

Kingdom of Morocco

FONDS
D'EQUIPEMENT
COMMUNAL
صندوق التجهيز
الجماعي

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FUNDING GUIDE

OF THE FONDS D'EQUIPEMENT COMMUNAL

FUNDING ELIGIBILITY
FUNDING MOBILIZATION
FUNDING IMPLEMENTATION
CONTACT INFORMATION

THE **BANK** FOR **LOCAL FUNDING**

FONDS
D'EQUIPEMENT
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- FUNDING ELIGIBILITY
- FUNDING MOBILIZATION
- FUNDING IMPLEMENTATION
- CONTACT INFORMATION



The present guide's objectives are to present :

- > The eligibility criteria of the FEC's funding ;
- > The different preparation stages of loans applications and disbursements.

The procedures contained in this guide follow legal dispositions that are applicable to Territorial Communities, in particular, the organic laws relative to the Regions, Prefectures and Provinces and Communities, the decrees fixing the rules governing the operations of loans and the decrees fixing the rules of the public accounting of the Regions and their Groupings, the Prefectures and Provinces and their Groupings, the Communities and the institutions of intercommunal cooperation.



THE BANK FOR LOCAL FUNDING

Given its 50 years experience in funding the local public sector, the Fonds d'Équipement Communal (FEC) has developed an expertise and capitalized a know how that reinforce its role as the technical and financial partner of Territorial Communities and local investment project holders.

The FEC advises its clients and offers them products and financial services such as loans or Credit Lines that are adapted to their funding needs for projects that aim to improve the citizen's living standards, and that cover many fields such as :

>> Urban development that cover most of the collective equipments. For instance, the case of the construction or rehabilitation of roads, public lighting, green spaces, maintenance equipments and construction of parkings. This field also covers the operations of development in industrial areas or economic activity zones as well as the development and servicing of communal lots.

Proximity equipments that include the construction of commercial spaces and >> specialized equipments.

Basic services for the daily needs of the citizen, such as drinking water, >> electricity, liquid and solid waste purification, communal roads and urban transportation.

Socio-cultural and sports equipments that include a variety of collective >> amenities and services such as the development of touristic and recreational areas, country hostels and touristic cottage as well as the development and the construction of parks. This field also covers the development of camping sites, swimming pools or beach equipments. It also includes the construction of cultural centers, theaters, libraries, youth centers and multi-purpose rooms as well as the construction of sport centers.



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FUNDING ELIGIBILITY



IN THIS SECTION

- Activity sectors
- Borrower's eligibility criteria
- Projects' eligibility criteria
- Funding conditions

THE FEC'S ACTIVITY SECTORS

THE FEC OFFERS ITS KNOW-HOW TO THE TERRITORIAL COMMUNITIES, IN ORDER TO ALLOW THEM TO ACHIEVE THEIR PROJECTS IN A VARIETY OF SECTORS SUCH AS :

1 Drinking water

The funding can cover production, processing, piping, stocking, distribution and branching as well as building operations.

2 Solid waste purification

The funding can be granted for projects that are related to the collection, the evacuation and the processing of solid waste. For instance, these funds could be allocated to the purchase of equipments for solid waste collection and evacuation, the development of controlled dumps with secondary infrastructures, the achievement of solid waste treatment units as well as other objects related to their collection.

3 Electricity

The funding may be related to the production (thermal power stations, electric generators...), transport, transformation and delivery posts, distribution, branching, building operations as well as public lighting.

4 Liquid waste purification

The funding can be related to the emissary implementation of primary, secondary and tertiary collectors, purification stations, discharge and/or pumping stations, branchments, buildings and materials as well as maintenance equipments.

5 Specialized equipments

The funding can include the following facilities : Hammams, public ovens, slaughter houses, cooling installations, train and road stations, junk yards and mortuaries.

6 Urban transportation

The funding can concern the purchase of public transportation vehicles, the building of bus stops, the construction of operating buildings as well as other sector related facilities.

7 Urban development

The funding may concern urban development and servicing of communal buildings, the construction or the rehabilitation of road infrastructures, the development of industrial areas and economic activity zones, parkings, green areas as well as maintenance equipments.

8 Communal roads

The funding can be related to the construction of communal roads that represent great economic and social importance allowing the opening up areas as well as the access to proximity services.

