
Summary of Findings: Section 108 Dirham Lending

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared by: Stephen B. Strauss - International Resources Group
 Cathryn Goddard² - International Resources Group*

*Sponsored by: Financial Markets Project
 Project Number: 940-2005
 Prime Contractor: Arthur Young*

November, 1987



Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

This report summarizes the results of the mission to Morocco (October 19-30, 1987) of IRG consultants Stephen B. Strauss and Cathryn Goddard. The scope of this mission consisted of the following items, each of which is dealt with in a separate section of this report:

- I. Primary Task: Section 108 lending program. Complete design of private sector lending program for PL480 Title I Section 108.
- II. Moroccan equity markets: Current status and possible USAID approaches.
- III. Debt-equity conversions: Current status and possible USAID approaches.
- IV. Training/seminars in the financial sector: opportunities for USAID action.

Several attachments to this report, notably Attachments V and VI, constitute important outputs from this visit:

- | | |
|-----------------|-------------------------------------|
| Attachment I: | Scope of Work |
| Attachment II: | Contact List |
| Attachment III: | List of Financial Institutions |
| Attachment IV: | AID/W Loan Agreement Text (English) |
| Attachment V: | Draft Cable for AID/W |
| Attachment VI: | Draft Loan Agreement Text (French) |

I. SECTION 108 LENDING PROGRAM

A. Purpose and Specific Objective

The overriding purpose of this trip was to provide the USAID with documents that can lead to a functioning private sector loan program. To interest the Mission staff and thereby count on their support, however, the objective of Section 108 must be more specific than to comply with the Congressional mandate. As background to a USAID activity, critical questions include, how does this project fit within the Mission's objectives? What does it do for development? For the poor? What other advantages does this program have?

Mission objectives and development. Through encouragement of the private sector, Section 108 is designed to make more efficient use of scarce development resources. Private sector loans for productive purposes are also likely to create self-sustaining jobs. As one area being encouraged is loans to agricultural projects for the local market, these jobs may particularly attract people in that part of the Moroccan economy where unemployment is the highest.

Impact on the poor. Although the poor as a group are not directly targeted, they stand to benefit from increased employment, particularly outside the government where new jobs could potentially only increase the tax burden or inflation or both. In addition, with the exception of agricultural products, exports are encouraged. Improvements in the balance of payments may not increase the purchasing power of poor people, but they may prevent a decline that would otherwise occur.

Other advantages: Visibility. A policy dialogue project may encounter difficulty in obtaining visibility for the U.S. Government. Indeed the United States' ability to influence may even be inversely related to public recognition. In contract, Section 108 loans work through existing commercial banking institutions. Bankers are willing and even eager to showcase successful loans.

Leverage of Human Resources. Strength of counterparts is a major factor in the success of any international assistance project. Because of higher average salaries and competition for jobs, Moroccan commercial banks can attract well trained, motivated staffs. As a result, AID will be dealing with very well qualified counterparts who are economically interested by the same objectives as AID. Finally no additional funds will be required to set up new, untested institutions. Cost of salaries will be covered by the banks' margins.

Specific objective. The USAID needs to have a fully-operational Section 108 lending program by February 1, 1988. This timing is dictated by the fact that Moroccan dirham currency payments by the Government of Morocco to the U.S. Government are due to be made during January 1988. Accordingly, the October mission needed to put in place the definitive framework and detailed guidelines for the program.

The tasks to be accomplished to this end were:

1. Identify the private Moroccan intermediate financial institutions (IFIs) who are both eligible and willing to participate in the program.

Action taken and results:

- o All five eligible IFIs were approached at senior management levels.

- o All five IFIs are in principle willing to participate in the program as it was described to them, subject to completion of a mutually acceptable loan agreement document.
2. Recommend to USAID/Rabat and the Interagency Policy Group (IPG) the definitive terms and conditions to be applied by the USG to the Section 108 loans to be made to the IFIs.

Action taken and results:

- o Terms and conditions recommended are the result of extensive discussions with IFIs, USG officials, and other knowledgeable local sources;
 - o Specific key issues, such as sub-lending to the agricultural sector, were resolved consistent with the Section 108 requirements and to the satisfaction of IPG officials and IFIs.
3. Prepare Moroccan-enforceable loan agreement document to be signed by the IFIs once AID/Washington has agreed to those features which are different from AID/W standard Section 108 loan document.

Action taken and results:

- o Loan agreement text prepared in English and French, which local legal counsel deems to be Moroccan-enforceable;
 - o Draft cable text prepared for USAID/Rabat to submit to AID/W, detailing proposed modifications with standard loan agreement text which are necessary to make the program workable in the Moroccan context.
4. Specify USG funds depository and loan disbursement procedures.

Action taken and results:

- o USG depository bank functions and conditions to be applied were clarified;

- o USAID/Rabat loan disbursement and monitoring procedures were specified.

5. Determine additional steps and timetable necessary to implement the program between now and February 1, 1988.

B. Specific Recommendations

1. IFI participants in the Section 108 program

There are five financial institutions in Morocco which meet the following essential criteria for program eligibility:

- o Private-sector ownership with Moroccan majority;
- o Financially sound, well established, and capable of making and administering the sub-lending activity foreseen by Section 108.

These five eligible institutions are the five major private Moroccan commercial banks: BCM, BMCI, SGMB, SMDC and Wafabank. These institutions are described in more detail in Attachment III.

Knowledgeable local sources concur with the fact that these five institutions meet both these eligibility criteria, and that it would be imprudent at this time to broaden the eligibility list to include small private banks and non-bank IFIs, none of which have the standing and financial strength of the five proposed participants.

It is recommended, however, that non-bank IFIs be considered for eligibility by the I.P.C. at the latter's full discretion on a case-by-case basis provided: (a) One of the five eligible IFIs fully and unconditionally guarantees the non-bank IFIs obligations to the USG; and (b) the

guarantor IFI will oversee and ensure procedural compliance by the non-bank IFI with all the terms of the Section 108 program.

The non-bank IFIs borrowing would therefore be made under the same loan agreement document as that between the USG and the guarantor IFI, making unnecessary the preparation of a new legal document with the non-bank IFI. The benefits of leaving the door open to non-bank IFI eligibility on this basis are:

- o an eligible IFI with severe credit ceiling constraints on local lending can select as IFI borrower one of its non-bank finance company affiliates not subject to such constraints.
- o The participation of such new capital-market financial intermediaries such as CFI and ONAPAR (whose obligations would be guaranteed by the BCM-Wafabank and SMDC respectively) can be foreseen.
- o USAID/Rabat and the IPG can ensure that such non-bank IFIs put 108 funds to appropriate sub-lending use by agreeing to the eligibility of such I.F.I only after learning the nature of the planned sub-lending activity.

2. Terms and Conditions of Section 108 Lending by the USG:

The best terms and conditions which it is recommended will apply for the USG's Section 108 lending to eligible IFIs are:

- a. Total Section 108 facility: Dirham equivalent of \$9.5 million (roughly 75 million Dirhams at current exchange rates.)
- b. Amount of borrowing limit per IFI:

- o Each of the eligible IFIs will have an equal share of the total facility, committed to them for the first six months, following which the amounts available to each IFI become "subject to availability" (i.e., amounts may then be re-allocated to various IFIs based on demand).
- o Initial availability of dirhams 15 million per IFI, assuming all five eligible IFIs participate.

c. Interest rate:

- 1) "Standard" rate: 8.5% per annum (fixed to final maturity).
- 2) "Targetted" rate: 6.5% per annum where borrower specifically applies the funds to:
 - o Sub-loans to private agricultural projects for domestic markets only: production, processing, storage/transport, etc.
 - o Sub-loans to private enterprises having U.S. investor, provided such enterprise has U.S. shareholding of between 33% and 49% and has total sales not exceeding DH 100 million in the year prior to this sub-loan.
 - o Sub-loans to private borrowers (corporate or individual) to acquire shares of Moroccan parastatals being privatized.
- 3) Interest to be paid every six months in arrears beginning six months after first drawdown.

(NOTE: The 8.5 "Standard" rate is fully in line with Moroccan market rates for funds applicable to banks from interbank or discount window sources. The 6.5% rate is equal to Moroccan market rate for funds available to banks for rediscountable loans to the agricultural sector and for medium term investment. These rate levels are therefore appropriate to ensure that IFIs have the proper incentives to borrow Section

108 funds for the purposes stated. The preferential rates for U.S. investors and for privatization are designed to encourage sub-loans for these desirable policy goals.)

d. Tenor of loans, repayment schedule

1) Normally: seven years from date of first disbursement of principal lender facility. Repayment to be made in eleven semi-annual installments beginning eighteen months after first payment of interest (i.e., 24 months after first drawdown).

2) Exceptionally: Upon specific request by an eligible IFI, a tenor of more than seven years and not more than ten years may be agreed to by the IPG, at the latter's sole discretion, based on the nature and purpose of the specific sub-loan requiring such tenor.

e. Drawdown procedures, drawdown period

1) Drawdowns shall be made by simple request of borrower to be made to the USAID comptroller, Rabat.

