MOROCCAN CONTEXT OF MOTORWAYS INFRASTRUCTURES' FINANCING

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ABSTRACT

The construction, the exploitation and the maintenance of Motorways in Morocco is entrusted to the unique private concessionary company (ADM) whose shareholding is mostly public; this company was created in 1989 on the basis of 50-year-old concessions. The financing of these investments is ensured by resorting to concessionary loans from financial backers and to recapitalizations provided by the State, represented by the Treasury and Hassan II Fund for Economic and Social Development.

However, the scheme of national motorway armature, which envisages the realization of 1500 Km of motorways by 2010, is being accomplished thanks namely to the concomitant implementation of the principle of concession at pay and to the endorsement system which advocates financial solidarity between money-generating motorway sections and those which do not generate money in the medium term. This equalization system has also allowed the State to limit its financial commitments in building the motorway network by less than one quarter of the overall investment. Since 1991, ADM has moved towards concessionary financings, in return of the sovereign guarantee, from international financial institutions like EIB, JBIC and Arab and Islamic Funds (AFESD, KFAED, ADF, IDB), which provide attractive and preferential conditions: an interest rate of 4%, remission periods of about 5 years and medium repayment duration of 15 years.

Nevertheless, this financing mode generates serious risks like the change risk which might be discarded by resorting to bond and bank loans at a competitive financing cost. The financing via bond market provides lots of advantages such as maturity choice, type of interest rate and repayment mode. However, local bank financing permits to mobilize capitals in much reduced deadlines and with advantageous financial conditions. However, in the present absence of a State guarantee or mortgage of pay revenues for the benefit of local banks, commercial credits prove to be too expensive given the inadequate intrinsic profitability of motorway projects and ADM's precarious financial situation. To solve this deficiency, other financing alternatives are expected in the foreseeable future such as the securitization of segments' future incomes.

1. INTRODUCTION

Motorway infrastructures are at the heart of the main stakes for the future of Morocco. By improving its motorways' network, Morocco might increase the value of its exceptional geographic situation that is close to Europe and at the crossroad of Arab and African spaces. To ensure a better service and connections means to create more activities, jobs and to diminish the number of traffic accidents.

To bring this network into light, ADM has financed a great part of its investments by means of international financial institutions; it has also borrowed from the public under the form of long-term commitments. However, the lending package, adopted in order to deal with colossal investments and thanks to which the State has managed to minimize its budgetary contributions, witnessed certain limits in guaranteeing the structural balance of the Motorway concessionary company. Furthermore, other financing alternatives should be envisaged in order to ensure the continuity of the company.

2. CURRENT FINANCING POLICY OF MOROCCO'S MOTORWAYS

At the end of the 80's, the Moroccan State has put forward a scheme of motorway armature aiming at creating a 1500-Km network by 2010 at an overall amount of around 37 billions dirhams, meaning 3, 3 billions euros. To launch the creation of this network, the State put forth the toll as a means of financing and introduced in 1991 the notion of motorways' construction and exploitation concession; this means that motorways can be conceded to an organism, be it public or private. It is until 1989 that Morocco's Motorways National Company was created in order to set up the policy of concession.

The principle of Morocco's motorways concessions revolves around the following:

- Concession convention approved by a decree;
- Concession duration: 35 years; it was raised to 50 years in 2006;
- Guarantee given by the grantor of concessionary loans contracted by the concessionary;
- Providing of lands by the grantor;
- Construction and exploitation by the concessionary according to a book of specifications;
- Financing mainly based on concessionary loans; resorting to these loans because they allow spreading the charge of a very heavy investment on many periods and ensuring the immediate mobilization of massive resources.

To date, ADM is concessionary of the whole network of the motorway scheme that started in the 70's; three periods according to different rhythms of the motorway construction are noted:

- 1991-2000 period: Annual rhythm of the construction of 40 Km and annual investment of 650 millions dirhams (59 millions EURO);
- 2001-2005 period: Annual rhythm of the construction of 100 Km and annual investment of 1, 3 billions dirhams (118 millions EURO);
- 2006-2010 Period: Annual rhythm of the construction of 160 Km and annual investment of 4, 2 billions dirhams (380 millions EURO).