9 Sports, touristic and recreational development

The funding can be related to the building of camping sites and swimming pools, the development of touristic and recreational sites, the development and construction of parks, beach facilities, sports complexes, cultural centers, theaters, libraries, youth centers as well as multi-purpose halls, country inns and touristic cottages.

10 Commercial equipments

The funding may concern the construction and installation of souks, shops, shopping malls, district markets as well as cattle and wholesale markets.



BORROWER'S ELIGIBILITY CRITERIA

TO OBTAIN A LOAN FROM THE FEC, THE COMMUNITY MUST FULFILL THE FOLLOWING CONDITIONS :

- 1 To have a debt rate* that should not exceed 40% ;
- 2 To generate a saving amount to cover the entire reimbursement annuity ;
- 3 To contribute with a minimum of 20% of the project's funding cost. Self-funding of the Territorial Community can be :
 - > The surpluses of the Territorial Community assigned to the project ;
 - > An in kind contribution, such as lands that are acquired for the project or recent expenses already made within the project, when these expenses took place within the six months preceding the loan application ;
 - > A donation, a subsidy or a participation received from public or private institutions, whether national or foreign.
- 4 To have the human, material and organizational means to achieve the project, otherwise, request the assistance of a qualified partner if necessary.

$$* \text{Debt rate} = \frac{\text{Total reimbursement annuities}}{\text{Operating revenues}}$$

PROJECTS' ELIGIBILITY CRITERIA

PROJECTS THAT ARE ELIGIBLE TO THE FEC FUNDING MUST MEET THE FOLLOWING CRITERIA :

- 1** The project responds to an effective and a priority request of the borrower ;
- 2** The project must be economically and socially justified and meets the least cost conditions ;
- 3** The project is financially viable for commercial projects ;
- 4** The borrower must be able to carry out the project efficiently or will conclude management contracts to that effect ;
- 5** The project shall have no negative impact on the environment, otherwise the Territorial Community will take the necessary measures to reduce that impact.

FUNDING CONDITIONS

The applied interest rates are either fixed or variable and vary according to the length of the loan, which may reach 15 years.

Variable interest rates are the ones that are in effect at the date of the loan disbursement. The rate is revised by application of a reference from Bank Al-Maghrib (Weighted Average Rate 6 months).

FUNDING MOBILIZATION



IN THIS SECTION

Stages for loan granting :

