

AFRICA RISK CONSULTING

Morocco Monthly Briefing March 2020

Morocco Summary 23 March 2020

Morocco declares a state of emergency in response to the Covid-19 outbreak as the number of reported and confirmed cases spikes across the country. Morocco's energy, mines, and environment ministry gives United Kingdom-based London Stock Exchange-listed upstream gas company Sound Energy environmental impact assessment approval for the construction of a 120-kilometre gas pipeline in Tendrara, eastern Morocco. The United States (US) and Morocco target increased bilateral trade activities through advanced consultations, diplomatic dialogue and the annual US-Morocco trade and investment forum.

Covid-19 sparks state of emergency in Morocco

Morocco's interior ministry announced a state of emergency for the "foreseeable future" on 19 March in an attempt to slow the spread of **Covid-19**.¹ The state of emergency declaration came soon after the health ministry confirmed the 63rd case of Covid-19 on 19 March. The interior minister said Morocco's armed forces and police services would administer, regulate and enforce the state of emergency, which came into full effect on 20 March, to ensure the government can take more severe measures in responding to the pandemic and monitoring movement of individuals in public spaces without authorisation.²

*"The state of public health emergency does not mean stopping the economy, but taking exceptional measures that require limiting the movement of citizens, by requiring that people can only leave their homes if they are provided with an official document from state officials."*³

Prime minister **Saad Eddine El Othmani** and health minister **Khalid Ait Taleb** state that the government is taking the pandemic very seriously and that all necessary measures will continue to be enforced and observed accordingly.⁴ The state of emergency dictates extensive travel restrictions including the suspension of flights to and from Moroccan territory, the suspension of maritime routes between Morocco and **Europe** and the closure of all land borders. Restaurants, cafes, gyms, cinemas, *hammams* (public baths) and other public gathering spaces are closed until further notice.⁵ The government had already announced on 16 March the cancellation of classes in all institutions from day-care centres to tertiary institutions.⁶

Bank Al-Maghrib (central bank) experts predict a slowdown in Morocco's economic growth in 2020 as a result of the Covid-19 pandemic; however, they are optimistic that the economy will bounce back in 2021.⁷ At its first quarterly meeting of 2020 on 17 March, the bank underlined that Morocco's economic growth will stagnate at approximately 2.3% in 2020, but is likely to rebound at 3.8% in 2021.⁸ **Haut Commissariat au Plan (HCP)** (planning commission) head **Ahmed Lahlimi** cited both the serious impact of the drought on agricultural output and the drop in tourism as a consequence of the global spread of Covid-19 as reasons for Morocco's worst economic growth since 2000.⁹ In 2019

¹ Morocco World News, 19 Mar 2020

² Morocco World News, 19 Mar 2020

³ Morocco World News, 19 Mar 2020

⁴ Middle East Online, 4 Mar 2020

⁵ North Africa post, 20 Mar 2020

⁶ Morocco World News, 16 Mar 2020

⁷ NKC African Economics, 17 Mar 2020

⁸ NKC African Economics, 17 Mar 2020

⁹ BourseNews, 16 Mar 2020

the agricultural sector accounted for 13% of Morocco's Gross Domestic Product (GDP) and 33% of its national labour force.¹⁰

*"Growth this year will witness the steepest drop in 20 years and forecasts remain surrounded by significant uncertainties and are subject to downward revision if the global spread of the COVID-19 disease is not contained in the short term."*¹¹

The spread of Covid-19 will have a significant negative impact on Morocco's tourism industry. The country is losing tourist traffic due to travel restrictions and bans, which are causing a global downturn in air traffic and travel.¹² In 2019, Morocco's tourism sector employed more than 750,000 workers and represented 7% of the country's total GDP. In a media briefing on 11 March, Moroccan national airline **Royal Air Maroc (RAM)** and the crisis cell at the tourism ministry warned that the tourism sector would lose approximately 100,000 bookings in March alone.¹³

