficient transportation system that is still relatively new to the African continent.<sup>25</sup> A high-speed link between Marrakech and Agadir has the potential to be a significant source of long-term economic growth.<sup>26</sup>

Historically, while France has been the main source of foreign direct investment in Morocco, the **European** nation took the second spot behind **Ireland** in 2018/2019 accounting for 17% of foreign direct investment flows. Apart from the \$1.1 billion invested into the Tangier-Casablanca high-speed rail line in 2018, French investments into Morocco have extended into various industries, primarily education and employment. The **Agence Française de Développement (AFD)** (French development agency) alone has contributed \$6.1 billion to Morocco’s development programme since 1992.

France’s investment loss will be significant if China wins the contract for the new high-speed rail train. China poses a direct threat to France and its historical control over the railways market, a monopoly it has held since 2007 when France-based company **Alstom** was awarded a contract to implement the first part of the Tangier-Casablanca railway project. There are likely to be political, diplomatic, and economic consequences, which French economy and finance minister **Bruno Le Maire** signaled on 14 November when he called for the repatriation of French investments in Morocco:<sup>27</sup>

*“French car manufacturing ventures in Morocco are a failed investment model which ought to be reviewed.”<sup>28</sup>*

Le Maire deferral of a visit last year to commemorate the first anniversary of the launch of the high-speed train on 23 November reflects the brewing diplomatic tensions between France and Morocco.<sup>29</sup>

**... and Morocco falls in TI’s Corruption Index**

Perceived corruption in Morocco has worsened, according to the latest report of **Germany**-based NGO **Transparency International’s 2019 Corruption Perceptions Index (CPI)**, released on 23 January.<sup>30</sup> The index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.<sup>31</sup> The 2019 CPI ranked Morocco 80<sup>th</sup> out of 180 countries assessed with a score of 41, compared to its score of 43 with a rank of 73 in 2018.<sup>32</sup>

<b>TI CPI Rankings for Morocco</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Ranking</b>	80/180	73/180	81/180	90/176	88/168
<b>Score (out of 100)</b>	41	43	40	37	36

<sup>23</sup> Source, analyst, Pretoria  
<sup>24</sup> Source, analyst, Pretoria  
<sup>25</sup> Source, analyst, Pretoria  
<sup>26</sup> Source, analyst, Pretoria  
<sup>27</sup> International Morocco, 14 Feb 2020  
<sup>28</sup> International Morocco, 14 Feb 2020  
<sup>29</sup> Source, analyst, Pretoria  
<sup>30</sup> Source, analyst, Pretoria  
<sup>31</sup> Transparency International’s 2019 CPI Report  
<sup>32</sup> Transparency International’s 2019 CPI Report

In its fight against corruption, the government of Morocco launched the national anti-corruption strategy 2016-2025 in May 2016.<sup>33</sup> The strategy aims to reduce corruption levels by half, and improve Morocco's international ranking in order to enhance the confidence of Moroccan citizens and that of the international community in Morocco as a stable of country that is not tolerant of corruption.<sup>34</sup> Speaking at the House of Advisers (upper house) on 21 January, prime minister **Saad Eddine El Otmani** emphasised the government's strong commitment to fighting corruption, noting that rampant corruption is one of the main obstacles that hinder the development and stability of the country, and a fundamental reason for citizens' lack confidence in strategic institutions:<sup>35</sup>

*"The success of the anti-corruption efforts contributes to the achievement of the expected development and to the improvement of the investment and business climate as well as the living standards of citizens, which requires a unified vision involving all stakeholders."*<sup>36</sup>

While the government is proud of the results of its national anti-corruption strategy, some Moroccan citizens do not share its sentiments.<sup>37</sup> In its December report, Transparency International noted that 74% of Moroccans believe the Moroccan government is not doing enough to address and tackle corruption, and that political officials are most often amongst the individuals involved in bribery and corrupt practices.<sup>38</sup> An analysis of the report reveals that 53% of Moroccans perceive institutional corruption to be rapidly increasing.<sup>39</sup> The report also notes that 31% of Moroccan citizens have paid a bribe in the past 12 months.<sup>40</sup>

*"The handling of corruption cases reveals a gap between leaders' promises and real action. According to the study results, one in four Moroccans think most or all judges, magistrates, and police are involved in corruption."*<sup>41</sup>