From the 1500 Km which were conceded, 45% are already realized, 41% under construction or under attribution and 14% are scheduled in short term. Up to now, ADM investments financing is carried out according to the following package: 20% in equity capitals and 80% in concessionary loans and recently in bond loans.

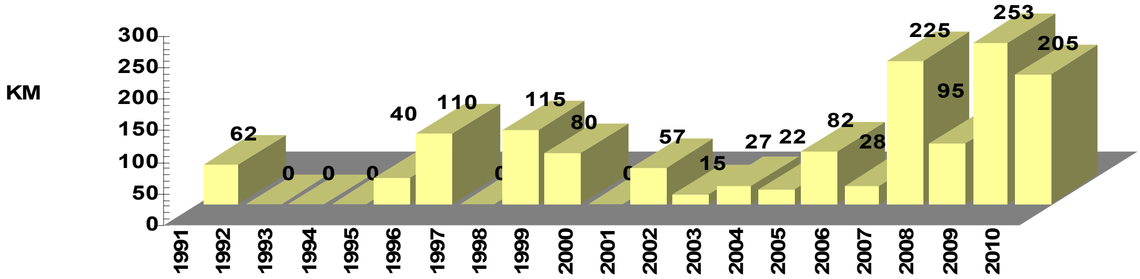


Figure 1 – Evolution of investments between 1991 and 2010

2-1. *Financing by capital equities*

The financing by equity capitals helped recapitalizing ADM through the State's budget within the framework of the initial capitalization which was later formalized within the framework of the contract program which defines the motorway program to which ADM is committed to realize as well as its obligations in terms of management performance; it also helped capitalizing ADM through Hassan II Fund for Economic and Social Development within the framework of conventions signed on the occasion of different projects. This fund is a public institution which provides important support to productive investment in Morocco via resources emanating mainly from privatization revenues. Its support, which takes the form of financial participation (ADM's case), repayable loans or unrecoverable financial contributions, also covers intervenes in financing reception infrastructures dedicated to investment as well as in contributing to financing investment projects in targeted sectors. Thanks to these two instruments, the company's capital moved from 120 millions dirhams in 1989 to more than 5 billions at the beginning of 2007; this will reach 9, 5 billions dirhams in 2014, meaning more than a quarter of overall investments at this horizon.

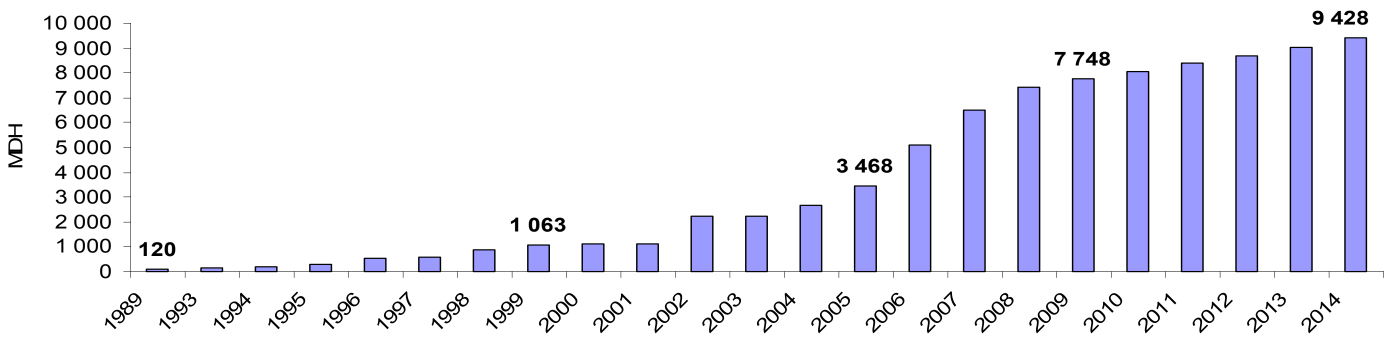


Figure 2 – Evolution of ADM Capital (1989 – 2014)

