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REVOLVING FUND LOAN FACILITIES: IVORY COAST AND MOROCCO

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PRE/I

Revolving Fund Opportunities in Morocco

All substantive issues which have delayed the signing of an agreement with the Societe Marocaine de Depot et de Credit (SMDC) were resolved. A new draft of the loan agreement is being sent to SMDDC and it is reasonable to expect that an agreement between USAID, SMDC, and the New York correspondent bank selected by SMDC will be signed during the summer. Still, it must be pointed out that SMDC is very much of a wholesale type commercial bank, and its use of this facility will probably not favor smaller entrepreneurs outside of the urban centers.

The most promising opportunity for a prompt deployment of PRE/I funds lies with the Banque Commerciale du Maroc. In this case, an agreement, similar, but not identical to those involving SMDC and Wafabank, could be concluded. BCM welcomed the concept, and it is probably one of the best placed Moroccan banks for using such a facility to foster economic development in sectors other than commerce. It is strongly recommended that the facility be used to favor elements of the business community who are "value adders", not fulfilling a purely merchant role. Moreover, it is important that renegotiations be conducted with the domestic management of BCM, specifically with the Head of Credit Management, with later visits to certain branches once specific sectoral needs have been identified. The person who usually meets with the foreign community is the international manager, and when such a program as this is presented, it is not surprising when it tends to be used for foreign trade purposes.

The agreement with Wafabank has about a year and a half to run, and Wafabank would like to see it renewed for double the original amount. While this is something which is worthy of consideration, it its recommended that negotiations involve others in the bank besides the international manager, and that any new agreement should considerably limit the amount of this facility which is used for import financing (this is almost exclusively what it has been used for thus far).

Banque Marocaine pour le Commerce et l'Industrie (BMCI) does not appear to be a likely candidate for a facility similar to that in favor of the banks noted above. BMCI is a wholesale bank, dedicated to foreign trade. Based on the writer's earlier contacts with the general manager, Mohammed Benkirane, a conversation with him regarding the applicability of the program to small-medium sized exporters might turn up a fit, and if so, he could be counted upon to move things ahead towards the conclusion of a loan agreement.

Looking a bit more to the future, the privatization of the Office de Commercialisation et d'Exportation (OCE), would seem to be an area where the PRE/I Revolving Fund could be used to help in the transition from a government controlled export and marketing program to individual and private cooperative pursuit of these two activities. Further research is needed with local chambers of commerce, and, to a lesser extent, with the Moroccan Ministry of Commerce.

Another opportunity, although the amount recently under consideration is far less than $1,000,000, involves the financing for a small group of doctors of sophisticated equipment for early detection of cancer. Further investigation with the principals might reveal whether there is the likelihood that such a group might evolve into something like a private health maintenance organization, where PRE/I funds could be useful.

Detailed reports on the meetings with each of the four banks mentioned above should be consulted in connection with further discussions which relate to PRE/I programs.

Mutual Guarantee Corporation

An Assessment of This Project's Status in the Cote d'Ivoire and Recommendations for Other Applications in West and Central Africa

A meeting occurred on 25 April 1988 at Banque Internationale pour l'Afrique Occidentale's (BIAO) Paris headquarters with the person who has been at the forefront of BIAO's efforts since 1983 to establish a mutual guarantee corporation (MGC) in the Cote d'Ivoire. This is covered in detail in a separate report. This meeting confirmed an earlier conversation at BIAO on (3 March 1988) and the point made in the writer's 25 February 1988 memorandum on this subject: No tangible progress will be made towards the establishment of a mutual guarantee corporation in the Cote d'Ivoire or any of the other six countries of the West African Monetary Union (UMOA) unless the concept is supported by the Central Bank for West African States (BCEAO).

It is BIAO's present opinion that the BCEAO opposes the MGC idea. However, it must be pointed out that our recent interlocutor at BIAO may well be biased in his views. Consequently, it would be worthwhile to obtain an update from his deputy who is the person who is most familiar with BIAO's work on this project.

