Natural Resource Governance Institute

Resource Governance Index

2021 Resource Governance Index
Morocco

Mining

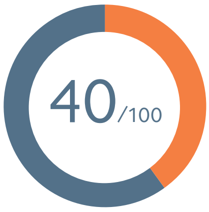
Morocco's mining sector has scored 49 points in the 2021 Resource Governance Index (RGI), placing it in the "weak" performance band. While Morocco's "satisfactory" enabling environment provides a somewhat firm foundation for overall governance, both value realization and revenue management, the two components focused specifically on extractive sector governance, received overall "poor" scores.

- Governance of licensing is "failing" (scoring just 14 points out of 100) due to the absence of a cadaster, lack of financial interest rules and disclosures, and opacity around mining sector contracts.
- A lack of disclosures of social and environmental impact assessments related to mining operations demonstrate deterioration in the governance of local impacts.
- The score for the governance of Morocco's state-owned phosphate mining company, OCP Group, deteriorated by 15 points since the 2017 RGI, due to "failing" commodity sales rules and disclosures.
- As the country aims to become a producer of critical minerals and shifts focus to the energy transition, authorities should prioritize improving resource governance in order for the country as a whole to benefit from these plans.

Morocco mining: 2021 Resource Governance Index and component scores

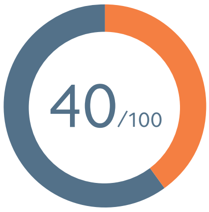
PERFORMANCE BANDS

GOOD Scores over 75
SATISFACTORY Scores 60-74
WEAK Scores 45-59
POOR Scores 30-44
FAILING Scores under 30



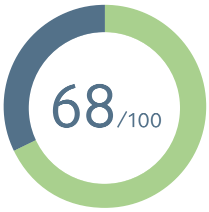
VALUE REALIZATION

Measure of the quality of governance regarding allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises



REVENUE MANAGEMENT

Measure of the quality of national budgeting, subnational resource revenue sharing and sovereign wealth funds



ENABLING ENVIRONMENT

Measure of the general quality of governance in the country

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Governance of Morocco's mining sector has deteriorated since the 2017 RGI

The mining sector has traditionally played an important role in Morocco's economy. While phosphates have accounted for a large proportion of revenues, the 2021 RGI for Morocco considers the governance of the broader mining sector, as substantial reserves of iron, zinc and lead, as well as a number of battery minerals including copper, cobalt and manganese are likely to play an increased role. The government has made the development of the broader mining sector a strategic priority, aiming to leverage reserves of critical minerals, which are predicted to play a major role in the global energy transition away from fossil fuels, for longer-term economic development.

The 2021 RGI, just as the previous 2017 RGI, assesses OCP as the state-owned enterprise (SOE), given its prominent role in the local economy, as well as in the global phosphate sector. The rest of the assessment considers the broader mining sector, as very different rules, especially regarding licensing apply to phosphates, which are the sole property of the state and can only be exploited by OCP.

Morocco scored 49 points in the 2021 RGI, placing in the weak performance band. The governance of value realization deteriorated across all subcomponents since the 2017 RGI, with the licensing component scored as "failing," while the management of social and environmental impacts regressed by 14 points. Financial interest and beneficial ownership rules and disclosures are non-existent, and the government has not published information on payments from extractive companies.

Morocco mining 2017 and 2021 Resource Governance Index scores

	2017 RGI Score	2021 RGI Score	Trend
RGI COMPOSITE SCORE	52	49	-3
VALUE REALIZATION	56	40	-16
Licensing	27	14	-13
Taxation	61	39	-22
Local impact	57	43	-14
State-owned enterprises	79	64	-15
REVENUE MANAGEMENT	35	40	5
National budgeting	35	40	5
Subnational resource revenue sharing	.	.	.
Sovereign wealth funds	.	.	.
ENABLING ENVIRONMENT	64	68	4
Voice and accountability	48	49	1
Government effectiveness	70	67	-3
Regulatory quality	72	68	-4
Rule of law	77	76	-1
Control of corruption	77	70	-7
Political stability and absence of violence	62	55	-7
Open data	44	88	44
LAW	58	45	-13
PRACTICE	51	37	-14
GAP (PRACTICE LESS LAW)	-7	-8	-1

VALUE REALIZATION

Worsened resource governance driven by deterioration across all subcomponents

Morocco has scored a "poor" 40 points for its ability to realize value from the mining sector, with deterioration across all assessed subcomponents.

Governance of Morocco's mining licensing scored just 14 points, placing firmly in the "failing" performance band. While OCP, the state-owned enterprise, discloses information regarding phosphate reserves, this information is not available for other metals and minerals. The licensing process also differs between phosphates and all other minerals. As phosphates are seen as the sole property of the state, and are exploited solely by OCP, no licensing process exists. Some licensing rules exist for other minerals, mandating the government to set pre-defined financial and technical criteria and to publish the rules governing the licensing process. Nonetheless, the Ministry of Energy and Mines did not disclose the rules or criteria for licensing rounds that took place during 2019 and 2020, the RGI's period of assessment.