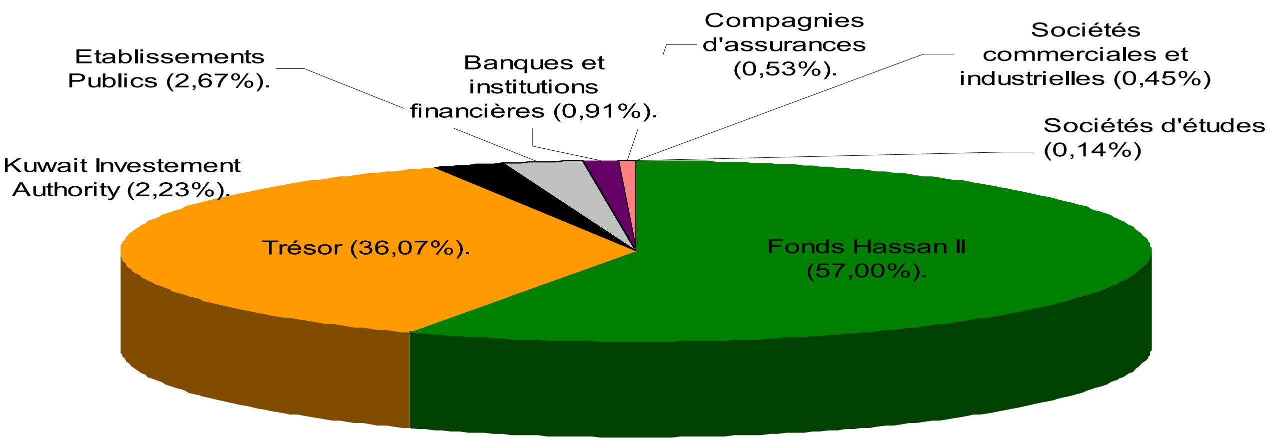


Figure 3 – Distribution of ADM Capital

2-1-1. State – ADM Program Contract

This program contract, which was signed in 2004, aims to enhance ADM equity capitals in a bid to lay the foundations for its viability in medium and long term and to help it fulfill the investment program. The State's support is accompanied by a set of ADM commitments in order to rationalize and further improve its management. This contract revolves around the following elements (1):

- To clarify the relationship between the State, which is a shareholder, and ADM by defining the mutual commitments, which form an inseparable whole, in order to achieve the objectives fixed in the contract; these commitments are added to those undertaken within the framework of concession conventions concluded between the State, as grantor, and ADM;
- To define the investment plan during the Program Contract period corresponding to the motorway perimeter conceded to ADM at the date of Contract signature;
- To fix the levels of performance to be achieved by ADM within the framework of the realization and the exploitation of the motorway perimeter it was granted;
- To stop State participation in financing ADM investment plan.

The State's main commitments are:

- To contribute to increasing ADM capital from 2005 to 2010, for a total amount of 1920 millions dirhams dischargeable by an amount of 320 millions dirhams per year;
- Assist ADM efforts to optimize pay fees;
- To grant sovereign guarantee to necessary financing operations to realize its investment program and especially concessionary and bond loans;
- To undertake the necessary measures to allow ADM to benefit from accounting mechanisms specific to concessions such as those of postponed fees.

2-1-2. Conventions with Hassan II Fund

Four agreements were signed with this fund and which stipulate the capitalization of the company to 4, 6 billions dirhams distributed in the following way (2):

- 1 billion dirhams for the realization of motorway network extension program entrusted to ADM in 2000;
- 100 millions dirhams for the realization of Tetouan – Fnideq motorway section
- 1, 5 billions dirhams for the realization of Marrakesh – Agadir motorway;
- 2 billions dirhmas for the realization of Fes – Oujda.