Preparation and transfer of the loan's application file to the FEC

Loan application study and approval by Credit Committee

Joint order

Signature of the loan contract

Program authorization

Calls for tenders and projects' execution

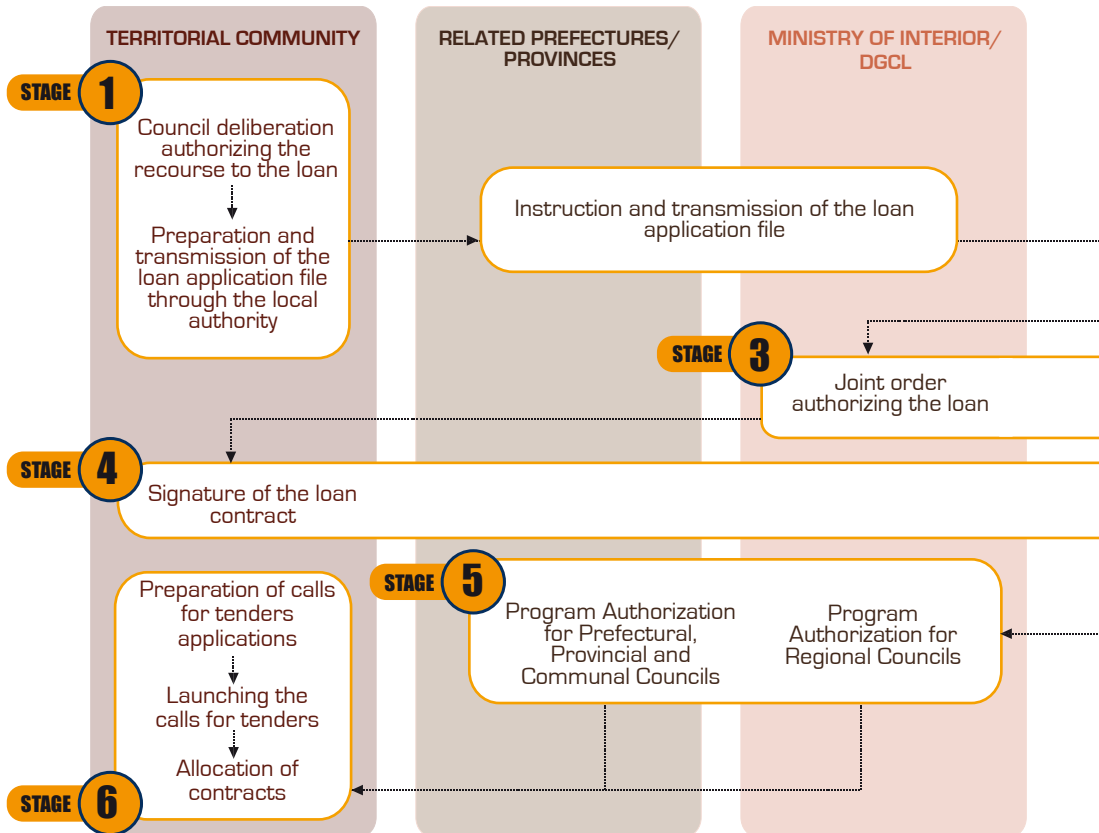
FUNDING MOBILIZATION

STAGES OF LOAN GRANTING

In addition to granting loans for the funding of specific projects, the FEC may also provide funding in the form of Credit Lines for the implementation of multi-annual investment programs.

Credit Lines enable the Territorial Community to have a better visibility for the funding of the various components of their multi-annual investment program and to reallocate, if necessary, the granted funds among the different projects composing it.

Below is the process of the application of the loan granting :



6 STAGES

5 ACTORS

MINISTRY OF ECONOMY
AND FINANCE

FONDS D'EQUIPEMENT COMMUNAL

STAGE

2

Instruction of the
loan application file

Submission to the
Credit Committee for
approval
(MI-MEF-CDG-FEC)

Joint order
authorizing the loan

Signature of the loan
contract

PREPARATION AND TRANSFER OF THE LOAN'S APPLICATION FILE TO THE FEC

The loan application file must include the following elements :

TECHNICAL FILE

- A survey of the current situation ;
- Technical surveys of the project ;
- The opinion of sectorial experts, where appropriate ;
- The list of human and organizational means to carry out this project (both in terms of implementation and management) or partnership conventions that have been set up with competent external services.

ADMINISTRATIVE AND FINANCIAL FILE

- The loan application letter properly filled and signed by the local authority ;
- A copy of the minutes of the council deliberation authorizing the loan request ;
- The administrative reports of the last 3 fiscal years as well as the budget of the current year ;
- A copy of contracts relative to the services provided to the community by a private company (solid waste collection, public landfills, public lighting, green spaces, security,) ;
- A notice of the legal situation of the plot of land, if necessary ;
- Under taken measures or to be undertaken for the implementation of self-financing with a minimum of 20% of the project cost ;
- The financial survey of the project (if the project is generating revenues, a study of the project's profitability).

STAGE 2

LOAN APPLICATION STUDY AND APPROVAL BY THE CREDIT COMMITTEE

- ✓ The FEC studies the loan request application and ensures that all the planned eligibility conditions are met.
- ✓ After a potential visit to the project's site, the loan application and the evaluation report approved by the FEC are submitted for a decision by the Credit Committee, chaired by the General Manager of the FEC.
This Committee convenes at least once a month and is composed of :
 - > 2 representatives from the Ministry of Interior ;
 - > 2 representatives from the Ministry of Economy and Finance ;
 - > 1 representative from the Caisse de Dépôt et de Gestion (CDG).
- ✓ After the approval of the Credit Committee, the FEC addresses a letter to the Territorial Community to inform it of the Credit Committee's decision supported by the draft credit contract.

STAGE 3

JOINT ORDER

- ✓ The joint order is established, referred and signed by the Minister of Interior and the Minister of Economy and Finance (In accordance with the provisions of decrees n° 2-17-294, n° 2-17-295 and n° 2-17 -296 laying down the rules governing the operations of loans contracted respectively by the Region, the Prefecture or Province and the Community).