Morocco has no centralized cadaster to provide information about mining projects, areas allocated or license holders. The government does not publicly disclose contracts signed with extractive companies, and there are no rules in place mandating it to do so. The sector is therefore not transparent, as civil society actors and oversight bodies cannot adequately interrogate the status of licenses and contract conditions.

Issues also exist regarding financial interest disclosures. Public officials, although required to disclose their financial holdings to the Court of Auditors, are not required to disclose them publicly, limiting citizen oversight and interrogation of potential conflicts of interest or malpractice. In addition, no laws require the disclosure of the identities of beneficial owners of extractive companies, and no information has been published, preventing an understanding of potential tax leakage or conflict of interest of members of the government.

Regarding the disclosure of environmental and social impacts, a legal framework is in place, but is not matched by enforcement in practice. The Environmental and Social Impact Assessments (ESIA) Law 12-03 mandates that companies must commission environmental and social impact assessments, as well as environmental mitigation plans, and must disclose these publicly, but none of these documents have been published by the government or the extractive companies themselves.

There are no laws in place governing the rehabilitation and closure of mining projects, or the resettlement of land users whose access to the land might be impacted by extractive operations. While the existing resettlement regime does apply to those who reside on the affected land, it does not take into consideration users who need access to the land for their livelihoods, but do not inhabit it per se.

This lack of disclosures is especially problematic as Morocco aims to expand cobalt production at Bou Azzer, one of the world's only mines producing cobalt as a primary product. CTT, the owner of the mine has been accused of groundwater pollution and consuming vast amounts of water in a dry region. Without EIA disclosures, the citizens and stakeholders are in the dark regarding the potential fallout of extractive operations.

The 2017 RGI ranked the state-owned phosphate miner OCP as the best governed SOE in the Middle East and North Africa region, scoring a "good" 79 points. However the 2021 RGI found that OCP's governance has deteriorated by 15 points. OCP engaged in quasi-fiscal activities, using revenues to fund several social projects. SOE funding of public expenditure distorts the overall picture of government finance and reduces public oversight of what is essentially government spending. While OCP does disclose details of its non-commercial spending, the government does not fully disclose the amount of revenues it receives from OCP.

OCP's poorest performance relates to commodity sales. No rules specify the need for the SOE to disclose the buyers of its production, nor the prices attained. OCP voluntarily discloses the total aggregate volume and value sold on an annual basis, but it does not disclose the identity of buyers, nor does it specify the date of the transaction. OCP management should consider systematic disclosure of granular sales data, disaggregated to the level of individual sales, with specified values and names of buyers. This is crucial for a complete understanding of revenues and ensuring no revenues go missing or are misappropriated.

REVENUE MANAGEMENT

National budgeting remains weak

Given that Morocco lacks a sovereign wealth fund or subnational resource revenue sharing mechanism, its governance of national budgeting is the only element of revenue management assessed by both the 2017 and 2021 RGI. While the government has disclosed both its national budget and debt on a timely and consistent basis, major gaps in governance remain.

Transparency is lacking in phosphates and the broader mining sector, as highlighted by the absence of a centralized data portal showing resource reserves, production statistics and export values. This information is important to understand the state and evolution of the resource sector, and to provide the necessary transparency for civil society to interrogate the sector's operations more closely.

Morocco's government has not enacted or passed any fiscal rules specifying maximum annual spending. As commodity prices fluctuate, governments should consider establishing firm numerical rules to ensure that public expenditure does not significantly increase when commodity revenues are high. Over 21 percent of Morocco's merchandise exports in 2019 consisted of mining commodities, and as Morocco looks to grow its oil, gas, and minerals sectors, authorities could adopt fiscal rules to ensure controlled spending and prioritization of longer-term economic planning.

ENABLING ENVIRONMENT

Morocco scored 68 points with regards to its overall national governance, boosted by strong scores in the open data subcomponent, but issues persist. The voice and accountability subcomponent, which assesses perceptions of freedom of expression, association and media, remains weak, and the perception of political stability and absence of violence has deteriorated by 7 points.