2) Lender shall make funds available to borrower within 30 days of drawdown request, by interbank transfer.

3) Drawdowns may be made at any time from signature of loan agreement until 18 months following such signature.

f. Events of default

1) All outstanding principal and interest becomes due and payable if the IFI fails to:

o Make payment of interest or principal when due.

- o Maintain its business as a financially strong going concern.
- o Comply with other provisions of the loan agreement.

2) If an IFI makes a sub-loan not in compliance with Section 108 requirements as stipulated in the loan agreement, the IFI can be required to reimburse to the USG the full amount of such sub-loan.

g. Audit requirements: "Authorized representatives" of the USG (which may be an outside auditing firm such as Price Waterhouse-Morocco) shall periodically verify that IFIs are using the borrowed funds for the purposes specified in the loan agreement.

h. Borrower will be responsible for the following expenses connected with the loan agreement and its performance:

- 1) Cost of periodic audit performed by authorized representatives of the USG.
- 2) Legal costs of preparing the initial loan agreement documents.
- 3) Any legal costs arising from the need for USG to ensure compliance with the loan agreement.

(NOTE: It is standard banking practice for borrowers, not lenders, to pay such expenses, which will not total more than 0.2% per annum over the life of the loan, and therefore do not significantly increase the cost of funds to the IFI borrowers.)

i. Conditions to be applied by IFIs to sub-loans:

- 1) Sub-borrowers must be:
 - o 100% privately-owned (no Moroccan public sector ownership).
 - o At least 50.1% Moroccan-owned.
 - o Any foreign minority ownership must be from U.S. or from countries eligible for PL480 assistance.
- 2) Sub-loans must be:
 - o For productive purposes.
 - o For agricultural sector, only if for domestic Moroccan market.
 - o Not for prohibited uses (to be specified).
 - o Consistent with Moroccan banking laws and regulations (which specify maximum interest rates which can be applied to sub-loans).
- 3) IFIs will be free to:
 - o Make sub-loans to sub-borrowers of their own choosing (subject to the above criteria) and at their own risk.
 - o Apply terms and conditions of their own choosing to such sub-loans.
 - o The USG will be informed subsequently (but not in advance) of the use of Section 108 funds: sub-borrowers, terms and conditions (also verifiable by future audit).

(NOTE: In Morocco an IFI has no incentive whatsoever to borrow Section 108 funds until it has a sub-loan to which it can apply the funds. Therefore there is no need to contractually tie the IFI borrowing or terms of repayment to those of individual sub-loans. Furthermore, the loan agreement, which specifies the purpose of Section 108 loan,

will preclude any IFI from borrowing to finance itself generally rather than to engage specific sub-lending activity.)

3. Loan agreement document to be signed between USG and IFIs.

A loan agreement document was prepared, based on AID/W standard text (Attachment IV) plus appropriate modifications necessary in the Moroccan context. A draft cable to AID/W (Attachment V) was prepared to propose modifications in this standard agreement. These proposals are essentially procedural in nature and limited to those required to ensure a workable Section 108 program in Morocco.

An initial draft in French (Attachment VI) was also prepared, with the assistance of Moroccan counsel, with appropriate terminology as translated from the English-language text. This item was shown informally to the eligible IFIs, who understood that it is simply an initial draft subject to modification at USG discretion.

Once AID/W has communicated its decision on recommended changes, a final English and French language document should be prepared, with the assistance of Moroccan counsel, and given to the eligible IFIs.

Per standard banking practice, the IFI borrowers will cover the cost of loan document preparation. Legal counsel to be used for this purpose must be closely familiar with Moroccan banking practice and loan agreements and with international lending organizations' documentation requirements.

The local lawyer with whom we were in contact for the purposes of this project -- Mr. Azzedme Kettani -- is legal counsel to Citibank and to the I.F.C. (World Bank) for loan agreement documentation purposes among other matters. He is also fluent in English and works with various U.S. companies in Morocco. Mr. Kettani therefore fits all the key requirements for ensuring Moroccan enforceability of the French language version of the final English language text as approved by AID/W. It is therefore highly recommended that Mr. Kettani be used to prepare the final French language text and to handle all the necessary legal arrangements relating to documenting signature, registration and the like.

4. Establish USG Depository and Disbursement Procedures

a. Depository: Specific terms and conditions to govern the new interest-bearing account (which will be necessary to manage the Section 108 program and to comply with the Section 108 requirement that such account be interest-bearing) were elicited from Citibank-Maghreb (which is the USG depository bank in Morocco). These terms include the rate of interest to be paid and the services to be provided by the depository bank.

The USG has already requested permission from the Moroccan Finance Ministry to maintain an interest-bearing current account, which is unusual in Morocco and requires such approval (though precedents exist, i.e., the local insurance companies have such accounts). In the event such approval is denied or delayed, the recommended procedure would be:

- 1) Place USG funds with Citibank-Maghreb on a "deposit-account" basis.
- 2) Use the new USG current account with Citibank as a transit account only (to receive repayments of principal

and interest from IFIs under Section 108 loans) with standing instructions to Citibank to place only funds received into a "deposit account." (It is now feasible to have deposit accounts only, since a specific current account must be opened to receive interest and principal payments.)

Since in every case a new current account will need to be opened by the USG in Morocco, USAID/Rabat needs to begin immediately to obtain the necessary account-opening documents from Citibank. USAID also should secure the necessary USG signatures authorizing the new account and identifying signatories thereto.

b. Disbursement

Once loan agreements are signed between the USG and IFI borrowers, the drawdown procedure will be by simple request transmitted to the USAID-Rabat Comptroller by a duly authorized signer for the IFI. The USAID Comptroller will (after verifying the signature and the availability of Section 108 funds to the requesting IFI) transmit instructions through the appropriate channels to RAMC-Paris, who will instruct Citibank-Maghreb to credit the requesting IFI's account by interbank transfer.

Citibank-Maghreb, as part of its depositing bank service, will maintain current records of the total Section 108 disbursements made to each borrowing IFI, and of the related interest and principal payments schedule, and will make such record and available to USAID-Rabat as and when the latter may desire them. This will allow USAID-Rabat to reconcile, on any given day, disbursements, reflows, and current balance in its Section 108 dirham depository account, in the aggregate and for each IFI borrower.

To take into account the delays foreseeable in conveying the IFI's drawdown instructions from USAID-Rabat through USG channels back to Citibank-Maghreb, the loan agreement provides for a 30-day notice period between IFI instructions and drawdown. It will be important to make sure that the USG part of the disbursement process is carried out without fail by the end of this 30-day notice period (which should give ample time to convey all the necessary instructions).

5. Timetable and action steps for program implementation

By December 10, 1987:

- o IPG-Morocco concurs with Section 108 program terms and conditions as proposed by USAID-Rabat.
- o USAID-Rabat submits cable to AID/W requesting approval of proposed modifications to standard loan agreement text.
- o USAID-Rabat begins paperwork process to open new current account with depository bank for Section 108 loan program purposes.

By end of January 10, 1987:

- o AID/W responds to USAID-Rabat request for approval of proposed modification to loan agreement text.

During January 1988:

- o Based on definitive English-language loan agreement text (as approved by AID/W), local Moroccan counsel proposed final legally-enforceable foreseeable French-language translation.

- o USAID-Rabat meets with each eligible IFI, providing them with the definitive French-language loan agreement document for their signature.
- o New current account opened at depository bank for purpose of receiving and disbursing Section 108 dirham funds.
- o Ministry of Finance responds to USG request for interest-bearing dirham current account; if denied, arrange with depository bank for procedure to have funds placed in interest-bearing "deposit" account, plus appropriate procedures for handling incoming payments via the current account.

By February 1, 1988:

- o Government of Morocco will have paid to USG the dirham equivalent of \$10 million, by depositing the sum in the USG's new Section 108 account with the USG depository bank. Of this amount, the dirham equivalent of \$9.5 million is available for Section 108 lending; the remainder is for USDA use locally.
- o The participating IFIs sign the Section 108 loan agreement, triggering the beginning of the lending program.

Subsequent to August 1, 1988:

- o First reflows begin (interest payments) six months following first loan disbursements.
- o Beginning six months after the loan agreement signature, USAID is able to re-allocate Section 108

availability toward those IFI's making the most active use of the program; the drawdown capability of those IFI's who are slower to use the program thereafter becomes "subject to availability."

- o First audit by "authorized representative" of USG verifies compliance by IFI's with the requirements of Section 108 and the loan agreements.

II. MOROCCO EQUITY MARKETS

A number of much discussed at long-awaited reforms to activate the moribund Moroccan stock exchange now appear to be moving toward approval by being incorporated in the 1988 Budget Law which is expected to be promulgated in January 1988. These reforms will be included in as many as eight separate legislative bills to be proposed.

Some of the key reforms involve:

- Accounting standards
- Corporate taxation
- Stock exchange supervisory mechanism
- Share transaction procedural changes
- Criteria for listing shares on the stock exchange
- Legal framework for convertible bonds

In addition, the leading public banking groups are positioning themselves to play an active role in originating and distributing share issues once the reforms are in place.