More importantly, the BCEAO was to have reconsidered the subject of an Ivorian MGC in early May. Now that the importance of the BCEAO's involvement is clear, USAID should address the issue directly with the BCEAO in Dakar. So far as is known, no USAID discussions on this topic have yet occurred with the BCEAO, either at its head office or with any of its regional branches.

After learning the BCEAO's position on the subject of MGC's generally, and specifically with regard to the building trades industry in the Cote d'Ivoire (as detailed in the March 1988 Investment Opportunity Proposal), or other specific industries in other UMOA countries, if the outlook is positive, then further steps would need to be taken to assist in the establishment of an MGC. Besides identifying appropriate professional associations in other UMOA countries, contact with the Federation of Mutual Organizations in France (where there are 1,800 cooperative and mutual groups) would be useful to learn more about optimal organizational structure, operating practices and to identify potential problem areas.

If the position of the BCEAO is negative, then other countries outside the UMOA could be surveyed. If discussions with the Central Bank for Central African States (BEAC) are promising, Cameroon would probably be the most sensible locale for an MGC. Elsewhere in West and Central Africa, Ghana would appear to present an environment suitable for a MGC. Although the MGC idea has been described in Guinea, it is the writer's opinion (following a visit to that country in May 1988) that the professional associations necessary to constitute an MGC do not yet exist in Guinea.

Société Marocaine de Dépót et Credit
(SMDC)

19 and 21 April, 1988/Casablanca, Morocco

R. Sonenthal and the writer, accompanied by R. Dodson an G. Callen of AID/Rabat on the earlier date, met with M. Brahim Elamiri, International Division Manager, and Soumiya Kabbaj, Attaché a` la Direction, of the International Division. The purpose of these meetings was to advance the negotiations towards the putting into place of a $2,000,000 loan agreement under which SMDC will be guaranteed up to 50% by USAID for loans it makes which conform to the terms of the agreement. Following a lengthy telephone conversation with AID/PRE on 20 April, a second meeting with SMDC was held the following day and all substantive issues were satisfactorily resolved. The negotiations were conducted by R. Sonenthal of USAID/General counsel, and the various issues discussed have been detailed by him. The following brief notes are intended only to supplement the treatment accorded to the main issue.

It was learned that SMDC was successful in obtaining a special dispensation from the Moroccan Ministry of Finance to settle its own foreign exchange debts in 1983, and thus remained outside the London Club rescheduling of Moroccan debt owed to foreign private sector creditors. As a result, SMDC was able to restore its short term credit lines more easily than were other banks which fell within the London Club arrangements. The latter are now usually required to pay fees in order to receive credit lines in their favor (and Ministry of Finance approval of such fee payments is required). SMDC, having never paid such fees, doesn't want to initiate a precedent by paying a fee to USAID, and, having already received Ministry of Finance approval for the $2,000,000 facility on the basis of an earlier draft agreement, is loath to return a second time to the Ministry of Finance for any additional reapprovals for fear that their second review will jeopardize the chances of maintaining in effect the first approval.

SMDC is very keen to conclude the agreement with USAID in order to heighten their prestige with the Moroccan government as a result of their being one of the few Moroccan commercial banks to successfully contract an advantageous offshore financing with a foreign government.

Elamiri said that the amount of capital funds is no longer used to define a small or medium-sized business. He maintained that the definition rests on less than DH 10 Million in total assets, not including land. Also, he claimed that loans to small or medium-sized businesses are exempt from Bank of Morocco credit controls ("encadrement"); these two points are at variance with information we received elsewhere.

Elamiri said that SMDC would use its maximum influence with its U.S. correspondent bank to assure that USAID would receive the highest possible rate of interest on its collateralizing loan funds. A portion of the extra credit interest paid to USAID will be equal to the present value of a $5,000 front end fee; i.e., the front end fee will be effectively camouflaged within the interest received by USAID.