SIGNATURE OF THE LOAN CONTRACT

- ✓ After signing the joint order by the Minister of Interior and the Minister of Economy and Finance, the loan contract, established in four (4) copies by the FEC, is submitted for signature to the Authorizing Officer of the Territorial Community, then to the FEC's General Manager. After the signature of both parties :
 - > 2 copies are submitted to the Territorial Community, one of which to be transmitted to the related Tax Collection Office ;
 - > 1 copy is sent to the Local Finance Department of the Ministry of Interior for the Regional Councils and to the related Prefecture / Province for the Prefectural, Provincial and Communal Councils for the establishment of the Program Authorization;
 - > 1 copy is kept within the FEC.

STAGE 5

PROGRAM AUTHORIZATION

- ✓ The Program Authorization concerning the release of the credit commitment is established and signed by the Ministry of Interior for Regional Councils or by the related Prefecture / Province for Prefectural, Provincial and Communal Councils.

STAGE 6

CALLS FOR TENDERS AND PROJECTS' EXECUTION

- ✓ Once a contract is approved by the Authorizing Officer, the Territorial Community presents a disbursement request to the FEC following the notification of the order of beginning of works.



FUNDING IMPLEMENTATION



IN THIS SECTION

The stages of disbursement of funds :

Preparation of the disbursement's application file

Processing of the disbursement's request

Special authorization

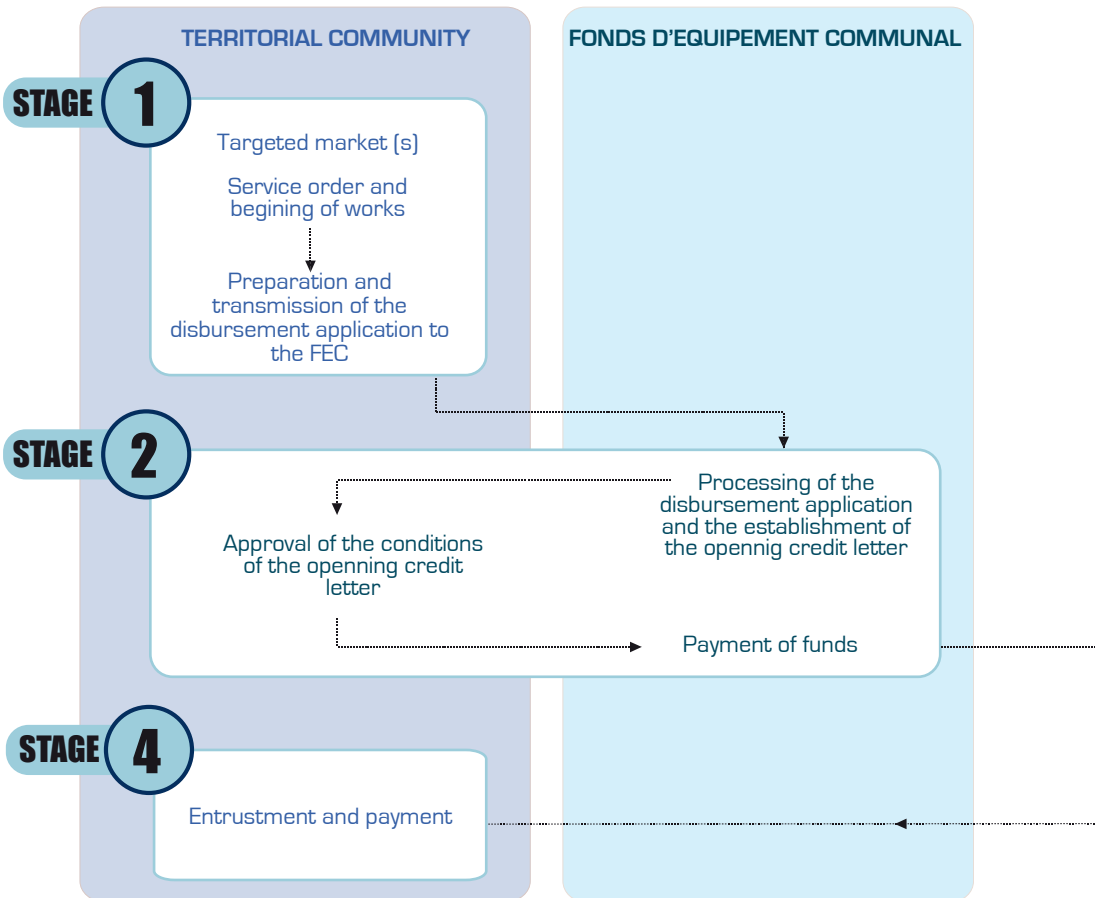
Entrustment and payment

FUNDING IMPLEMENTATION

STAGES OF FUNDS DISBURSEMENT

The disbursement consists of making funds available to the Territorial Community for the payment of expenses that are planned or committed to the implementation of a project financed by a FEC loan.