Clearly the reforms, in addition to being constructive in their own right, set the stage for a meaningful privatization program which makes effective use of the stock exchange by using the embryonic investment banking/brokering sector to place with private investors the equity shares or convertible bonds in companies being privatized.

It remains to be seen whether the 1988 Budget Law will in fact (as widely predicted) contain the long-awaited reforms cited above, and how far reaching and effective they will be. Only after the bills have been presented and voted upon and implementation begins, will it be possible to understand what the implications will be for the private Moroccan financial sector and what USAID action might be appropriate.

The ideal time to take a close look at this issue will be the second quarter of 1988, after the measures have been definitively proposed. At this point, the private financial sector will be debating their implications and seeking to determine an appropriate response to the opportunities these measures represent.

It is worth pointing out that equity market activity is an industry in its own right, in addition to aiding new economic activity generally. An active Moroccan stock exchange would employ many people at all levels, directly and indirectly, as new or expanded institutions emerge to engage in capital markets-related activities. Therefore a development goal is clearly served by programs aimed at enhancing the stock exchange and the brokerage/investment banking industries. Until Morocco's new legal framework for this sector emerges, however -- ideally in early 1988, it is impossible to propose specific courses of USAID action. A close look at privatization following the promulgation of the new legal framework is, however, highly recommended.

III. DEBT-EQUITY CONVERSIONS

The successful use of debt-equity conversions to (DECs) by certain Latin American countries to promote new foreign investment has attracted international attention. The Moroccan authorities have been under considerable pressure to adopt this practice by two different groups:

- o institutions who are seeking to help Morocco ease its debt burden and promote new investment
- o profit-oriented organizations (such as international and domestic banks and international investor groups) who stand to gain either fees for arranging such deals, or an attractive discount on local currency for investment.

The Moroccan authorities have recently shifted from a negative posture to a cautious one as regards DEC's. The Finance Ministry is currently preparing a set of guidelines for DEC's which will be applied on a case-by-case basis subject to Ministry approval. There will be no publicly-announced set of conditions as has occurred in other countries.

The Ministry will look favorably on DEC transactions that involve new investment to expand the following industries:

- o Export industries
- o Tourism
- o Agro-industries
- o Mining
- o Other employment-creating activities

A number of international banks are now approaching the Moroccan authorities with specific proposals: American Express, Citibank, Chase and Continental Bank have been active. Lazard, Citibank and the IFC are each seeking to promote the concept of an investment fund, pooling offshore capital and using DEC's to generate local currency at an attractive discount to be invested locally in projects owned by the fund at managed on its behalf by the bank serving as managing agent for a fee.

At present, the Moroccan authorities do not seem favorable to the fund concept; on the other hand, the first DECs for individual projects may occur in the near future. Setbacks by influential groups have also occurred. Club Mediterranee which was seeking to use a DEC to upgrade its Moroccan facilities with the support of leading Moroccan banks, recently tried and failed to get Moroccan Government agreement.

The issue of DECs is closely tied to the broader issue of how to attract new foreign investment into Morocco. This is a subject which deserves more careful study to determine appropriate USAID-Rabat actions. U.S. investment activity in Morocco, beyond the handful of well-established U.S.-affiliated companies serving the local market, seems particularly sluggish as compared with European (French, German, Italian) and even Asian investors. The specific mechanisms and incentives which could encourage U.S. investment in Morocco (for example as a low-cost production base from which to sell into the EEC) seem to be absent base.

The DEC mechanism is one useful tool, but there are others which could be considered, such as privately-owned and efficiently-managed industrial parks/customs-free zones with supporting services to help cut through local red tape. Such

concepts have worked well in other developing countries in attracting new foreign investment, and have also proven to be good investments in and of themselves for the private local groups -- largely local financial institutions -- who have developed such zones.

In Morocco this function (like many others) has been widely viewed up to now as the privileged domain of the State sector. Private businessmen are intrigued when they learn that in other countries such activities are developed by the private sector as profit-making activities which also benefit the overall national economy by attracting new foreign investors.

In conclusion, a USAID examination of opportunities for constructive impact in encouraging new (U.S.) investment in Morocco should be undertaken, since such activity has a positive impact both on development and on broader U.S. policy goals. An examination of DEC activity would be included in such an examination of foreign-investment-related issues. At this point, however, DECs alone do not warrant any specific USAID action.

IV. TRAINING

Training represents a very visible way to improve the effectiveness of Moroccan financial markets, both the banking system and the stock exchange. Although overseas training has more glamour, on-site training sparked particular interest in discussions with bankers. In addition, on-site training often can advance the policy dialogue by putting public and private sector officials around the same table to discuss common problems.

Background

Morocco is fortunate to have a relatively well functioning commercial banking sector. While competition is limited, to the degree that it is difficult to establish a new bank, several banks do exist. They also have a strong banking association, not unlike the American Banking Association, that is entirely private and supported by dues from member banks as well as fees from training classes and seminars.

Aside from domestic training, the Moroccan banking system is extremely influenced by French banks that own large (30-49%) interests in the major commercial banks. The French banks provide both on-site and overseas training within their affiliate branches in France.

Although all of this training exists, American insights would be welcome for a number of reasons. U.S. markets have traditionally been more competitive and, in some areas, less regulated. As a result, many current U.S. banking practices and financial instruments may represent future trends for Morocco.

Some examples include arcane sounding issues like convertible debentures or a secondary mortgage market that can

allow financial markets to move money more efficiently from savers into the hands of borrowers. Other instances where the U.S. may represent a glimpse of the future include more aggressive loan marketing for both consumer and business loans as well as specialized computer applications to improve operations.

Potential Topics

Several subjects would lend themselves to AID-sponsored seminars that could improve Moroccan financial markets:

Privatization. To encourage Moroccan initiatives in this field, the French and British are currently talking to Moroccans about their European experience. AID could facilitate a conference or seminar that presents more relevant examples (Turkey, Portugal, Costa Rica or other countries where AID has fostered successful privatization efforts). The Bureau for Private Enterprise has already sponsored seminars in two French-speaking countries, Senegal and Tunisia.

Valuation of Companies. This much more specialized topic is of real importance to Morocco where no investment banking function currently exists. Potential for misunderstanding on the appropriate value of a firm can be a major impediment to privatization or effective restructuring.

Small Business Development. Some Moroccan banks target small business development, but this major source of employment creation requires skills well beyond the normal banking scope. This training might be less effective at a high level, designed to enhance awareness of employment creation, and much more powerful at the level of the budding entrepreneur: how to obtain appropriate licenses, drafting a business plan, keeping basic books.

The Deputy Mission Director received a separate briefing on ideas specific to this general subject, including comments from Moroccan bankers on returning overseas Moroccan workers. Several banks mentioned specific small business programs (SMDC: dairies, delis, bakeries). Interestingly, money to purchase equipment for a professional office (dentist, doctor) is counted as consumer lending (BMCI).

Micro-computer applications. Although this subject area is vast, it does lend itself to treatment by U.S. expertise. Specialized subtopics by industry could be of great interest. Co-funding by U.S. equipment manufacturers or trade associations could also be important.

Institutions

For a successful project, having the right counterpart organization is critical. AID is not in a good position to make any of the logistical arrangements and would need to count on a highly reliable local institution. Depending on the subject area, any of the following organizations may be appropriate.

Moroccan Banking Association/Brokers Association. This institution regularly arranges seminars and conferences, dealing at the highest levels of both private and semi-public banks. In addition, the Association has regular contact with the technical level of the Moroccan government that develops the issues papers on which policy is based.

CGEM, the Business Managers Association. This organization is very concerned by ways of improving Moroccan competitiveness, both domestically and in world markets, and would be a useful co-sponsor of appropriate topics.

Price Waterhouse. PW has sponsored several paying seminars in Casablanca and Rabat that were attended by high level decisionmakers from the public and private sector. Their seminars tended to be for 30-40 attendees.

Commercial Banks: Example, BMCI. BMCI apparently has a well established seminar program on topics ranging from how to export to the U.S., in French, to how to start a small business, in colloquial Arabic. Indeed, the U.S. Commercial Counsellor in Casablanca participated in the U.S. export seminar.

While BMCI went out of its way to describe its programs, other banks undertake similar activities. Indeed, when funding for seminars was limited on a World Bank loan, the commercial banks agreed to fund an entire list of priority topics.

This impressive list of priority seminars on topics similar to the above was developed by the Banking Association to submit as part of a World Bank loan. Interestingly, three types of experts were cited: World Bank staff, staff of European affiliated banks and Moroccan experts, particularly presenting overviews of government programs or reforms. No American expertise was proposed at the time, but would be welcome.

Other institutions. Although we were not able to meet with these institutions given the time constraints, they were frequently cited as logical choices to co-sponsor seminars.