Wafabank

19 April 1988/Casablanca, Morocco

R. Sonenthal and the writer visited with Azeddine Elhilali, Directeur de la Division Internationale, and Khadija Dilami, Sous-Directeur. It was pointed out that under the AID/PRE program, Wafabank had processed a total of 253 import operations with an aggregate value of about $14 million. Still, Elhilali said that not too much should be made of these figures, for they represent only 3% of Wafabank's total import financing activity over the same period of time (28 months).

Noting that Wafabank had used the program exclusively for the financing of import transactions, and sought to renew the present agreement for a larger amount, we carefully outlined the intent of the program and explored other lending sectors where it could be deployed. Elhlali explained that in order to implement the program quickly, Wafabank had used a portion of the AID grant funds to educate the managers of their larger branches in the workings of the program by means of seminars, and internal memoranda. These larger branches do a greater proportion of import business than do the smaller ones. The utilization of the program's resources have thus tended to be concentrated in the larger branches, and, according to Elhilali, there was not enough money to spread around to branches that might be in a position to use the program for other than import transactions. We pointed out that a basic intent of the program is for its funds to be used for development, not consumption purposes, and that while imports frequently contribute to development, there are many instances where it is not so easy to discern.

The message seemed to get through to Elhilali, but in view of his position as head of the international division, his preference for using the available funds for financing trade is perfectly understandable. He did explain that Wafabank is now organized along functional lines. There are eight distinct areas, but Elhilali only cited three: individuals, small and medium-sized business enterprises, and large companies. The latter category is subdivided into building and construction, agriculture and food processing, and textiles (plus possibly other industrial classifications which were not mentioned).

Thus, it would appear that there is plenty of scope within

Wafabank to use the AID/PRE program, but that for the remainder of the present program, Elhilali plans to use the funds in pretty much the same way. Elhilali looked ahead to the expiration of the program in twenty months' time, and he would like to see it renewed but for a larger amount. He mentioned a figure of $10,000,000, which would be able to satisfy more clients' requirements, and even if this larger amount carried only a 50% guarantee, it would be preferable to a $5,000,000 facility with a 100% guarantee. The program has been mainly used for Wafabank's existing clientele; it has not been used to any great extent as a new-business tool. Competition for clients, however, is becoming fiercer, and Elhilali noted a certain deregulation in the financial sector, notably the ability of the powerful Crédit Immobilier et Hótelier to accept deposits. On the other hand, the privatisation effort is creating new clients out of former state-owned companies, especially the restructuration of the Office de Commercialisation et d'Exportation. We mentioned the interest of USAID in aiding privatization efforts, and it would seem that the break-up of the OCE would be an opportunity for the deployment of AID funds for pre-export financing.

As for agricultural financing, we were not surprised to hear that Wafabank seeks to avoid the risks of crop financing, but according to Elhilali, the financing of needed tools and storage facilities for the agricultural sector represents a viable lending activity for Wafabank.

Besides seeking a renewal of the AID/PRE program in a larger amount, Elhilali expressed the view that the availability of dirhams at a preferential rate from AID would be useful in that these could be used directly for loans without incurring any exchange risk. Also, he noted that the overall interest cost to Wafabank's clients was now less attractive under the AID/PRE program than in the past. Here it must be noted that because Wafabank has used the funds for import financing, all of their loans fall within "encadrement" ceilings. In order to mitigate the credit restraint effects, Wafabank resorted to the original technique of having an offshore corespondent, Crédit du Nord, make the loans, under a guarantee from Wafabank, at a rate of Libor plus 3.25 percent p.a. This worked out to be considerably cheaper than the prevailing loan rate under "encadrement" conditions of 16.5% p.a. Now the Moroccan lending rate has dropped to 12% p.a., and the spread over what Crédit du Nord charges is less than it had been.

Finally, it should be noted that Wafabank would like to review the evaluation report which was prepared in January 1987.

