

## MOROCCO AT A GLANCE

Morocco is located in Northern Africa, bordering the North Atlantic Ocean and the Mediterranean Sea, and between Algeria and Western Sahara. It has a population of over 33 million and an area of 446,550 km<sup>2</sup> (172,410 sq. mi). Its political capital is Rabat, although the largest city is Casablanca and other major cities include Marrakesh, Tangier, Tetouan, Salé, Fes, Agadir, Meknes, Oujda, Kenitra, and Nador. Morocco has a Mediterranean climate and more extreme in the interior parts of the country. Morocco is characterized by rugged mountainous interior and large portions of desert. It is one of only three countries to have both Atlantic and Mediterranean coastlines. Morocco is divided into 16 regions, which are further subdivided into 62 prefectures and provinces.



Morocco is a constitutional monarchy with an elected parliament. Morocco's king, Mohammed VI has vast executive and legislative powers over the military, foreign policy and religious affairs. The most predominant religion is Islam and the official languages are Berber and Arabic. Moroccan Arabic and French are also widely spoken. Morocco's economy is considered a relatively liberal economy that is governed by the law of supply and demand. It has followed a policy of privatization of certain economic sectors which used to be under the control of the government. The nation has a strong labor market with availability of highly skilled workers. Furthermore, low wages is also making the economy an attractive destination for investors. However, Morocco also scores poorly on indicators of corruption. In Transparency International's 2012 Corruption Perceptions Index, the country was ranked 88<sup>th</sup> in the world.

Morocco has plans for a number of infrastructure projects in place and its economic growth is expected to do well in the next few years given the increase of Investors' interest in the country as an export-oriented manufacturing hub for the European market as well as its booming tourism industry. For the period of 2008-2012, the government has increased its spending on basic infrastructure to US\$47.26 billion (RM164.7 billion). Morocco also depends on international financing institutions, such as the European Investment Bank (EIB), Arab Fund for Economic and Social Development, African Development Bank (AfDB) and the private sectors. To date, the government has secured infrastructure funding for the development of its transport, residential/non-residential and renewables infrastructure. Throughout 2013, it has received almost US\$1.2 billion (RM4.1 billion) and has a further US\$13.5 billion (RM47 billion) investment plan which will be apportioned for the power sector.

## SWOT ANALYSIS

### *Strengths*

- Good road, airport and port infrastructure.
- Excellent geographical location - bridging Europe and North Africa.
- European firms, notably French and Spanish, are comfortable working in the Moroccan business environment.

### *Weaknesses*

- Electricity shortages, particularly in rural areas.
- Existing infrastructure is still below par compared with European neighbors.
- There is a shortage of housing units in Morocco.

### *Opportunities*

- Strong state investment in rail and roads, especially between major population centers.
- European energy demand looks set to drive further funding and innovative new developments such as Desertec.
- Strong economic growth should buoy revenues and lead to more tenders for international construction companies.
- Heavy investment in bringing power infrastructure up to scratch, including two thermal plants worth US\$2.7 billion (RM9.4 billion) and US\$620 million (RM2.16 billion).

### *Threats*

- Over-reliance on agricultural production as a constituent of GDP could hamper economic growth, as it is highly dependent on the rainfall levels.
- Dominant position of French and Spanish companies in the country may limit organic national growth.
- A very strong relationship with French companies may at times make it difficult for other players from other countries to gain entry, particularly in the rail sector.

## INDUSTRY FORECASTS

Construction And Infrastructure Industry Forecast Data (2014-2017)				
	2014	2015	2016	2017
<b>Construction industry value, RM billion</b>	24	25.8	28.6	31.3
<b>Construction Industry value, % of GDP</b>	6.2	6.3	6.5	6.7
<b>Total capital investment, RM billion</b>	118.1	125.8	137.3	151.5
<b>Total capital investment, % of GDP</b>	30.3	30.7	31.5	32.3
<b>Cement production (including imported clinker), tons</b>	11,999,995.7	11,999,993.7	11,999,991.5	11,999,989.4
<b>Cement consumption, tons</b>	11,541,785.2	11,491,034.2	11,437,745.8	11,381,793.3

The Moroccan construction industry is estimated to have experienced real growth of around 6.5% year-over-year in 2013 and 6.7% in 2012. The sector is expected to continue on this strong growth trajectory over the medium-to-long period; as real industry growth is anticipated to average at 6.78% per annum between 2014 and 2023. There has also been an increase in foreign investment in Morocco, from both the Europe and the Gulf, which in turn has given rise in infrastructure activity in the country. Strong state investment in rail and roads has also been reported, particularly between urban centers. As such, BMI forecasted a growth potential in construction and infrastructure sector, citing large-scale domestic construction industry value as a major factor.