Disbursements are paid out in one or several installments depending on the nature of the project and the deadlines set for the achievement of works.



4 STAGES 4 ACTORS

MINISTRY OF INTERIOR/DGCL

RELATED PREFECTURES/
PROVINCES

STAGE

3

Special authorization for
Regional Councils

Special authorization for
Prefectural, Provincial and
Communal Councils

PREPARATION OF THE DISBURSEMENT'S APPLICATION FILE

FUNDS CAN BE MADE AVAILABLE TO THE TERRITORIAL COMMUNITY AS SOON AS THE PROJECT(S) IS/ARE COMMITTED AND THE NOTICE TO PROCEED IS ESTABLISHED.

THE TERRITORIAL COMMUNITY ADDRESSES THE REQUEST DIRECTLY TO THE FEC AND SENDS A COPY TO INFORM THE TUTELAGE AUTHORITY.

REQUEST FOR THE 1ST DISBURSEMENT

The request for the 1st disbursement is transmitted directly to the FEC with the following documents :

- ✓ A copy of the targeted market(s), contracts and purchase orders ;

- ✓ A copy of the service order of the beginning of works is sent to the contracting company.

LATER DISBURSEMENT REQUESTS

Subsequent requests for disbursements follow the same process as the 1st disbursement request and are submitted with the following documents :

For projects previously received :

- ✓ A copy of accounts/statements of final paid fees or in case of liquidation ;
- ✓ The physical state of advancement of works approved by the communal engineer ;
- ✓ A statement of payments by contract, approved by the Authorizing Officer and by the Collection Officer.

For the last disbursement, the documents needed to be provided are :

- ✓ The last accounts and the last honorary ;
- ✓ The minutes of provisional acceptance ;
- ✓ The current payment situation, showing the use of the disbursed loan funds and the mobilization of the Territorial Community's entire shares of expenses, signed by the Authorizing Officer and referred by the Collection Officer.

After the last disbursement, the Territorial Community must transfer a report of end of works to the FEC.

PROCESSING OF THE DISBURSEMENT'S REQUEST

- ✓ After the disbursement application is received, the FEC ensures that :
 - > the items transferred are complete and in accordance with the requirements ;
 - > the debt solvency of the Territorial Community which should not have late or unpaid payments ;
 - > the commitments undertaken by the Territorial Community during the signing of the contract are fulfilled.

- ✓ After processing the application, a letter of credit opening is sent to the Territorial Community to inform it of the amount to be disbursed and the ongoing interest rate and maturity conditions.

- ✓ After approval of the loan opening letter by the Territorial Community, the FEC starts transferring the funds and sends a copy of the letter to Central Authorities (Communal Councils, Prefectural or Provincial Councils and Regional Councils), for the establishment of the Special Authorization.

- ✓ After reception of the FEC's notification indicating the value date of the amount applied, a depreciation table is established then submitted to the Authorizing Officer of the Territorial Community for signature. This depreciation table specifies the debt as well as the reimbursement of the annuity ventilated into capital and interests (for loans with variable interest rates, only the first annuity is ventilated into capital and interests).

- ✓ 5 copies of the depreciation table are transmitted to the Territorial Community. After signature, one copy is transmitted from the Territorial Community to the related Collection Office and 3 copies are returned to the FEC.

STAGE 3

SPECIAL AUTHORIZATION

- ✓ The Special Authorization serving the purpose of opening credit payment is established and signed by the Ministry of Interior for the Regional Councils or by the related Prefecture / Province for the Prefectural, Provincial and Communal Councils.

STAGE 4

ENTRUSTMENT AND PAYMENT

- ✓ Once the Special Authorization has been issued, the Territorial Community proceeds to the entrustment of the expense and transfers the file to the Tax Collection Office for payment.

BUDGET PLANNING OF LOAN ANNUITIES

- ✓ During the budget preparation, the Territorial Community includes in its budget the annuities relative to the reimbursement of loans contracted within the FEC on the basis of the conditions of annuities' program, which are communicated yearly.
- ✓ After the budget approval, the Collection Officer proceeds, at the date of payment at the latest, to the payment of what is due.
- ✓ The Territorial Community must ensure that the loans annuities are reimbursed at the latest on the day of their due date in order to avoid delay, which could lead to late fees.