After having established a pattern of usage for this AID/PRE facility, it is unlikely that during the program's remaining twenty months it will be possible to drastically reorient

Wafabank's lending activity. It would seem, even if the practical use of this facility has not wholly fulfilled USAID's original expectations, that it has enabled Wafabank to more actively participate in development activity. It is recommended that favorable consideration be given to establishing another facility to take effect when the present one expires. An important conditionality would be to limit the amount of the facility available for import financing. Negotiations should not be with the head of the international division whose particular interest is obvious, but rather begin at the general manager level and then continue in detail with the head of credit allocation, in conjunction with the heads of certain domestic lending departments, besides the international division. Any remaining or new grant funds should be used to educate lending officers from Wafabank's branches in smaller towns, so as to reduce the concentration of lending in urban centers, e.g., 72% to the Casablanca area as of December, 1986.

Banque Internationale pour l'Afrique Occidentale
(BIAO)

25 April 1988/Paris, France

As arranged by Jean-Claude Porcher, General Manager of BIAO's New York Agency, R. Sonenthal and the writer visited with Jacques Chanard, Director Central, and Maryvonne Jouanno, Fondé de Pouvoirs. The purpose of this meeting was to obtain a first-hand assessment of the likelihood of establishing in the Cote d'Ivoire, a mutual guarantee corporation along the lines proposed earlier by the BIAO. This was subject of an USAID Investment Opportunity Proposal prepared in March, 1988. Chanard, who is the most senior BIAO person familiar with this concept, has been recently named as the senior expatriate at BIAO's affiliated bank in Dakar, Senegal, and our appointment had been set with Jouanno, who has been responsible over the past three years for most of the research and written work associated with this project. It was simply by chance that Chanard happened to be in Paris for a short visit, and a fortuitous coincidence that he was available when we called.

Chanard noted that at one time there had briefly existed in the Cote d'Ivoire a generalized mutual guarantee corporation, but it had no European management, and after guaranteeing almost any risk, experienced losses to the point where it had to be liquidated within a year of its creation. Chanard ruled out any chance of success for a mutual guarantee company unless it had responsible management, and a clearly defined purpose and structure.

Elsewhere in the West African Monetary Zone, the idea of a mutual guarantee corporation had been evoked but never implemented, in Mali and in Senegal (in connection with the fishing industry). BIAO realizes that the smaller elements of the private sector are unable to obtain access to commercial bank credit because of their record as poor repayment risks. In order to begin the educative process, BIAO felt that the best place to start was the Cote d'Ivoire with a mutual guarantee corporation (MGC) that would be specialized in either of the fields of building trades or overland transport. Furthermore, an MGC must not have 10,000 small shareholders but must be governed by responsible associations and organizations which directly represent those whom the MGC's activity is to benefit. The reduction of individual risk will occur as a result of the necessity to align, through a cooperative endeavor, the interests of the individuals with the interest of the group. A professional association is far better equipped to assess the moral and performance risk of its members than is any commercial bank.

Since Ivorian law did (and still does) not make specific provision for an MGC, BIAO sought to go ahead on an experimental basis with an MGC whose legal foundation would be the "droit de mutualite", a generalized provision of French law which is the legal basis for some 1,800 mutual and cooperative organizations in France. Basically the "droit de mutualite", or rights of mutual association, allows a group of like entities to form an association under the control of its members, whose objective is to further the interests of its members. There exists a considerable overlapping of French and Ivorian law to the point where BIAO received the necessary assurances from the Ivorian ministries of Commerce and Justice to proceed with the promotion of an MGC in 1983. Because of the financial role which the MGC was to play, similar assurances were sought from the Central Bank for West African States (BCEAO). The latter said that they wished to study the proposal in depth, and finally in 1985 the BCEAO discouraged the BIAO from proceeding further, even on a purely experimental basis under the provisions of "droit de mutualite". The BCEAO's position was founded upon their opinion that a specialized MGC was not in fact a professional association with an indirect financial activity, but rather was a new type of financial institution. As such, the BCEAO believed that if such a "financial institution" were permitted to come into existence as an appendage of several existing trade associations, it would not be subject to the supervision of the BCEAO and might therefore disrupt the BCEAO's control over the banking sector. According to Chanard, the BCEAO was suspicious that the MGC would be a European inspired and created monster which would behave counter to the BCEAO's policies.

