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# International Bank for Reconstruction and Development International Finance Corporation



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SUBJECT: Financing in Morocco

The World Bank and its affiliate, the International Finance Corporation, today announced that they will finance an expansion of the Banque Nationale pour le Developpement Economique (BNDE), a development bank in Morocco. This is the first time the World Bank and IFC have engaged in a joint financing, and is also the first of a number of combined operations now in prospect whereby the Bank will provide loan funds and the IFC will provide share capital for industrial development banks in the less developed countries.

Mr. Eugene R. Black, President of the Bank and of IFC, commented, "The Bank has long considered that development banks have a strategic role to play in encouraging the establishment and growth of industry in developing countries. This joint financing in Morocco demonstrates the comprehensive and versatile kind of support that the World Bank and IFC, acting together, can give to these important institutions."

The World Bank has agreed to lend the Moroccan bank the equivalent of \$15 million in foreign exchange, and the IFC intends to invest 7.5 million Moroccan dirhams (equivalent to US\$1.5 million) in common stock of BNDE, representing three quarters of a new stock issue. The Bank and IFC financing will substantially increase the funds available to BNDE for credits and other investments. BNDE will devote the major portion of its resources to financing private industrial enterprises, thereby making an important contribution to the growth of industry in Morocco.

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Morocco's natural resources and physical advantages give strength and variety to the economy and provide potential for development. Its climate is in general favorable to agriculture, particularly with irrigation; it has numerous mineral deposits, including virtually inexhaustible amounts of rich phosphate rock; and it is relatively well equipped with modern transport, power and other facilities. Its variety of natural resources offer considerable opportunity for industries processing and transforming raw materials. Moreover, its population of 12 million, often concentrated in large towns, constitutes a potential market for manufactured goods that is yet to be fully exploited. Since World War II, a number of modern industries have been established by Moroccan and foreign, mainly French, investors. In recent years, the Government, aware of the importance of a favorable investment climate, has introduced a number of financial and fiscal incentives and offered selective tariff protection to new industries. One of its measures to encourage economic growth was the establishment of the BNDE in mid-1959, with power to employ a variety of investment techniques: it can grant long and medium-term loans, discount medium-term credits made by commercial banks; establish enterprises on its own initiative; take equity participations; and offer guarantees.

BNDE is owned by both Moroccan and foreign investors. Its share capital is now DH 20 million (US\$4 million equivalent), and will be increased to DH 30 million. IFC will subscribe to DH 7.5 million of the new share issue. The remainder will be taken up by two of BNDE's present stockholders, the Moroccan Government which will subscribe to DH 2 million and the Morgan Guaranty International Banking Corporation which, subject to the approval of the Board of Governors of the Federal Reserve System, will subscribe to DH 0.5 million. Although the Government was initially the main shareholder, it has pursued a policy of selling its shares to other investors and BNDE's stockholders already include important financial institutions in Belgium, France, Germany, Italy and the United States. After the distribution

of the new share issue, the Government will be in a minority position and both the Government and IFC are making arrangements to sell part of their shares to Moroccan private investors.

BNDE has established itself in the Moroccan business community, and has already made an impact on the development of the Moroccan economy. From its inception in mid-1959 to June 30, 1962, BNDE made 23 direct loans amounting to DH 63 million. It has assisted both public and private enterprises in establishing new plants or expanding existing ones in the fields of electric power, transport, agriculture, textiles, food and beverages, chemicals, leather, paper, petroleum, refractory materials, car and truck assembly and other metallurgical plants.

By September 1962, BNDE's total medium and long-term resources amounted to almost DH 100 million (US\$20 million) which included share capital, reserves and borrowed funds. As a result of the World Bank loan and the proposed capital increase, BNDE's resources will be increased to DH 185 million (\$37 million) which should furnish it with enough funds for its investment operations until about the end of 1964. BNDE's profits have been developing satisfactorily; up to now they have been put into reserves.

The World Bank loan was signed in Washington today. It was made to the Banque Nationale pour le Developpement Economique and is guaranteed by the Kingdom of Morocco. The loan will be operated as a line of credit and will be committed, in parts, for individual projects to be agreed upon from time to time by the Bank and BNDE. The repayment of each part of the loan will be in semi-annual installments over not more than 15 years according to a schedule tailored to the needs of the project, and determined at the time of the commitment. Interest will be applied to each part of the loan at the World Bank's rate current when such part is committed for one of BNDE's projects.

IFC's investment will consist of DH 7.5 million of common stock of BNDE. The subscription will be made upon completion of the necessary legal formalities, expected to be in January 1963.