While Morocco dropped by seven points in TI's 2019 rankings, it still ranks above the **Middle East and North Africa (MENA)** region's average of 39 points. Morocco trails **Tunisia** (74<sup>th</sup> with 43 points) but outperforms **Libya** (168<sup>th</sup> with 18 points) as well as **Egypt** and **Libya** (jointly 106<sup>th</sup> with 35 points).<sup>42</sup>

TI 2019 CPI Rankings for North Africa					
	Tunisia	Libya	Egypt	Algeria	Morocco
<b>Ranking</b>	74/180	168/180	106/180	106/180	80/180
<b>Score</b>	43	18	35	35	41

In order for Otmani's government to make strides in its anti-corruption campaign, it needs to address the imbalances and shortcomings in Morocco's legal and institutional frameworks, which lead to weak institutional performance, particularly with the current accountability system.<sup>43</sup> The marked weakness in resource capacity, the slow functioning of government institutions, and the prioritisation of improving governance and fighting corruption will need to be at the top of the list if corruption perception is to improve in Morocco. The government will also need to integrate civil society into its official efforts to dismantle corruption.<sup>44</sup>

<sup>33</sup> Ashraq al-Aswat, 22 Jan 2020

<sup>34</sup> Morocco Institute for Policy Analysis, 7 Mar 2020

<sup>35</sup> Agence Marocaine De Presse, 22 Jan 2020

<sup>36</sup> Prime minister Saad Eddine El-Otmani quoted by Agence Marocaine De Presse, 22 Jan 2020

<sup>37</sup> Source, analyst, Pretoria

<sup>38</sup> Transparency International's 2019 CPI Report

<sup>39</sup> Transparency International's 2019 CPI Report

<sup>40</sup> Transparency International's 2019 CPI Report

<sup>41</sup> Transparency International's 2019 CPI Report

<sup>42</sup> Transparency International's 2019 CPI Report

<sup>43</sup> Source, analyst, Pretoria

<sup>44</sup> Source, analyst, Pretoria

## Planner

2021 **Marrakech (Morocco) International Monetary Fund and World Bank** annual meetings to take place in Morocco;

2021 **(Morocco)** Scheduled legislative, regional and local elections;

## Chronology

22 Feb 2020 **Rabat (Morocco)** *Morocco World News*. Morocco's ambassador to **Spain, Karima Benyaich**, says Morocco wishes to strengthen and develop its ties with each of the Spanish regions;

21 Feb 2020 **Rabat (Morocco)** *Morocco World News*. The Moroccan government plans to invest around \$433m to launch a network of commuter railways as a large number of Moroccans have turned to trains for commuting, especially on the **Kenitra-Casablanca** axis;

21 Feb 2020 **Rabat (Morocco)** *Middle East Monitor*. Algeria's President **Abdelmadjid Tebboune** challenges Morocco's territorial integrity, blaming Morocco for the frozen diplomatic relations between **Algiers** and **Paris**;

20 Feb 2020 **Rabat (Morocco)** *Morocco World News*. Moroccan government spokesperson **Hassan Abyaba** accuses the **Netherlands** of interfering in its internal affairs following the Dutch government's call on Morocco to release activist arrested during the Moroccan popular protest movement that erupted after the death of local fishmonger **Mochine Fikri** in October 2016;

20 Feb 2020 **Rabat (Morocco)** *Maroc Press*. The government rejects **Amnesty International's** accusations in its 2019 report suggesting that Morocco perpetrated various human rights violations including restrictions of freedom of speech and freedom of assembly of activists and journalists;

20 Feb 2020 **Rabat (Morocco)** *Morocco World News*. Relations between Morocco and **Cuba** warm up after almost 40 years of frozen diplomatic ties after the Cuban ambassador to Morocco, **Javier Domokos Ruiz**, praises Morocco's strengths in the renewable energy sector, emphasising the opportunities and multiple possibilities for cooperation between the two nations;

18 Feb 2020 **Rabat (Morocco)**. *North Africa Post*. Morocco and **Japan** agree to establish a Japan desk within the **Agence Marocaine de Développement des Investissements et des Exportations (AMDIE)** (Moroccan agency for investment and export development) after Morocco's industry minister, **Loulay Hafid Elalamy**, meets with Japan's parliamentary vice-minister for foreign affairs, **Shinichi Nakatani**, as part of the two countries' bilateral relations;

17 Feb 2020 **Rabat (Morocco)**. *Channel Africa*. Morocco's main telecommunication company, **Maroc Telecom**, reaches \$620m in profits in 2019, recording an increase of 1% compared to 2018.

### About Africa Risk Consulting:

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