Since 1985, numerous conversations have taken place with the BCEAO on this subject. These have occurred because the BCEAO is fully aware that a large segment of the private sector does not have access to bank credit, and the position of the banks is that there needs to be an intermediate structure between the banks and their high risk clients to assess the actual degree of risk and moderate it. According to Chanard, the BCEAO fails to understand the concept of the MGC, and instead pressures the banks to extend credit to a disadvantaged borrowing community at concessionary rates of interest. Chanard maintains that the BCEAO is unwilling to accept the principle that the higher risk borrower should be obliged to bear a higher interest cost, and instead insists on an opposite scenario.

Chanard pursued his description of the BCEAO in strong terms. The education of certain of the senior people at the BCEAO is

Marxist, and as such he believes that the BCEAO's senior management is firmly committed to étatisme and dirigisme, paying only lip service to privatization. To illustrate the extent of centralized authority which the BCEAO practices, Chanard said that if a BIAO branch in the Cote d'Ivoire wanted to change its banking hours, it could not do so unless it first received the permission of the BCEAO headquarters in Dakar, Senegal.

Chanard feels that the progress towards more liberal economic practices in the countries that form the West African Monetary Union is impeded by the BCEAO's present policies. These will have to change if growth in the private sector is going to move ahead. The present Governor of the BCEAO, Fadiga, has held the post for 22 years, and has no intention of stepping down. As an Ivorian national, according the Chanard, he got President Houphouet Boigny to intercede with French Prime Minister Chirac to insure that the Bank of France would support Fadiga's reappointment to another five-year term.

During the first week in May, the BCEAO will meet again to discuss the MGC concept. Chanard is confident that the management will say a few nice things about the concept, but will state all kinds of caveats and decide that the matter requires further study. He is convinced that there will be no tangible progress as a result of this forthcoming meeting. In his view, there is absolutely no way that an MGC can be started in any West African Monetary Union country unless it has the full support of the BCEAO. He said that the BCEAO has a trans-national authority which makes it more powerful than any minister of finance, indeed, more than any national president, in the seven countries concerned. According to Chanard, possibly the French Caisse Centrale de Coopération Economique or USAID might have some leverage with the BCEAO, but no commercial bank will be able to get them to change their outlook.

As for the time and money which the BIAO has invested in the MGC project, Chanard was philosophical, pointing out that the BIAO has been in Africa for 135 years, so that if it takes several more years to implement an MGC along the lines which they originally proposed some while ago, their efforts will not have been wasted. Asked if he thought that the MGC concept might have a chance in the Central African Monetary Zone, Chanard stated that the Banque Centrale des Etats de l 'Afrique Centrale (BEAC) is a less rigid institution than the BCEAO.

Mr. Chanard's commentary on the BCEAO was outspoken and couched in colorful terms. It could be that his very recent posting to Dakar was not an expected event and one which cannot help but bring him into closer contact with Governor Fadiga. It would be useful to have a separate conversation with Mrs. Jouanno to learn if things are really at a dead end so far as BIAO's interest in promoting an MGC in the West African Monetary Union is concerned, and, if not, who in BIAO is carrying the torch. A less subjective assessment of the BCEAO's position could be made following direct contact with the Bank's senior management in Dakar. Outside of the West African Monetary Union, a paper has been written espousing the MGC concept for Guinea, but it would seem that, because of the present embryonic state of the economy there, appropriate professional associations, which are the backbone of an MGC, probably do not yet exist. As for the six countries under the purview of the BEAC, only Cameroon seems a likely candidate for implementation of the MGC concept. If the suggested paths of research show some promise, it would be helpful to learn a bit about how the mutualist structures have evolved in France.

The extension of bank services to the smaller elements of the business community in Africa is probably the best means to integrate additional population into the savings and investment process of a monied economy. An MGC, established as a cooperative endeavor by those sharing like interests, is an appropriate entity to evaluate the worth of its members, and a logical intermediary for the attraction of bank credit.