CONTACT INFORMATION

CONTACT INFORMATION

E-SERVICES AREA : AN ONLINE AREA DEDICATED TO TERRITORIAL COMMUNITIES

The E-services area offers the possibility for any FEC client to consult the status of its commitments and to monitor and process its correspondence with the Bank.

This area also allows the client to get information or to ask about needed information to process his loan application, including those used to calculate his borrowing capacity.

With one click, the Territorial Community can access its FEC account securely and in real time, and can also view all the information relative to its loan requests and disbursements.



To access the E-Services area, simply ask for your access card to the Zone of Operations in charge of your Territorial Community.

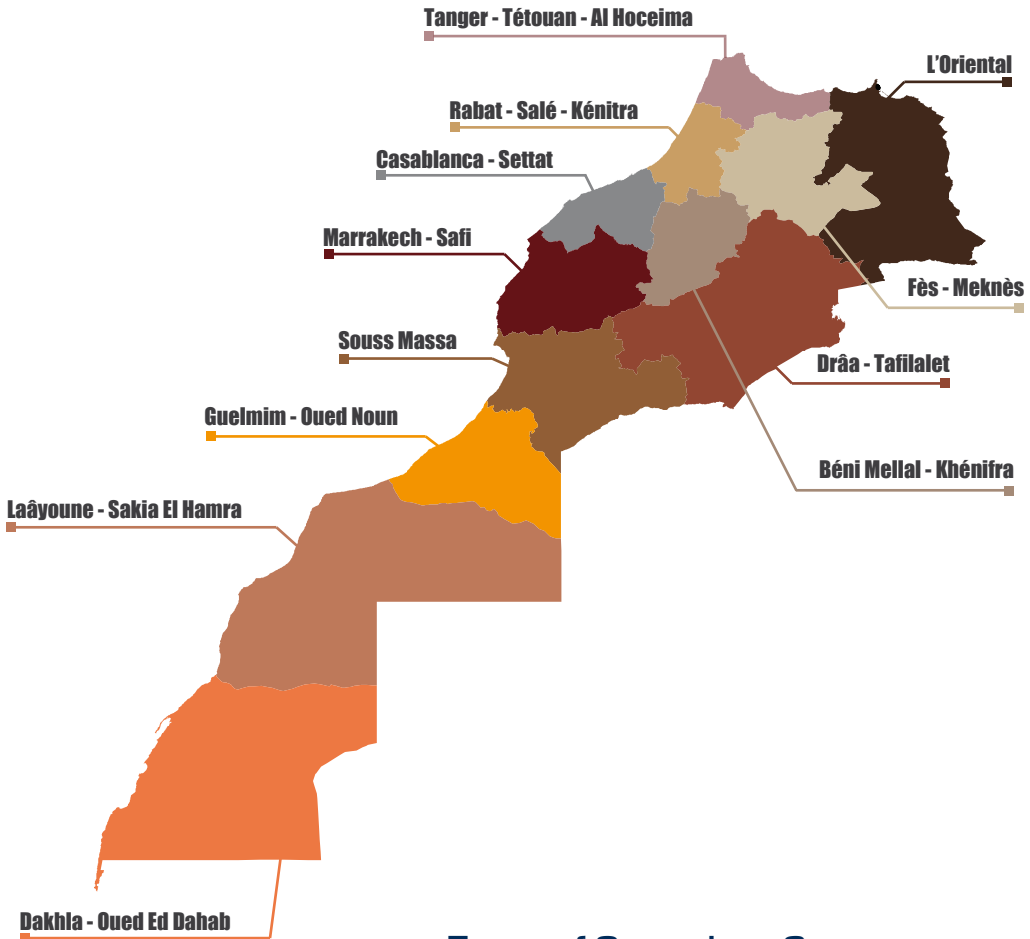
FIVE ZONES OF OPERATIONS

In order to reinforce the proximity, the geographical organization of the FEC's activity is organized around **5 Zones of Operations** covering all the Kingdom's Regions.

Do you have specific questions about our activities, financing solutions or services ?

You can write to us at the following e-mail address :

zones@fec.ma



Zones of Operations Contact

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