- American Chamber of Commerce

- Regional Moroccan Chambers of Commerce
(particularly for small business development)

- Ministry of Finance

- BNDE, the National Economic Development Bank
(apparently the beneficiary of a \$1 million
World Bank loan for training and seminars that
might appreciate American expertise)

- ISCAE (Institut Supérieur d'Administration des
Entreprises)
This Business Management Institute located in
Casablanca seemed well regarded and has attempted
to do programs on small enterprise development

Training is clearly an area of near universal appeal. On-site training using A.I.D.-sponsored experts in team with the appropriate Moroccan institutions can offer high visibility and potentially important influence on policy at a relatively low cost.

Attachment I

~~BT PAGE 01 RABAT 08133 241647Z 0097 017831 /AID047#~~

02 ACTION AID-00

03

04 ACTION OFFICE PRE-06

05 INFO SEOP-01 ANPD-05 GCAN-02 SERP-01 FVA-01 SECS-02 AMAD-01

06 SETN-01 GC-01 PSC-03 ANTR-06 STAG-02 PPR-01 FFP-09

07 ES-01 ANME-03 RELO-01 /047 A0

08

09 INFO LOG-00 CIAE-00 EB-00 DODE-00 NEA-04 TRSE-00 AGRE-00

10 /004 W

11

-----232047 241651Z /38

12 R 241647Z AUG 87

13 FM AMEMBASSY RABAT

14 TO SECSTATE WASHDC 3588

15

16 UNCLAS RABAT 08133

17

18 AIDAC

19

20 FOR JIM DRY, PRE

21

22 E.O. 12356: N/A

23 SUBJECT: DESIGN OF PRIVATE SECTOR LENDING PROGRAM FOR

24 PL 480 TITLE I SECTION 108 AND OTHER AID ACTIVITIES IN

25 THE FINANCIAL SECTOR.

26

27 1. MISSION REQUESTS ASSISTANCE OF PRE FINANCIAL
 28 MARKETS PROJECT (940-2005) FOR FINALIZING THE DESIGN
 29 OF MOROCCO'S SECTION 108 PROGRAM AND TO ASSIST IN THE
 30 DEVELOPMENT OF ADDITIONAL ACTIVITIES IN MOROCCO'S
 31 FINANCIAL SECTOR. PRELIMINARY WORK IN THIS AREA HAS
 32 BEEN DONE BY INTERNATIONAL RESOURCES GROUP (IRG)
 33 CONSULTANTS STEVEN STRAUSS AND CATHERYN GODDARD AND
 34 MISSION REQUESTS THEY CONTINUE TO PROVIDE THEIR
 35 SERVICES.

36

37 2. MISSION REQUESTS STRAUSS AND GODDARD FOR TWO-WEEK
 38 PERIOD. IRG HAS INDICATED THAT THE REQUESTED
 39 CONSULTANTS WOULD BE AVAILABLE FROM OCTOBER 19 THROUGH
 40 30. A LATER DATE WOULD SERIOUSLY DISRUPT THE
 41 MISSION'S PLANNING SCHEDULE.

42

43 3. MISSION REQUESTS CONSULTANTS STRAUSS AND GODDARD
 44 TO CARRY OUT THE FOLLOWING SCOPE OF WORK:

45

46 A. FINALIZE USAID-IFI LOAN AGREEMENTS AND EXPLORE

47

28

01 ~~SPECIFIC USES OF TITLE I SECTION 108 FUNDS. THIS~~
02 INCLUDES THE PREPARATION OF STANDARD LOAN AGREEMENT
03 MODEL (MOROCCAN ENFORCEABLE). THIS WILL BE BASED ON
04 GUIDELINES FROM WASHINGTON. IT WILL ALSO INCLUDE
05 DISCUSSIONS WITH ELIGIBLE IFIS ON THE USES OF FUNDS
06 AND POSSIBLE SUB-LOANS.
07 B. INVESTIGATE THE POSSIBILITIES FOR AID ACTIVITIES
08 IN THE EQUITY MARKETS. IMPROVING THE OPERATIONS OF
09 MOROCCAN EQUITY MARKETS IS A PRE-CONDITION TO
10 SUCCESSFUL PRIVATIZATION OF THE ECONOMY. THE MISSION
11 HAS BEEN FOLLOWING DEVELOPMENTS IN THIS AREA, IN
12 PARTICULAR THE ACTIVITIES OF THE STOCK MARKET REFORM
13 COMMISSION WITH GREAT INTEREST. THE CONSULTANTS
14 SHOULD INVESTIGATE HOW AND IN WHAT FORM (E.G.
15 TRAINING, TECHNICAL ASSISTANCE) US EXPERTISE CAN BE
16 BROUGHT TO BEAR IN THIS AREA.
17
18 C. EXPLORE THE SCOPE FOR POSSIBLE AID ASSISTANCE IN
19 THE GENERAL AREA OF DEBT/ EQUITY CONVERSIONS. IFC IS
20 VERY ACTIVE IN THIS AREA, AND ANY AID PROJECT WOULD
21 HAVE TO BE COORDINATED WITH THOSE ACTIVITIES. U.S.
22 ASSISTANCE MIGHT INCLUDE, BUT NOT NECESSARILY BE
23 LIMITED TO, PROVIDING INFORMATION AND EDUCATION
24 THROUGH SPECIALIZED SEMINARS AND COURSES FOR FINANCIAL
25 MARKET PARTICIPANTS.
26
27 D. CONSIDER OPTIONS FOR PROVIDING US ASSISTANCE IN
28 TRAINING TO IMPROVE OVERALL INSTITUTIONAL CAPACITY IN
29 THE FINANCIAL SECTOR. ANALYSES BY THE MISSION HAVE
30 IDENTIFIED SUCH TRAINING NEEDS AS A PRIORITY CONCERN.
31 POSSIBILITIES FOR ORGANIZING SUCH TRAINING, POSSIBLY
32 IN CONJUNCTION WITH A MOROCCAN INSTITUTION, SUCH AS
33 THE CENTRAL BANK, NEED TO BE EXPLORED.
34
35 4. BASED ON PREVIOUS EXPERIENCE WITH IRG, MISSION
36 ESTIMATES COSTS OF TWO CONSULTANTS TO BE ABOUT DOLS
37 22,000.
38
39 5. THOUGH MISSION WILL REQUEST EARLY FY88 ALLOTMENT OF
40 PE AND S FUNDS FOR THIS PURPOSE, IT IS VERY UNLIKELY
41 THAT FUNDS WILL BE AVAILABLE BY MID-OCTOBER FOR A
42 BUY-IN TO FINANCIAL MARKETS PROJECT. IF THIS BE THE
43 CASE, WOULD PRE BE WILLING TO FULLY FINANCE THIS
44 ACTIVITY UNDER PROJECT 940-2005? PLEASE ADVISE.
45 HAWES
46
47
48

21

Attachment II

Attachment II

CONTACT LIST

USAID

Charles Johnson, Director

Janet Ballantyne, Deputy

Robert Meighan, General Counsel

Richard Warren, Comptroller

Ken Scofield, Programs

Jay Smith, Chief Economist

Daniel Kohler, Senior Economist

Mouna Cherkaoui, Economist

Sydney Lewis, Private Enterprise

Steve Klein, Energy and Natural Resources

Harry Birnholz, Housing

Monique Bedaoui, Training

US Embassy

Daniel Dolan, Economic Counselor

David Culver, Agricultural Counselor

William Buck, Commercial Counselor

MOROCCO PRIVATE SECTOR

ECM (2 meetings)

Mohamed Salmi
Co-Directeur General
Banque Commerciale du Maroc

Abdelkrim Chlyah
Directeur Delege
Direction de Credit
Banque Commerciale du Maroc

BMCI (2 meetings)

Mohamed Benkirane
Vice President-Directeur General (Chief Executive Officer)
Banque Marocaine pour le Commerce et l'Industrie

Ahmed Slamti
Chef du Departement du Commerce Exterieur
Banque Marocaine Pour le Commerce et l'Industrie

Rachid El Yacoubi
Chef du Departement des Engagements
Banque Marocaine Pour le Commerce et l'Industrie

Mahmoud Benabbou
Ingenieur conseil
Banque Marocaine Pour le Commerce et l'Industrie

SMDC (2 meetings)

Omar Akalay
Adminstrateur Directeur General (Chief Executive Officer)
Socite Marocaine de Depot et Credit

SGMB (2 meetings)

Omar Sqalli
Directeur General Adjoint
Societe Generale Marocaine de Banques

Abdeslam Maghnouj
Directeur Adjoint
Direction - Etranger - Tresorerie
Societe Generale Marocaine de Banques

Miloud Bouhallaf
Fonde De Pouvoirs
Societe Generale Marocaine de Banques

32'

WAFABANK

Abdelhak Bennani
Vice President Directeur General (Chief Executive Officer)
Wafabank

Hassan El Kouhene
Directeur General Adjoint
Wafabank

Azeddine Elhilali
Directeur de la Division Internationale

CITIBANK (2 meetings)

Faten Matar
Vice President
Citibank - Maghreb

Mohammed Ali Kadiri
Assistant Manager
Financial Institutions Head
Citibank - Maghreb