Banque Commerciale du Moroc
(BCM)

20 April 1988/Casablanca, Morocco

R. Sonenthal and the writer visited here with Abdelkrim Chlyah, Directeur Délégué, Direction de Crédit; Mohammed Cherkani, Directeur Central and Chef de la Division des Affaires Internationales; Mohammed Alami, Chef du Département de l'Export. Although our appointment had been set with Mohammed Cherkani, the progression of our conversation required the presence of Mohammed Alami and especially Abdekrim Chlyah, the most senior of the three.

We had targeted BCM as being a most appropriate bank for the sort of operation which has been concluded with Wafabank and which is on the point of being reached with Société Marocaine de Dépót et Credit. BCM is the largest privately owned Moroccan bank, and was established 77 years ago. Foreign shareholders control 37 percent of the capital and include the French bank, Crédit Industrial et Commercial, and Deutsche Bank. Significant Moroccan shareholders consist of three insurance companies and Societe Marocaine de Gestion et de Traitement de l'Information (SOMGETI).

Year-end financials for 1987 have not yet been approved, but at 31 December 1986, BCM showed Dh 7.5 billion in total assets, of which Dh 5 billion was in loans. Deposits were Dh 4.7 Billion, and rediscounts of Dh 500 million were necessary to carry a loan portfolio which exceeded the deposit base. Total capital funds were Dh 488 million. BCM employs a staff of about 1,400 persons, and has 111 branches.

The system of credit allocation, which to a certain extent is expressed by the "encadrement" provisions, is not based on the <u>size</u> of the borrowing entity, but rather on its <u>activity</u>. In other words, according to BCM, the "encadrement" does not single out smaller-sized businesses for favored loan treatment unless their activities are, like larger enterprises, judged to be essential to the national economy. Examples are strategic importers, e.g., importers of basic foodstuffs and fuels, metallurgical and metallic industries, and imports which are clearly destined to have value added in Morocco and then be re-exported. Industries which exist simply to serve an import substitution role receive no favored treatment, for development of import substitutes has been determined to be inefficient and has not been a part of Morocco's economic policy since 1978.

We gave a complete description of the AID/PRE revolving loan fund facility, and it was immediately clear that the BCM was very interested in its possible application to their bank. We took care to point out the basic intent of the program, and it was obvious that in seeking to favor private sector, smaller-sized businesses, exports, and the rural sector, AID's objectives coincide with BCM's chosen strategies.

The commitment to the private sector has just received a strong boost from the statements contained in King Hassan II's speech of 9 April. Also, there is the Office des Changes assurance under the investment code that the transfer of dividends and repatriation of capital will not be impeded for a foreign investor.

The World Bank definition of a small-medium sized business enterprise is total assets of Dh 10 million, which includes land value (it was not noted whether a mortgage on real estate would be a deduction so that only the net value of the real estate would be included in the Dh 10 million figure). The second limitation is for annual revenues to be less than Dh 30 million. BCM clearly stated that they would have absolutely no trouble accommodating USAID's wishes with regard to business size, and in fact they welcomed such limitations as an incentive to further their own strategy of increasing their market share of the small to medium-sized business community. BCM has already published guides specifically aimed at the small businessman.

Export activities have the highest priority in the eye of the Moroccan government, and BCM's policies are in full support of the government's position.

With a widespread branch network and a clear vocation as a "retail" bank, BCM is in a good position to render banking service to the rural sector. They expressed their view that development of business in this direction should be indirect, that is to say, favoring farmers' acquisition of basic capital goods, e.g., tools, in order to increase productive efficiency, rather than by simply expanding seasonal crop lending.

As we anticipated, BCM not only welcomed the idea of working with USAID within the framework of the AID/PRE program, but also gave clear evidence of its own capabilities and willingness to comply with the spirit and constraints of the program. It is recommended that the guides published by BCM for the small business community be reviewed by USAID, and that arrangements be made through Abdelkrim Chlyah to have further discussion with regard to lending to smaller-sized business which cater to the rural sector. Also, another bilateral conversation with Moha[illegible] Alami would be useful to identify members of BCM's ex[illegible] clientele who would benefit from the program; (Alami kept a [illegible] profile in the presence of his two superiors). Our meeting [illegible] BCM was extremely positive with regard to the possibility [illegible] concluding new business under the AID/PRE program, and they [illegible] expecting USAID to remain in active contact on this subject.