*"We were on an upward trend with very strong double-digit growth in bookings compared to 2019 and today, our activity is, unfortunately, almost falling back to stability compared to the previous year."*¹⁴

Sound Energy gets environmental approval for gas pipeline

Morocco's energy, mines and environment ministry approved on 20 March the environmental impact assessment (EIA) for the construction and operation of the 120-kilometre, 20-inch **Tendrara Natural Gas Export Pipeline (TGEP)** by **London Stock Exchange (LSE)**-listed upstream gas company **Sound Energy**.¹⁵ The pipeline will cross the **Matarka** village in the province of **Figuiq** in eastern Morocco and **Jerada**, and is expected to connect the proposed gas treatment plant and compression station (CPF) to the **Gazoduc Maghreb Europe (GME)** pipeline.¹⁶ The GME pipeline runs from the **Hassi R'mel** field in western **Algeria**, through Morocco, to **Cordoba** in **Andalusia (Spain)** where it is connected to Spanish and **Portuguese** gas grids.¹⁷ The GME pipeline is operated by Algeria's state-owned oil company, **Sonatrach**, and Spain-based energy company **Enagas SA**. The **Liquefied Natural Gas (LNG)** project is valued at an estimated \$112.8m. The environmental approval includes consideration of the first phase of Sound Energy's LNG plan.¹⁸

In a statement released on 20 March, Sound Energy announced it is in discussions with industrial customers and distributors in Morocco regarding the long-term offtake of LNG from the concession and subsequently conducting talks with equipment providers for the planned LNG production facility at Tendrara.¹⁹ Sound Energy CEO **Mohammed Seghiri** expects the company to be in a position to take a final investment decision on the development solution during the second quarter of 2020, which would enable first LNG delivery in early 2021.²⁰

*"We continue to believe that we have a valuable position in the Moroccan energy sector encompassing a significant discovery in Tendrara with exciting additional exploration upside potential."*²¹

As operations commence, larger developments will follow. While discussions with potential purchasers, investors and stakeholders continue, Sound Energy has been active in considering other

¹⁰ Nordea Trade, Mar 2020

¹¹ Ahmed Lahlimi quoted in Morocco World News, 17 Mar 2020

¹² Source, analyst, Pretoria

¹³ Royal Air Maroc, 18 Mar 2020

¹⁴ Africa News, 17 Mar 2020

¹⁵ Shares Magazine, 20 Mar 2020

¹⁶ Construction Review Online, 28 Jan 2020.

¹⁷ Energy Mix Report, 20 Mar 2020

¹⁸ Shares Magazine, Mar 2020

¹⁹ Sound Energy PLC, 20 Mar 2020

²⁰ Sound Energy PLC, 20 Mar 2020

²¹ Sound Energy PLC announcement, 20 Mar 2020

options to monetise its asset at Tendrara.²² The micro LNG development plan has been identified as an initial and rapid development strategy to prioritise early monetisation of the existing gas discovery, which can in turn facilitate a larger ultimate development.²³ The developments will be an important milestone in the process of developing and commercialising the Tendrara concession. The deadline for gas sales agreement negotiations with Morocco's state-owned power utility, **l'Office National de l'Electricité et de l'Eau Potable** (national office of electricity and drinking water) for Sound Energy's natural gas concession in eastern Morocco was scheduled for the end of March but has been postponed due to the Covid-19 pandemic (see above).²⁴

Morocco and US aim to extend investment ties

The **United States (US)** and Morocco have agreed on a roadmap to strengthen US investment in Morocco and to cooperate in co-financing socio-economic projects across the **African** continent.²⁵ In a meeting on 9 March in **Washington DC (US)**, Morocco's minister delegate to the ministry of foreign affairs, **Mohcine Jazouli**, met with senior US officials including **Adam Boehler**, first CEO of the **US International Development Finance Corporation (DFC)**, and **Florizelle Liser**, CEO of US-based non-profit organisation **Corporate Council on Africa (CCA)**.²⁶ The US is currently the second-largest foreign investor in Morocco and both countries plan to increase bilateral trade activities through high-level consultations, dialogue and the annual **US-Morocco Trade and Investment Forum**.²⁷