Related Firms and Associations

Abdelaziz Belkasmi (2 meetings)
Partner
Price Waterhouse

Raees Lakhani
Price Waterhouse

M. Azzedine Berrada (2 meetings)
Delegue General Adjoint
Groupement Professionnel des Banques du Maroc - GPBM

Abderrahmane Ouali
Secretaire General
Confederation Generale Economique Marocaine - CGEM

Azzedine Kettani (2 meetings)
Professeur A La Faculte De Droit
Avocat Agree Pres La Cour Supreme

33

Attachment III

USAID/Rabat

Section 108 Lending Program

ELIGIBLE MOROCCAN I.F.I.'s

1. - BANQUE COMMERCIALE DU MAROC (B.C.M.):
 - 55% Moroccan: all private except small (5%) S.N.I. share ("passive" investment via stock exchange)
 - 45% B.N.P. (French)
2. - BANQUE MAROCAINE POUR LE COMMERCE ET L'INDUSTRIE (B.M.C.I.)
 - 55% Moroccan: all private except for small (5%) S.N.I. share ("passive" investment via stock exchange)
 - 45% B.N.P. (French)
3. - SOCIETE GENERALE MAROCAINE DE BANQUE (S.G.M.B.):
 - 51% Moroccan: private
 - 49% Foreign Banks: Societe General (French) 36%
Credit Suisse (Swiss) 39%
Societe Marseillaise de Credit (French) 10%
4. - WAFABANK:
 - 82% Moroccan: private (59% Kettani Group)
 - 18% Indosuez (French)
5. - SOCIETE MAROCAINE DE DEPOT ET DE CREDIT (SMDC):
 - 51% Moroccan: private
 - 49% Foreign Banks (French):
 - o Paribas 23%
 - o Worms 23%
 - o Credit du Nord 3%

35

Attachment IV

1/16/87-1140F

PL 480 TITLE I SALES AGREEMENT

SECTION 108 LOAN AGREEMENT

DATED: _____

1. This Loan Agreement is entered into pursuant to Section 108 of the Agricultural Trade Development and Assistance Act of 1954, as amended ("PL 480"), between (insert name of financial intermediary), ("borrower"), and the Government of The United States of America ("U.S.G.") acting through the Agency for International Development ("A.I.D."), hereinafter referred to as "Lender".

2. The Lender will lend Borrower not to exceed (insert amount of local currency) to use to make loans (hereinafter referred to as ("subloans") within (insert name of developing country) in order to foster and encourage the development of private enterprise institutions and infrastructure as the base for the expansion, promotion and improvement of the production of food and other related goods and services within (name of developing country). The aggregate amount of local currency disbursed by the Lender is referred to as "principal".

3. Interest shall accrue on the outstanding balance of principal

51

and on any due and unpaid interest at the rate of (percent
(repeat) per annum), beginning on the first day after the
date of disbursement of principal by the Lender, and shall be due
and payable no later than six (6) months after the first
disbursement of principal on a date to be specified by the Lender
and semiannually thereafter.

4. Borrower will repay the principal to the Lender (within
() years from the date of first disbursement of principal
in (approximately equal semiannual instalments, the first
being payable after the date on which the first
interest payment is due under Section 3 above. The Lender will
provide the Borrower with an amortization schedule after final
disbursement under the loan is made).

5. Disbursement will be deemed to occur on the date on which a
check or other instrument is issued by the U.S.G. for the account of
Borrower.

6. Borrower agrees to use the principal to make subloans in
accordance with the purposes of Section 2. above to private
individuals, cooperatives, corporations, or other entities within
(name of developing country), at reasonable rates of interest, to
finance:

(A) Productive, private enterprise investment within (name of



developing country), including such investment in projects carried out by cooperatives, nonprofit voluntary organizations, or by other entities within (name of developing country) which have been approved by the Lender; or

(B) Private enterprise facilities for aiding the utilization and distribution, and increasing the consumption of and markets for, United States agricultural commodities between the U.S.G. and the Government of (name of developing country) under Title I of P.L. 480

(C) Private enterprise support of self-help measures and projects identified in agreements for sales of agricultural commodities between the U.S.G. and the Government of (name of developing country) under Title I of P.L. 480.

7. Borrower shall, to the maximum extent feasible, give preference under this Agreement to the financing of agricultural related private enterprise.

8. To be eligible to receive a subloan from Borrower under this Agreement, an entity or venture must both:

(A) Be owned, directly or indirectly, by citizens of (name of developing country) or of any other country eligible to participate in a sales agreement under Title I of P.L. 480, except that up to 49 percent of such ownership interest may be held by citizens of the

United States; and

(B) Not be owned or controlled, in whole or in part, by the Government or any governmental subdivision of (name of developing country).

9. No financing made available under this Agreement may be used to promote the production for export of agricultural commodities or the products thereof that will compete, as determined by the U.S.G., in world markets with similar agricultural commodities or the products thereof produced in the United States. The Lender shall communicate with Borrower in a timely fashion to implement this section.

10. Borrower shall take such steps as may be necessary to publicize in (name of developing country) the availability of funds under this loan.

11. This Agreement shall be subject to periodic audit by authorized representatives of the Lender to determine whether its terms and conditions are being fulfilled.

Borrower shall:

(A) Furnish the Lender such information and reports relating to activities under this Agreement and under subloans as the Lender may reasonably request;

(B) Maintain or cause to be maintained, in accordance with

generally accepted accounting principle and practices consistently applied, books and records relating to activities under this Agreement and to subloans, adequate to show, without limitation, the receipt and use of funds under this loans;

(C) Afford authorized representatives of the Lender the opportunity at all reasonable times to audit and inspect the utilization of the loan and subloans, and books, records, and other documents relating thereto, which will be maintained for three years after the date of last disbursement hereunder, and with respect to subloans for three years from the date of disbursement by Lender of funds hereunder for each subloan; and

(D) Instruct its own independent auditors to audit annually each subloan, and forward the results of the audit to the Lender.

12. (A) Payments of principal and interest will be made in the currency of _____ (name of developing country) and will be applied first to the payment of interest due and then to the repayment of principal. Except as the Lender may otherwise agree in writing, payments will be deposited with the regional controller, USAID, American Embassy, _____, and will be deemed made when received in said office.

(B) Payments of principal, interest, and any refunds will be paid by Borrower in full, free of any deductions for any taxes,

charges or withholdings of whatever nature. If Borrower is prohibited by law from making such payments free of such deductions or withholdings, then Borrower will pay whatever additional amount is necessary to make the actual amount received by Lender equal to the gross amount that Lender would have received without reduction for such deductions or withholdings. Borrower will pay, directly to the taxing authority, any taxes, duties, fees or charges imposed on this Agreement or any aspect of the transactions between borrower and Lender contemplated by this Agreement.

(C) The duty of Borrower under Section 12(B) will survive the repayment in full of principal and interest.

13. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the principal. Unless the Lender otherwise agrees in writing, any partial prepayments will be applied to the installments of principal in the inverse order of their maturity.

14. Upon payment in full of the principal and any accrued interest, this Agreement, and all obligations of the Borrower to the Lender under it, will cease, except as indicated in Section 12(C).

15. (A) As a condition precedent to the disbursement of funds by the Lender, the Borrower:

(1) will furnish a legal opinion satisfactory to the Lender from

42

counsel satisfactory to the Lender demonstrating that under the laws of (name of developing country):

-A- Borrower is a financial intermediary, located or operating in (name of developing country), that is either: a bank, financial institution, cooperative, nonprofit voluntary agency, or other organization which has been determined by the Lender to have the capability to make and service a loan;

-B- Borrower has the legal capacity to borrow from and repay to the Lender, and to make and service subloans, in accordance with this Agreement;

-C- This Agreement has been duly authorized and/or ratified by, and executed on behalf of, Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;

-D- This Agreement may be enforced by legal proceedings against the Borrower upon failure of the Borrower to meet its obligations under this Agreement;

(2) Will furnish a written statement, acceptable to the Lender, indicating (A) the steps that the Borrower will take to carry out the provisions of Section 10 of this Agreement, regarding publicity, and (B) indicating how Borrower will establish reasonable rates of

43

interest applicable to subloans.

(B) If Borrower has not within _____ months from date of signature of the Agreement, or such later date as Lender may agree to in writing, met the conditions specified in this section, Lender may terminate this Agreement by written notice to Borrower.

16. (A) Borrower, having satisfied the conditions precedent of Section 15 above, and having furnished to the Lender the names of its authorized representatives and their specimen signatures in accordance with Section 17 below, may obtain from the Lender the funds needed for its estimated outlay of subloans during the next _____ (see guidance note) upon request of an authorized representative. The Lender will arrange transfer of the funds from the U.S.G. depository bank in (name of developing country).

(B) When Borrower requires additional funds hereunder, it will identify to Lender:

(1) Funds received to date;

(2) How funds received were used:

-A- To whom lent.

-B- For what purposes.

-C- On what terms.

(3) Cumulative relending so far; and will certify that its statements are true and correct and in conformity with this Agreement.

(C) Except as the Lender may otherwise agree in writing, no disbursement of funds by the Lender shall be made in response to a request received after (suggest eighteen (18) months) from the date of signing of this Agreement.