Banque Marocaine pour le Commerce et l'Industrie
(BMCI)

20 April 1988/Casablanca, Morocco

R. Sonenthal and the writer visited with Ahmed Slamti, Chef du Département du Commerce Extérieur. Slamti had recently participated in a seminar organized by USAID/Rabat and had expressed an interest in learning more about the AID/PRE program.

Slamti had learned that Société Marocaine de Dépot et Crédit and Wafabank had participated in the AID/PRE program. Today, however, it became clear that Slamti's interest was much more due to his desire to keep tabs on BMCI's competitors than it was to constructively explore ways in which the program could be applied to BMCI. Our conversation with Slamti confirmed the writer's earlier understanding of BMCI's basic banking function: foreign trade transactions, both import and export, tending to involve a wholesale rather than a retail clientele.

BMCI, like all other Moroccan banks, with the partial exception of Société Marocaine de Depot et Crédit, has not been able to obtain unsecured credit facilities from most of its overseas correspondents, notably all of their American banks, since 1983. According to Slamti, the problem results from the tortuous negotiations surrounding the rescheduling of Morocco's debts contracted with the overseas private banking and commercial sectors. With regard to the former, some $500 million of 90-day bankers' acceptances have been rolled into a 6 1/2 year rescheduling, with no provision for payment of any additional interest beyond the discounted interest for the original 90 days. Thus, the disinclination of these creditors to make new facilities available is obvious.

In order to pursue its foreign trade activities, BMCI is finding ways to collateralize, at least partially, credit facilities which are granted by either French banks or multilateral Arab banks. All of these institutions have branches in New York, facilitating the handling of dollar invoiced or U.S. sourced trade transactions.

We described the AID/PRE program, and Slamti made it clear that BMCI was adverse to being a debtor in dollars, not wishing to assume for itself the foreign exchange risk that accompanies repayment of a dollar borrowing. Were BMCI to be involved in the program, it would only do so on a guarantee basis. Forward exchange contracts are not generally available for Moroccan banks, the only exception being a facility, good for up to one year, which the Banque du Maroc supplies in the case of a transaction where the commercial bank contracts a liability in foreign exchange in order to pay for imported goods which are clearly destined to be transformed into an export within one year. As an incentive to the private sector in this regard, the Banque du Maroc, in its contract with the Moroccan commercial bank sees to it that the value-adder's profit margin in dirhams does not suffer from a change in the external value of the dirham between the time of payment for the import and the receipt of the export proceeds.

Slamti did not react with any enthusiasm to what we outlined as the basic intent and conditions of the AID/PRE program . He is comfortable in his understanding of what his job entails, which he believes reflects the overall objectives of BMCI; he showed no willingness to explore ways in which BMCI might adapt to the program, and seemed satisfied that two of his competitor banks were not, through the AID/PRE program, enjoying privileges which posed any threat to BMCI's ongoing activities in its chosen vocation.

The writer has had over fifteen years of contact with BMCI, and during 1978-81 had several occasions to deal with Slamti. While this facilitated today's meeting, our conversations confirmed the writer's earlier opinion that Slamti is excellently versed in the technical aspects of international banking, but is not very receptive to new ideas if they require him to alter his existing practices. This lack of flexibility makes it somewhat difficult to engage in constructive dialogue with Slamti, and a meeting such as we had today was to some extent an opportunity for him to engage in intellectual jousting in order to show off his cleverness.

BMCI appears to be receptive to new ideas only if they permit an extension of the Bank's foreign trade activity. There does not appear to be much chance that the AID/PRE program would be suitable to BMCI except in providing working capital to exporter clients. It may be that these clients are large entities, and the program would have little impact. It is recommended that preference be given to other banks, but if a fit with BMCI is perceived, then the matter should be discussed with Mohammed Benkirane, President Directeur General.