2-2. Financing by loans

External loans represent about 80% of the investments' cost; these loans, which amount to around 22 billions dirhams (about 2 billions euros) until the end of 2006, were incurred from financial backers of international funds so as to finance the investments of the whole network (except Fes – Oujda motorway and the tripling of the ways of Casablanca – Rabat motorway) which amount to 28 billions dirhams (2, 5 billions euros). However, all these concessionary loans were borrowed from international financial and multilateral institution or were taken on the basis of bilateral agreements between the Government of Morocco and that of creditors; these loans are guaranteed by the State.

Table 1 – List of ADM Financial Backers

Financial Backers		Loans incurred at the end of 2006 MEUR
AFESD	Arab Fund for Economic and Social Development	620
EIB	European Investment Bank	420
KFAED	Kuwait Fund for Arab Economic Development	325
JBIC	Japan Bank for International Cooperation	215
ISDB	Islamic Development Bank	160
AfDB	African Development Bank	119
ADF	Abu Dhabi Development	18
Crédit acheteur	Crédit acheteur piloté par INDOSUEZ	25
Crédit aide	Crédit aide italien piloté par MEDIOCREDITO CENTRALE	28
OFID	OPEC Fund for International Cooperation	underway

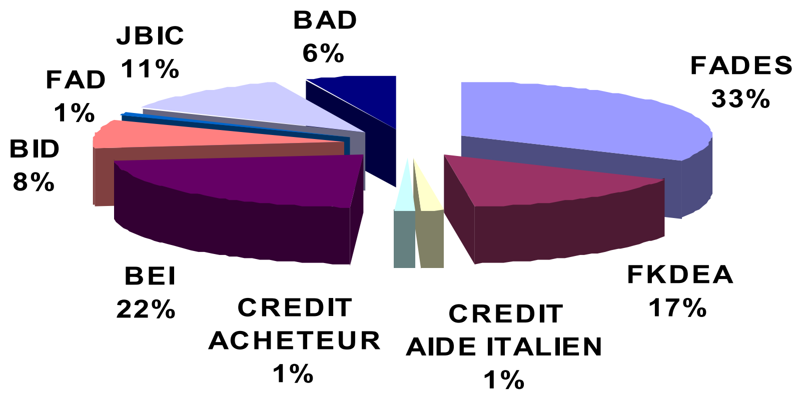


Figure 4 – Distribution of external loans by backer (in French version)

AFESD [3], which musters member countries in the Arab league, is limited to financing projects undertaken at the member countries only; it grants loans to governments, organisms and to public and private institutions with favorable conditions. It gives priority to project primordially important for the Arab world and to projects which enhance Arab cooperation, namely those related to infrastructures. In addition to its equity capitals, AFESD can sometimes resort to external resources, but generally it rarely shoulders more than 40% of projects' financing. In brief, the loans granted at a long term by AFESD include a deferred of depreciation which equals the duration of the realization of the project at more than one year, interest rates of 3% for poor countries and 4, 5% or more for other countries (like Morocco) and a medium repayment period between 15 and 25 years.

EIB [4] borrows on the basis of markets of important capitals it orients, with the best conditions, towards investments' financing in accordance with the Union's objectives. Outside the EU, EIB implements the financial aspects of agreements concluded within the framework of European policies of development aid and cooperation; Morocco is involved in these policies via association and partnership agreements concluded with the Mediterranean countries, EUROMED. Being an important player in the Euro-Mediterranean partnership concluded within the framework of "Barcelona Process", the bank focuses on financing transport and energy infrastructures that are essential to the economic boom.

KFEAD [5] grants long-term loans with conditions defined mainly according to the nature of the project and the general economic situation of the recipient country: the repayment deadline goes from 12 to 55 years and the period of grace is between 3 and 6 years; the interest rates (including annual service fees of 0, 5%) are between 0, 5 and 7, 0%. These loans conditions include a subvention in a proportion of 16 to 85% of the collateral value of this loan; its part of project financing should not exceed 50%; in ADM's case, interest rates, including management commissions are of 4% and maturities of 20 years including a 5-year period of grace.