17. Representatives, for all purposes relevant to this Agreement, will be the persons holding or acting in the office of:

-- For the Borrower: Office of

-- For the Lender: Office of

each of whom, by written notice, may designate additional representatives.

Names and specimen signatures of Borrower's representatives will be provided to the Lender, which may accept as duly authorized any instrument signed by such representatives implementing this Agreement, until receipt of written notice of revocation of their

authority.

18. Communications between Borrower and the Lender under this Agreement, which will be in English unless both parties otherwise agree, will be in writing and will be deemed given when delivered as follows:

Borrower's mail address, and alternate address for telegrams:

The Lender's local mail address, and alternate address for telegrams:

Other addresses may be substituted upon the giving of notice.

19. Borrower will carry out this Agreement with due diligence and in conformity with sound financial and management practices.

20. Borrower warrants that the facts and circumstances of which it has informed the Lender in the course of reaching this Agreement are accurate and complete, and include any that might materially affect the performance of the Borrower's responsibilities under this Agreement. Borrower will inform the Lender in timely fashion of any facts or circumstances that might reasonably be believed to materially affect the performance of the Borrower's responsibilities under this Agreement.

21. Borrower upon notice may cancel any part of this loan which has not been disbursed.

22. (A) It will be an "event of default" if Borrower shall have failed:

(1) to pay when due any interest or installment of principal required under this Agreement, or

(2) to maintain its business as a financially secure going concern without, inter alia, selling a substantial part of its assets, entering bankruptcy or reorganization proceedings or the like, failing to pay its debts in a current fashion, or otherwise impairing its ability to service its debts, or

(3) to comply with any other provision of this Agreement.

(B) If an event of default shall have occurred, then the Lender may (1) decline to make further disbursements of principal, and may (2) give the Borrower notice that all or any part of the unrepaid principal will be due and payable sixty (60) days thereafter, with interest, and, unless such event of default is cured within that time, such unrepaid principal and accrued interest hereunder will be due and payable immediately.

23. The Lender may require, within sixty (60) days of Borrower's

47

receipt of a request therefor, a refund of any principal disbursed hereunder which is not used in accordance with this Agreement. Such right to require a refund will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement. Any such refund will be available for re-use under this Agreement, if authorized by the Lender in writing, and otherwise will be applied to the installments of principal in the inverse order of their maturity and the amount of this loan reduced by the amount of the refund as applied.

24. The Borrower shall make no transfer or assignment of this Agreement or any of its rights hereunder without the written approval of the Lender.

25. Any failure or delay of the Lender in exercising in whole or in part any of its rights under this Agreement shall not constitute a waiver of any such rights.

26. Notwithstanding any cancellation, suspension of disbursement, or acceleration of any payments, the provisions of this Agreement will continue in effect until the payment in full of the principal and accrued interest hereunder.

IN WITNESS WHEREOF, the Borrower and the Government of The United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their

names and delivered as of the day and year first above written.

(NAME OF BORROWER)

BY: (typed)

NAME:

TITLE:

UNITED STATES OF AMERICA

BY: (typed)

NAME:

TITLE:

Attachment V

SECTION 108 LOAN AGREEMENT: PROPOSED MODIFICATIONS OF AID/W
LOAN AGREEMENT

DRAFT OF PROPOSED CABLE TO AID/W:

SUMMARY: This cable indicates the modifications to AID/W's proposed Section 108 loan agreement (refTel State 011819) that USAID deems necessary for a successful program in Morocco. These changes have been reviewed by counsel who assures us text with proposed modifications is enforceable in Morocco in its French translation. All modifications are additions to proposed text except Paragraph 9 which is based on text AID/W has already approved for Tunisia (State 210120). Prompt approval will allow lending to proceed in January 1988 as planned.

PROPOSED MODIFICATIONS AS FOLLOWS:

Section 2: ADD as section "2B": "The Lender may also lend to any other private sector intermediary financial institution which the Borrower may designate, under the Borrower's full and unconditional guarantee, provided that such intermediary financial institution is approved in advance by the Lender."

Section 2: ADD as Section "2C": "The Lender will lend Borrower the amount of Moroccan dirhams provided such amount is drawn by the Borrower within six months of signature of this Loan Agreement, after which time funds may be drawn by the Borrower provided that funds are available to the Lender at the moment of such drawdown. The Lender will advise the Borrower, within one month of Borrower's request for drawdown, whether and when such funds are available."

Section 3: ADD as Section "3B": "An interest rate of percent (..... percent) per annum will be applicable to borrowing by the Borrower to make sub-loans having one of the following characteristics (and otherwise complying with the terms of this Agreement):

- (1) sub-loans made to projects involving the production, marketing or processing of agricultural products for domestic consumption in Morocco.
- (2) sub-loans to Moroccan companies with equity ownership by citizens or corporations of the United States of at least 33.3%, provided that the total sales of such Moroccan company in the year prior to such sub-loan do not exceed dirhams one hundred million.
- (3) sub-loans made to Moroccan individuals, or Moroccan corporations whose sales do not exceed dirhams one hundred million annually, for the purpose of financing the purchase by such individuals or corporations of equity shares in Moroccan corporations being sold to the private sector by entities of the Moroccan government."

Section 5: ADD at the end of Section 5: "Disbursement will also be deemed to occur on the date on which credit is made to Borrower's account via bank transfer by order of the Lender."

Section 6: ADD as Section "6D": "The Borrower agrees not to made sub-loans which in any way involve financing the production or distribution of the following products: explosives; illegal drugs; pesticides; tobacco; alcoholic beverages;"

Section 8: ADD as Section "8C": "All sub-borrowers must be more than 50% Moroccan-owned."

Section 9: DELETE entire section and REPLACE with the following:

69.

"Sub-loans within the agricultural sector will be restricted to the production, marketing or processing of agricultural products for domestic consumption in Morocco."

Section 16: ADD as Section "16D": "Disbursement of funds by the Lender to the Borrower under this Agreement shall be made by means of written communication to the Lender by the Borrower, to be received by the Lender at least one month prior to the date on which the requested disbursement is to be made, in which the Borrower will state that such disbursement will be used by the Borrower for the purposes stipulated in this Loan Agreement."

Section 21: ADD "Such notice will be given to Borrower by Lender no earlier than six months after signature of this Agreement, and such cancellation will take place no earlier than one month after such notice is given."

ADD "Section 27: Any litigation arising from the interpretation or the execution of this agreement will be submitted to arbitrage in conformance with the stipulations of articles 306 and subsequent articles of the Moroccan Code of Civil Procedure. In such event, each of the parties (Lender and Borrower) will designate its own arbiter.

In case one of the parties fails to designate an arbiter, such arbiter may be designated by order of the Court of Casablanca ("President du Tribunal de Premiere Instance de Casablanca"). The arbiters must render their judgement within two months of notification of their designation. The arbiters may designate, in event of disagreement, a third and superior arbiter in conformance with article 315 of the aforementioned Moroccan Code of Civil Procedure. The arbiters are not obliged to observe the delays and procedures foreseen for the local courts."



ADD "Section 28:

(A) All expenses and fees arising from the preparation of this loan agreement will be at the expense of the Borrower, who agrees to pay such expenses at the time of signature of this agreement. Such expenses will not exceed.....Moroccan dirhams.

(B) All expenses related to recourse by the Lender to legal counsel in order to implement the terms of this agreement, including but not limited to paragraphs 22 and 23, will be at the expense of the Borrower.

(C) In the event it is necessary for the Lender to have recourse to arbitrage (per Section 27) either to obtain reimbursement from the Borrower of outstanding principal and interest due, or to enforce the fulfillment of any other obligations resulting from this agreement, all judicials expense, taxes and fees, as well as expenses and fees that the Lender incurs due to legal representation by counsel, will be at the expense of the Borrower.

(D) All expenses and fees arising from the audit and inspection of the loan and sub-loans by authorized representatives of the lender, as stipulated in paragraph 11 (C) of this agreement, will be at the expense of the borrower. The Borrower shall pay such expenses and fees, which will not exceed the amount of DH per audit, within 30 days following the completion of such audit."

Attachment VI

DRAFT

45 OCT. 30, 1987

PROJET DE TEXTE

ACCORD DE PRET AU TITRE DE LA SECTION 108

DATE DU: _____

Améliorant

1. Le présent Accord de Prêt est conclu, en application de la Section 108 de la Loi de 1954 sur le développement des échanges commerciaux et de l'aide en produits agricoles, telle qu'amendée ("PL 480"), entre ("l'Emprunteur"), et le Gouvernement des Etats-Unis d'Amérique, agissant par l'intermédiaire de l'Agence pour le Développement International ("A.I.D."), ci-après désigné "le Prêteur".