Nowadays, Morocco's infrastructure has developed to play a key role in providing power and transport connections, as links between Europe and the Maghreb region of Northern Africa has become increasingly vital. Since 2002, the government has set forth a 13-year infrastructure spending program for major projects including housing, large-scale tourism resorts, roads, highways, airports, ports and dams. The government is targeting for an investment amounting to US\$15 billion (RM52.2 billion) in basic infrastructure by the year 2015. This and the fact that foreign investment keeps pouring into the country, have resulted in increasing activities in the infrastructure sector in recent years and it continues to grow, despite the recession in place. Significant investment is also reported to be making its way into the country's energy and utilities infrastructure.

The European Investment Bank has announced that it will be providing two loans amounting to US\$553 million (RM1.92 billion) to the Moroccan government and US\$316 million (RM1.1 billion) will be given to the Moroccan road authority to build a 142km motorway between El Jadida and Safi. Another US\$237 million (RM826.1 million) will be provided to extend the Moroccan electricity grid, with approximately 1,300km of new overhead electricity lines by 2015.

As for transport infrastructure, in 2011 the African Development Bank (AfDB) has provided a EUR300 million (RM1.3 billion) loan to Morocco to support the investment plans made by the country's rail operator. The country's national rail company Office National des Chemins de Fer (ONCF) is also planning to invest heavily in the transport infrastructure, with a US\$13 billion (RM45.3 billion) investment plan running to 2035. The plan involves the construction of almost 2,000km of major rail lines linking the country's largest cities, as well as urban rail and high-speed lines.

There have also been reports that the government of Saudi Arabia is to make an investment worth US\$1.25 billion (RM4.35 billion) through the Saudi Fund for Development in order to support several development projects in Morocco. The investment is targeted in the areas of health, education, transport, communication, hotels and agriculture. It said to be a part of a financial assistance package extended to Morocco and Jordan by four GCC countries, with Morocco set to receive a total of US\$5 billion (RM17.5 billion). The Saudi private sectors are also currently making investments in the tourism, agriculture and ports industry in Morocco.

## MAJOR PROJECTS

Project Name	Value (RM mil)	Size	Unit	Timeframe Start	Timeframe End	Status
High speed rail link from Casablanca to Marrakech	-	-	-	2015	-	At planning stage (under consideration)
Tangier-Marrakech railway	-	148	km	2011	2016	Project finance closure (AfDB EUR300 million (RM1.3 billion) loan secured in March 2011)
Ouarzazate solar complex (CSP)	-	300	MW	2013	-	At planning stage
Jorf Lasfar coal power plant	3,659	700	MW	2010	2014	Project finance closure (February 2013 - US\$1.4 billion (RM4.8 billion) financing secured)
Five-star conference hotel complex, Tangier	1,045	-	-	-	-	Announced (May 2013- Project plans to construct a five-star conference hotel complex comprising 300 rooms. Also in addition to an 18-hole golf course, a beach club and a retail commercial center will be constructed)

## INFRASTRUCTURE AND CONSTRUCTION PLAYERS

**Holcim Maroc** was established in 1976 and is a subsidiary of Swiss-based firm Holcim Group. Holcim Maroc is an important producer and supplier of cement, concrete and aggregate products in Morocco. The company operates concrete and cement plants and grinding stations, as well as packing and distribution centers. The company employs close to 600 people and its annual cement production capacity is 2.6mn tons. Aside from serving the demands of a rapidly expanding domestic market, Holcim Maroc also exports to dozens of other countries.

**Alstom Group** is a global leader in in transport and energy infrastructure. The French government now owns a 21.0% stake in the company. Alstom has been operating in Morocco for 40 years. Alstom employs 100 permanent employees and is located mainly in the cities of Casablanca and Rabat.

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