Morocco has widely been regarded as the US' strongest ally in the region and is the only country on the African continent with a **Free Trade Agreement (FTA)** with the US.²⁸ The FTA came into force in January 2006. The US-Morocco FTA, as well as Morocco's high-quality infrastructure and stable economy, make the country an attractive investment destination and market.²⁹ Trade between the two countries more than quadrupled in the 2006-2019 period. Total annual trade reached \$5.06 billion in 2019, compared to \$1.34 billion in 2006.³⁰

The US is Morocco's primary supplier of arms and military arsenal, providing 62% of its arms between 2014 and 2018.³¹ The strengthening of ties between the two countries has been cemented through the signing of a military contract by Morocco with the **US Army** seeking purchase of 25 armoured vehicles for \$250m, which were deployed in the **Iraq War (2003-2011)**.³² The **Defense Security Cooperation Agency (DSCA)** maintained in a statement released on 4 March that Morocco will have no difficulty absorbing these vehicles into its armed forces, suggesting that the sale of the equipment will enhance the military balance in the region, particularly in the fight against terrorism.³³

"This proposed sale will support the foreign policy and national security of the United States by helping to improve the security of a major non-Nato ally that continues to be an important force for political stability and economic progress in North Africa."³⁴

²² Source, analyst, Pretoria

²³ Energy Mix Report, 20 Mar 2020

²⁴ Energy Mix Report, 20 Mar 2020

²⁵ Source, analyst, Pretoria

²⁶ Morocco World News, 10 Mar 2020

²⁷ CEIC, January 2020

²⁸ Morocco World News, 10 Mar 2020

²⁹ Source, analyst, Pretoria

³⁰ CEIC, January 2020

³¹ Morocco World News, 4 Mar 2020

³² Morocco World News, 4 Mar 2020

³³ Defense Security Cooperation Agency, 4 Mar 2020

³⁴ Defense Security Cooperation Agency, 4 Mar 2020

Planner

9-12 Jun 2020 **Marrakech (Morocco)** *Corporate Council on Africa. US-Africa Business Summit 2020*³⁵

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 Mar 2020 **Rabat (Morocco)** *Yabiladi*. Government adopts a draft decree-law related to the state of health emergency declared to avoid the spread of **Covid-19**, as protesters take to the street against the state of emergency;

22 Mar 2020 **Rabat (Morocco)** *Morocco World News*. The health ministry confirms eight new cases of **Covid-19**, bringing the total number of cases in Morocco to 104 as of 22 March;

21 Mar 2020 **Rabat (Morocco)** *Morocco World News*. The government bans the use and movement of all forms of intercity modes of transport as of 21 March in an attempt to stop the spread of **Covid-19** throughout Morocco;

19 Mar 2020 **Rabat (Morocco)** *The North Africa Post*. Police arrest at least a dozen people for spreading rumours about **Covid-19**, including a woman who used her **YouTube** channel to say the disease did not exist;

19 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Finance minister **Mohamed Benchaaboun** says the **National Fund** will pay \$203 to all employees affected by **Covid-19**;

18 Mar 2020 **Rabat (Morocco)** *Automotive News*. **France-based Renault Group** stops production in Morocco due to **Covid-19**, saying 11,000 employees would be affected by the shutdown;

17 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Health ministry confirms a second death and says total infections of **Covid-19** have risen to 38;

17 Mar 2020 **Rabat (Morocco)** *Al Jazeera*. Human rights groups decry the four-month suspended sentence and \$50 fine that a **Moroccan** court handed to journalist and rights activist **Omar Radi** on charges of insulting a judge on **Twitter**;

17 Mar 2020 **Rabat (Morocco)** *CNN*. Morocco's ministry of foreign affairs, **African Cooperation and Moroccans Abroad (ACMA)**, announces the suspension of all international passenger flights to and from its territory as a precautionary measure in the wake of the **Covid-19** pandemic;