2. (A) Le Prêteur prêtera à l'Emprunteur, ou à toutes ^{établissements} ~~institutions~~ financières privées qu'il désignera sous sa garantie, et pour autant que cette institution soit agréée préalablement par le prêteur, un montant n'excédant pas quinze (15) millions de DH qu'il utilisera pour faire des prêts, ci-après désignés "les sous-prêts", à l'intérieur du Maroc, afin de stimuler et d'encourager le développement des entreprises privées, et de leur infrastructure, en tant que bases de l'expansion, de la promotion et de l'amélioration de la production alimentaire et d'autres biens et services s'y rapportant, à l'intérieur du Maroc. Le montant total des fonds en monnaie locale déboursés par le Prêteur est appelé "principal".

(B) Clause de Disponibilité - Le prêteur consentira à l'emprunteur prêt dont le maximum pourra atteindre..., lequel pourra être appelé par

l'emprunteur mais dans la limite des fonds disponibles pour le prêteur au moment de cet appel.

Celui-ci pourra donc doit être immédiatement satisfait soit faire l'objet d'une date d'exécution ultérieurement par l'emprunteur, soit tout simplement être rejeté en cas d'indisponibilité définitive des fonds.

3. (A) L'intérêt appliqué au solde non remboursé du principal et à tout intérêt exigible et non payé courra au taux de 8,5^{9/2 (dix) et demi} pourcent par an à partir du premier jour suivant la date de déboursement du principal par le Prêteur, et sera exigible et payable au plus tard six (6) mois après le premier déboursement du principal, à une date qui sera précisée par le Prêteur, et par tranches semestrielles par la suite.

(B) Le taux d'intérêt de 6,5% sera applicable aux cas suivants:

- (1) sous-prêts octroyés aux projets visant la production, la distribution ou la transformation des produits agricoles pour le marché local.
- (2) sous-prêts aux sociétés marocaines ayant une participation américaine au capital d'au moins 33,3% pourvu que le chiffre d'affaire de cette société ne dépasse pas 200 millions de DH.
- (3) sous-prêts octroyés aux individus pour l'achat par ces individus d'actions détenues par l'Etat Marocain de sociétés en voie de privatisation.

4. L'Emprunteur remboursera le principal au Prêteur dans les sept (7) années qui suivent la date du premier déboursement du principal en onze (11) tranches semestrielles approximativement égales, la première étant payable dix huit (18) mois après la date à laquelle le premier paiement d'intérêt est dû en application de la Section 3 ci-dessus. Le Prêteur fournira à l'Emprunteur un calendrier de remboursement après le dernier déboursement effectué au titre du prêt.

5. Le déboursement aura eu lieu à la date à laquelle un chèque ou autre instrument aura été émis par le Gouvernement des Etats-Unis pour le compte de l'Emprunteur, ou à la date à laquelle un crédit par transfer inter bancaire ? aura été effectué pour le compte de l'emprunteur par ordre du prêteur.

6. L'Emprunteur s'engage à employer le principal pour accorder des sous-prêts et conformément aux objectifs de la Section 2 ci-dessus à des personnes physiques, des coopératives, des sociétés et autres entités privées au Maroc, à des taux d'intérêt raisonnables, pour financer:

(A) Des investissements productifs dans l'entreprise privée au Maroc, y compris des investissements dans des projets réalisés par des coopératives, des organismes bénévoles à but non-lucratif, ou par d'autres entités localisées au Maroc qui auront été approuvées par le Prêteur; ou

(B) Des mécanismes de l'entreprise privée destinés à contribuer à l'utilisation et à la distribution des produits agricoles américains, ainsi

qu'à accroître leur consommation et les marchés pour ces denrées, dans le cadre des accords de vente PL 480 Titre I entre le Gouvernement des Etats-Unis et le Gouvernement du Royaume du Maroc.

(C) Un soutien par l'entreprise privée des mesures et des projets d'auto-assistance définis dans les accords de vente de produits agricoles PL 480 Titre I entre le Gouvernement des Etats-Unis et le Gouvernement du Royaume du Maroc.

(D) L'emprunteur s'engage à ne pas effectuer des sous prêts pour les utilisations suivants: - stupéfiants, - pesticides...

7. L'Emprunteur devra, dans toute la mesure du possible, donner la préférence, dans le cadre du présent Accord, au financement d'activités de l'entreprise privée relevant du secteur agricole.

8. Pour pouvoir bénéficier des sous-prêts qui seront attribués par l'Emprunteur au titre du présent Accord, l'entité ou l'entreprise intéressée devra à la fois:

(A) Appartenir de façon directe ou indirecte aux citoyens du Royaume du Maroc ou de tout autre pays autorisé à participer à un accord de vente PL 480 Titre I, sauf que jusqu'à 49 pourcent des parts peuvent être détenues par des citoyens des Etats-Unis; et

(B) Ne pas appartenir à, ou être contrôlé, en tout ou en partie, par

l'Etat ou une quelconque entité du secteur public marocain.

9. Les sous-prêts au secteur agricole seront limités à la production, distribution ou transformation des produits agricoles pour la consommation locale au Maroc. X

10. L'Emprunteur prendra toutes les mesures pour faire la publicité nécessaire, au Maroc, sur la disponibilité des fonds au titre de cet accord de prêt.

11. Le présent Accord sera soumis à des vérifications périodiques de l'utilisation des fonds qui seront réalisées par des représentants agréés du Prêteur afin de déterminer si les termes et conditions dudit Accord sont respectés. L'Emprunteur s'engage à:

(A) fournir au Prêteur, sur sa demande et dans des limites raisonnables, tous renseignements et rapports relatifs aux activités menées au titre du présent Accord et des sous-prêts; que le prêteur peut raisonnablement demander.

(B) Maintenir ou veiller à ce que soient maintenus conformément aux méthodes comptables généralement admises et aux usages uniformément appliqués, des livres de comptes et des dossiers adéquats relatifs aux activités du présent Accord et aux sous-prêts, donnant sans restriction tous les détails sur la réception et l'utilisation des fonds de ces prêts;

(C) permettre aux représentants autorisés du Prêteur de vérifier et

6

d'inspecter, à tout moment raisonnable, l'utilisation du prêt et des sous-prêts, et les livres comptables, dossiers et autres documents s'y rapportant qui seront conservés pendant trois ans après la date du dernier déboursement effectué au titre du présent Accord, et en ce qui concerne les sous-prêts, pendant trois ans après la date de déboursement par le Prêteur des fonds utilisés pour chaque sous-prêt; et

(D) donner des instructions à ses propres auditeurs indépendants pour qu'ils fassent annuellement la vérification de chaque sous-prêt et de son utilisation, et en transmette les résultats au Prêteur.

12. (A) Les paiements du principal et de l'intérêt seront effectués en DH Marocains et seront d'abord utilisés pour le paiement de l'intérêt dû, puis pour le remboursement du principal. A moins que le Prêteur n'en décide autrement par écrit, les paiements devront être versés au compte du Prêteur auprès de la Citibank Maghreb, Casablanca, à l'attention du contrôleur régional de l'USAID, Ambassade des Etats-Unis, Rabat, Maroc, et seront considérés comme ayant été effectués dès qu'ils auront été reçus dans ledit compte.

(B) Les paiements du principal, de l'intérêt et tous les remboursements seront intégralement payés par l'Emprunteur, sans aucune déduction pour des taxes, charges ou autres retenues de quelque nature que ce soit. Si la loi interdit à l'Emprunteur d'effectuer des paiements sans lesdites déductions ou retenues, l'Emprunteur paiera le montant supplémentaire requis, quel qu'il soit, pour que le montant effectif reçu par le Prêteur soit égal au montant

brut que ce dernier aurait reçu sans qu'une réduction ait été faite pour lesdites déductions ou retenues. L'Emprunteur paiera directement à l'administration des impôts tous droits, taxes, et autres charges imposés sur le présent Accord ou sur tout aspect des transactions prévues par le présent Accord entre l'Emprunteur et le Prêteur.

(C) L'obligation incombant à l'Emprunteur au titre de la section 12(B) subsistera après le remboursement intégral du principal et des intérêts.

13. Dès qu'il aura payé tous les intérêts et les remboursements exigibles, l'Emprunteur pourra payer à l'avance, sans pénalité, la totalité ou une partie du principal. A moins que le Prêteur n'en décide autrement par écrit, les paiements anticipés partiels s'appliqueront aux versements du principal en sens inverse de leur échéance.

14. Après le paiement intégral du principal et des intérêts cumulés, le présent Accord et toutes les obligations de l'Emprunteur et du Prêteur y afférentes prendront fin à l'exception de celle indiquée à la Section 12(C).