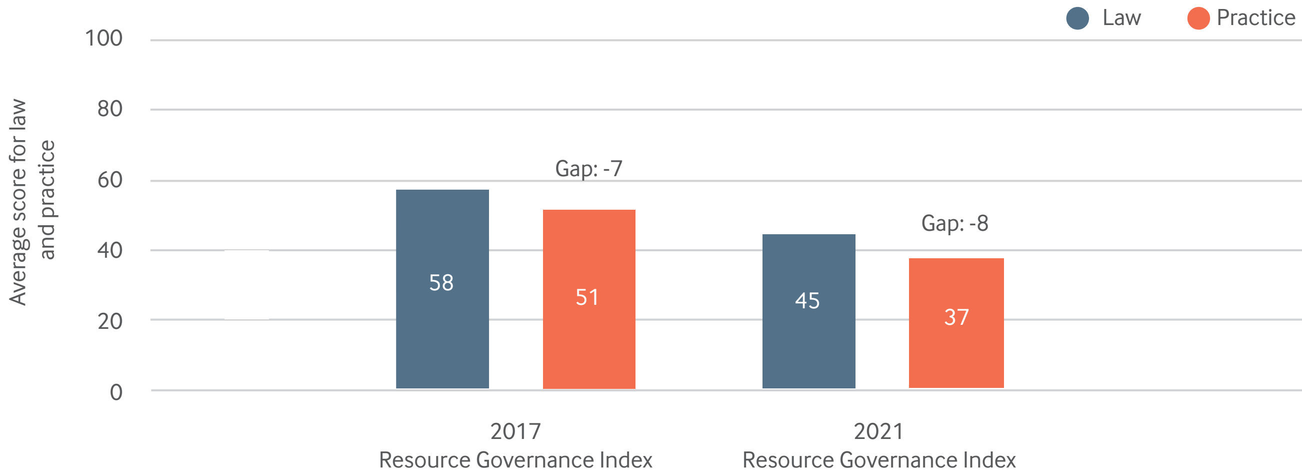
Good national governance is fundamental to enabling good extractive sector governance. Given the general lack of transparency in the extractive sector, the government should actively work with civil society organizations to ensure citizens can trust how resource revenues are managed, that there is no leakage or misappropriation of funds, and that resource rents are used to promote sustainable and inclusive development.

LAW AND PRACTICE SCORES

Both law and practice scores merit attention

Morocco's mining sector demonstrates a weak legal framework coupled with poor enforcement of these rules in practice. In the 2021 RGI, the law score was 45 points while compliance and enforcement scored only 37 points. While the legal framework merits attention and strengthening, the lack of enforcement of existing laws is also problematic. This is especially pronounced with regard to local impacts, where despite regulation mandating public disclosure of EIA/SIA and environmental mitigation plans, no such disclosures have been made. This greatly impacts oversight actors' ability to scrutinize companies' mitigation practices, and to ensure they have been penalized accordingly in the event of non-compliance, as required by law.

Evolution of the gap between law and practice in Morocco's mining sector



GOVERNANCE OF LOCAL CONTENT AND THE ENERGY TRANSITION

NRGI used the RGI data collection process to survey several additional topic areas. While these do not contribute to the overall score in the 2021 RGI, they do enhance the picture of the Moroccan mining sector and the government's plans for the energy transition.

The Moroccan government has not opted to enact policies relating to the promotion of local content (the requirement to use domestic goods or services in the mining process) nor any specifying the need to conduct beneficiation or to add value to raw minerals domestically. The potential success of both local content policies and domestic value addition is contingent on a multitude of economic and structural factors, which countries have to individually assess. While OCP has been processing some phosphate domestically given existing economies of scale, despite no regulation mandating it to do so, Morocco's government must assess whether enacting value adding policies across the wider mining sector or for specific minerals would be beneficial for the country. Given that the government wishes to substantially expand the mining sector as it begins focusing on critical mineral production, it is crucial to enact a well thought out, comprehensive policy and plan which ensures that Morocco receives the most value from its minerals, and which promotes and bolsters adjacent domestic industries.

In parallel, Morocco's government announced ambitious renewable energy targets, intending for renewables; solar, wind and hydro power, to reach 52 percent of the total energy mix by 2030. At the heart of this process are several renewable megaprojects, that have nonetheless drawn criticism from civil society organizations, who argue that the governance of the renewables sector is opaque, potentially environmentally damaging and water-intensive in very dry regions. This highlights the need for improved government transparency and an inclusive, and a multi-stakeholder dialogue process in which all stakeholders can discuss the benefits and potential risks related to the country's renewable ambitions.

RECOMMENDATIONS

NRGI recommends the following course of action to improve mining governance in Morocco:

1. **The government** should legally mandate public financial interest and beneficial ownership disclosures and should publish all contracts and payments from extractive companies.
2. **The Ministry of Energy, Mines and Environment** should ensure compliance with existing regulations on the disclosure of environmental and social impact assessments, and work with civil society actors to ensure a full picture of the costs of mining on populations and ecosystems.
3. **OCP Group** should begin disaggregating commodity sales information to the level of individual sales, disclosing the values, dates and buyers of its phosphates.
4. **The government** should significantly strengthen the framework governing the extractive sector, to translate natural resources into sustainable inclusive development. This is essential if Morocco is to benefit from the rising demand for critical minerals and reap the benefits of the energy transition.
5. **The government and civil society actors** should work in concert to establish and maintain an inclusive dialogue around the benefits and risks of the energy transition, with improved government transparency and accountability toward civil society organizations and citizens in general.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.

Natural Resource Governance Institute

The Natural Resource Governance Institute, an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy.

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