18 Mar 2020 **Rabat (Morocco)** *Arab News*. Moroccan police have arrested approximately 12 people for spreading "fake news" about **Covid-19**, asserting that the spread of misinformation on the pandemic by certain individuals continues to cause panic amongst citizens;

15 Mar 2020 **Rabat (Morocco)** *Morocco World News*. **King Mohammed VI** orders the establishment of a \$1 billion fund to manage the **Covid-19** outbreak and airports become overwhelmed with thousands of tourists attempting to return to **Europe** after regular air links with some 30 countries are suspended;

³⁵ Due to the rapidly changing nature of the COVID-19 pandemic and preventive measures being put in place by countries, airlines, businesses, and global health officials, CCA and its partners are re-assessing current plans and exploring options for postponing the Summit to a later date in 2020.

12 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Government suspends all flights and maritime voyages to and from **Spain**, its closest **European** neighbour, as a response to **Covid-19** – the same measures already apply to **Italy**;

12 Mar 2020 **Rabat (Morocco)** *Al Jazeera*. **Morocco's** ambassador to the **United Arab Emirates**, **Mohamed Ait Wali**, is recalled home amidst escalating tensions;

12 Mar 2020 **Rabat (Morocco)** *Africa Times*. **United States**-based non-governmental organisation **Human Rights Watch** calls attention to violence against **Sahrawi** activists in **Morocco** and **Western Sahara's** border dispute;

11 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Health ministry confirms two new cases of **Covid-19** in **Morocco**, bringing the total to five;

11 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Telecom company **Orange Maroc** launches its mobile money service **Orange Money** in **Morocco**;

10 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Health ministry confirms the first death from **Covid-19** in **Morocco** and prime minister **Saad Eddine El Othmani** announces that the country is suspending all travel to and from **Italy**;

9 Mar 2020 **Rabat (Morocco)** *Morocco World News*. **Royal Air Maroc** suspends flights to **Venice** and **Milan** in **Italy** and the health ministry says it tested 12 more people with suspected cases of **Covid-19**, but the tests came back negative – there have been two confirmed cases in **Morocco** to date;

9 Mar 2020 **(Africa)** *CNN*. **World Health Organisation** says nine **African** countries, **Algeria**, **South Africa**, **Senegal**, **Tunisia**, **Togo**, **Egypt**, **Cameroon**, **Nigeria** and **Morocco** have reported more than 90 **Covid-19** cases;

9 Mar 2020 **Rabat (Morocco)** *The North Africa Post*. **United Kingdom**-based **SDX Energy** announces commercial gas findings during a recent drilling operation at the **BMK-1 well** in northern **Morocco**;

7 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Government prohibits gatherings of more than 1,000 people in confined spaces until the end of March;

6 Mar 2020 **Rabat (Morocco)** *Renewables Now*. **Sweden**-based thermal energy storage developer **Azelio** says it has finalised the construction of an energy storage facility at **Morocco's** 580-MW **Noor Ouarzazate** hybrid solar power complex;

5 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Health ministry confirms the second case of **coronavirus** in **Morocco**;

4 Mar 2020 **Rabat (Morocco)** *Morocco World News*. **United States (US)** state department approves **Morocco's** request to purchase 25 armoured vehicles from the **US Defense Security Cooperation Agency** for \$240m;

3 Mar 2020 **Rabat (Morocco)** *EMPEA*. **United Kingdom**-based private investment firm **Actis** and **Canada**-based **Westmont Hospitality Group** acquire the **Sheraton Casablanca Hotel** in **Morocco**;

2 Mar 2020 **Rabat (Morocco)** *Morocco World News*. Health ministry confirms the first case of **coronavirus** in **Morocco**;

25 Feb 2020 **Rabat (Morocco)** *EMPEA*. **SPE Capital**-backed **H&S Invest (Dislog Group)** agrees to acquire 100% of **Moroccan** bleach manufacturer **Fater Maroc** from **Fater Italy**;

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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