15. (A) Comme condition préalable au déboursement des fonds par le Prêteur, l'Emprunteur:

(1) fournira un avis juridique établi à la satisfaction du Prêteur pour démontrer que suivant les lois du Maroc:

-a- L'Emprunteur est un intermédiaire financier, qui est localisé ou opère au

60

Maroc, et qu'il est soit: une banque, une institution financière, une coopérative, un organisme bénévole à but non lucratif, ou tout autre organisme dont le Prêteur aura déterminé qu'il a les capacités requises pour effectuer un prêt et en assurer le service;

-b- L'Emprunteur a la capacité juridique requise pour emprunter au prêteur de Fonds et pour le rembourser, et pour effectuer les sous-prêts et en assurer le service, conformément au présent Accord;

-c- Le présent Accord a été dûment autorisé et/ou ratifié par l'Emprunteur et exécuté en son nom et il constitue une obligation valable et juridiquement obligatoire de l'Emprunteur conformément à tous ses termes;

-d- Il sera possible de faire respecter le présent Accord en ayant recours à des mesures juridiques contre l'Emprunteur si celui-ci omet de remplir les obligations qui lui incombent au titre du présent Accord;

(2) fournira une communication écrite, acceptable pour le Prêteur, indiquant (a) les mesures que prendra l'Emprunteur pour appliquer les dispositions de la Section 10 du présent Accord concernant la publicité, et (b) indiquant comment l'Emprunteur établira des taux raisonnables d'intérêt applicables aux sous-prêts.

(B) Si l'Emprunteur n'a pas rempli les conditions préalables spécifiées dans la présente Section, dans les six (6) mois suivant la signature de l'Accord, ou à une date ultérieure dont le Prêteur pourrait convenir par

écrit, le Prêteur pourra mettre fin au présent Accord par notification écrite à l'Emprunteur.

16. (A) Après avoir satisfait aux conditions préalables de la Section 15 ci-dessus, et avoir fourni au Prêteur les noms de ses représentants agréés et les specimens de leur signature en application de la Section 17 ci-dessous, l'Emprunteur pourra obtenir du Prêteur, sur la demande de l'un de ses représentants agréés, les crédits dont il estime avoir besoin pour effectuer les sous-prêts pendant le prochain trimestre. Le Prêteur devra prendre les dispositions nécessaires pour faire transférer les fonds par sa banque.

(B) Lorsque l'Emprunteur demandera que le Prêteur lui fournisse des fonds supplémentaires au titre du présent Accord, l'emprunteur communiquera au prêteur les renseignements suivants:

(1) Fonds reçus à ce jour;

(2) Comment les fonds reçus ont été utilisés:

-A- A qui ont-ils été prêtés?

-B- A quelles fins?

-C- A quelles conditions?

(3) Montant total des fonds prêtés à ce jour; et certification que ses



déclarations sont vraies, correctes et conformes au présent Accord.

(C) A moins que le Prêteur n'en convienne autrement par écrit, aucun déboursement de fonds ne sera effectué par le Prêteur en réponse à une demande reçue après un délai de dix-huit (18) mois suivant la date de signature du présent Accord.

17. Aux fins du présent Accord, les représentants seront les personnes occupant les fonctions suivantes, ou agissant en leur nom:

-- Pour l'Emprunteur: _____

-- Pour le Prêteur: Directeur USAID

chacune d'elles, pouvant, par notification écrite, désigner des représentants supplémentaires.

Les noms et les spécimens des signatures des représentants de l'Emprunteur seront communiqués au Prêteur, qui pourra accepter comme dûment agréé tout instrument signé par ces représentants, en application du présent Accord, et ce jusqu'à réception de l'avis écrit de révocation de leur autorité.

18. Les communications entre l'Emprunteur et le Prêteur au titre du présent Accord seront rédigées en anglais à moins que les deux parties n'en conviennent autrement par écrit, et seront considérées comme remises lorsqu'elles parviendront aux adresses suivantes:

Handwritten notes:
1
C-12-100000-000
0000-0000-0000

Adresse postale et télégraphique de l'Emprunteur: _____

Adresse postale et télégraphique du Prêteur: USAID/Rabat

D'autres adresses peuvent remplacer les adresses ci-dessus après un préavis de 15 jours.

19. L'Emprunteur exécutera le présent Accord avec diligence et en appliquant des méthodes financières et de gestion saines.

20. L'Emprunteur garantit que les faits et circonstances dont il a informé le Prêteur en préparant le présent Accord sont exacts et complets et couvrent tous faits et circonstances qui pourraient affecter matériellement l'exécution des responsabilités de l'Emprunteur au titre du présent Accord. L'Emprunteur informera le Prêteur en temps voulu de tous les faits et circonstances dont il y aurait raisonnablement lieu de croire qu'ils peuvent affecter l'exécution des responsabilités de l'Emprunteur dans le cadre du présent Accord.

21. L'Emprunteur peut, sur avis, annuler toute partie non encore déboursée du présent prêt.

22. (A) Cas de Manquement - Il y aura manquement dans chacun des cas suivants:

(1) L'emprunteur n'a pas payé à échéance tout intérêt dû ou tranche du principal exigés dans le cadre du présent Accord;

(2) l'emprunteur n'a pas maintenu ses affaires dans une situation saine et financièrement solide; l'emprunteur a vendu une part importante de son actif; a subi une procédure de faillite ou de réorganisation ou autre procédure semblable; a omis de payer ses dettes en temps voulu; ou a permis sa détérioration de sa capacité à servir ses dettes;

(3) l'emprunteur n'a pas respecté toute autre disposition du présent Accord.

(B) S'il y a manquement, le Prêteur pourra alors (1) refuser de faire de nouveaux déboursements du principal, et (2) notifier l'Emprunteur que la totalité ou une partie du principal non remboursé sera déclarée échue et devra être payée dans les soixante (60) jours qui suivent, avec intérêt, et que le principal non remboursé et les intérêts y afférents seront déclarés échus et payables immédiatement et à moins qu'il ne soit remédié à ce cas de manquement durant la période précitée.

23. Le Prêteur peut, dans les soixante (60) jours qui suivent la réception d'une demande de l'Emprunteur, exiger le remboursement de tout montant du principal qui n'aurait pas été utilisé conformément au présent Accord. Le droit de réclamer le remboursement restera valide, nonobstant toute autre disposition du présent Accord, pendant une période de trois (3) ans à partir de la date du dernier déboursement effectué dans le cadre du présent Accord. Ce remboursement pourra être de nouveau utilisé dans le cadre du présent Accord, si le Prêteur l'autorise par écrit. Si le Prêteur n'autorise pas une nouvelle utilisation de ce remboursement, il sera appliqué aux tranches du

principal dans l'ordre inverse de leur date d'échéance, et le montant du prêt sera réduit du montant du remboursement ainsi appliqué.

24. L'Emprunteur ne transférera ni ne cèdera le présent Accord ou l'un quelconque de ses droits au titre du présent Accord sans l'approbation écrite du Prêteur.

25. Tout défaut ou retard du Prêteur dans l'exercice de tous ou partie de ses droits au titre du présent Accord ne constituera pas une renonciation aux dits droits.

26. Nonobstant toute annulation, suspension de déboursement ou accélération des paiements, les dispositions du présent Accord resteront en vigueur jusqu'au paiement de la totalité du principal et des intérêts accumulés.

27. Clause D'arbitrage - Tout litige pouvant naître à l'occasion de l'interprétation ou de l'exécution du présent accord sera soumis à l'arbitrage, conformément aux dispositions des articles 306 et suivants du Code marocain de Procédure Civile.

Chacune des parties désignerait ainsi son arbitre.

En cas de carence de l'une d'elles, il pourra être pourvu à cette désignation par une ordonnance du Président de Tribunal de Première Instance de Casablanca.

Les arbitres devront désigner en cas de désaccord, un surarbitre conformément

12

à l'article 315 du code sus-visé.

Les arbitres ne sont pas tenus d'observer les délais et procédures prévus pour les juridictions de première instance.

28. Prise en charge des frais

(A) Tous frais et honoraires dûs au titre de l'élaboration du présent accord seront à la charge de l'emprunteur qui s'engage à payer à la signature de cet accord les dits frais d'un montant ne dépassant pas _____

(B) Tous frais liés au recours à la compétence juridique dans le but d'assurer le respect de cet accord y compris le paragraphe 22 et 23 seront à la charge de l'emprunteur.

(C) Au cas où le prêteur serait obligé de recourir par arbitrage à l'encontre de l'emprunteur tant pour le remboursement des fonds empruntés que pour obtenir l'exécution de l'une quelconque des obligations résultant du présent accord, tous dépens taxers et frais judiciaires ainsi que les frais et honoraires que le prêteur devra exposer au titre de sa représentation en justice pour son conseil seront à la charge de l'emprunteur qui s'y oblige expressément.

En outre l'emprunteur s'engage à verser au prêteur de justes dommages intérêts en réparation du préjudice résultant de sa défaillance et de l'inexécution de toute obligation mise à sa charge.

13

(D) Tous frais dûs au titre de la vérification de l'utilisation des fonds par des représentants autorisés du prêteur (voir paragraphe 11 C) seront à la charge de l'emprunteur qui s'engage à les payer dans les 30 jours suivants ladite vérification. Ces frais et honoraires ne dépasseront pas un montant de _____ par emprunteur.

EN FOI DE QUOI, l'Emprunteur et le Gouvernement des Etats-Unis d'Amérique, chacun agissant par l'intermédiaire de son représentant dûment agréé, ont fait signer le présent Accord en leur nom et l'ont fait remettre au jour et à l'année susmentionnés.

L'EMPRUNTEUR:

Par: _____

Nom: _____

Titre: _____