For JBIC [6], the operations of economic cooperation it undertakes abroad take the form of a financial operation in the form of APD loans (Development Public Aid) and of investments in private sector. The principle of these operations is to provide long-term concessionary financing to assist developing countries in their efforts to install economic and social infrastructures and to stabilize their own economies. APD loans are development bilateral financings granted to developing countries at liberal and favorable conditions: a weak interest rate (an average of 1, 5%) and long repayment periods (ADm's case: a period of 30 years, including a 10-year period of grace) which exceed 25% of element-don, which is a clue that helps calculate the concessionality degree. In general, these loans called "loans in yens" are similar to projects-loans destined for developing economic and social infrastructures – roads, dams, communication systems and rural development. The budget of these bilateral loans is to be decided by the Ministry of Finances and decisions regarding loans' administration are taken in consultation with three Ministries – Foreign Affairs, Finances, External trade and Industry as well as with the Agency of Economic Planning; The JBIC is in charge of managing these loans.

Finally, the ISDB [7] finances development projects not only in member countries but also in Muslim countries throughout the world in compliance with the Charia' principles. Its financing mode used for Morocco's motorway concessions is called "istisna'a"; this mode consists of a construction contract in which the vendor agrees to provide the buyer with the final described products after the constructing them in accordance with the description provided, at a certain deadline and at an agreed price. These loans are meant for projects which are supposed to have an important socioeconomic impact and to be realized in a too long period of time and which may not generate any incomes. Moreover, these loans are granted with no interest but they are accompanied by administrative fees (too high and equal the interest rate of 5%) in order to cover real administrative fees of the bank within the framework of projects. They are repayable in a period that goes from 15 to 20 years, with a period of grace extending from 3 to 5 years in the case of financing Morocco's motorways projects.

Regarding the financing by bond loans, one issuing was carried out on that day. In fact, ADM made a public issue in 2005 so as to increase the 500 billion-dirham amount (equals 45 billions euros); this bond loan was accompanied by the following characteristics:

- 25-year maturity;
- Annual straight-line depreciation;
- Annual coupons payment;
- Interest rate to be reviewed every five years and determined in reference to sovereign rate of equivalent maturity;
- Risk premium of 25 datum point;
- Sovereign guarantee.

The massive resorting to loans burdens the company's liabilities; the company's global financing debt reached 9, 2 billions dirhams at the end of 2006 (more than 810 millions euros)

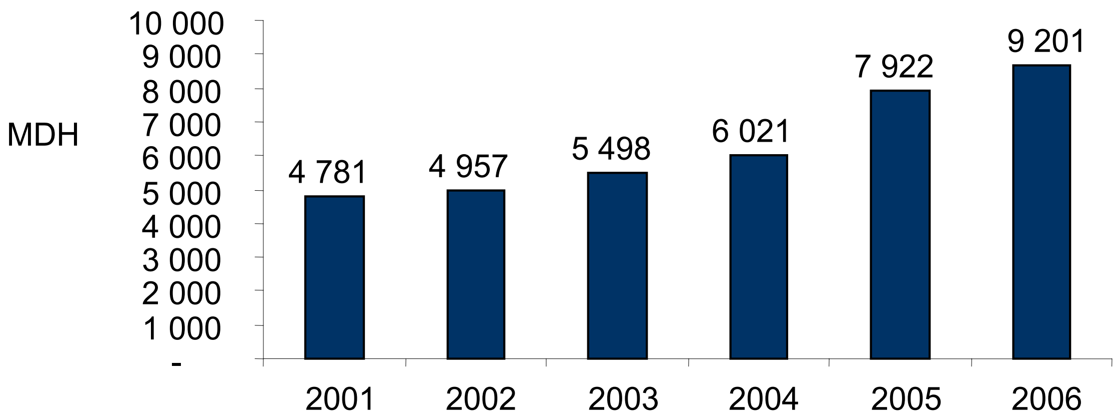


Figure 5 – Evolution of global debt of ADM

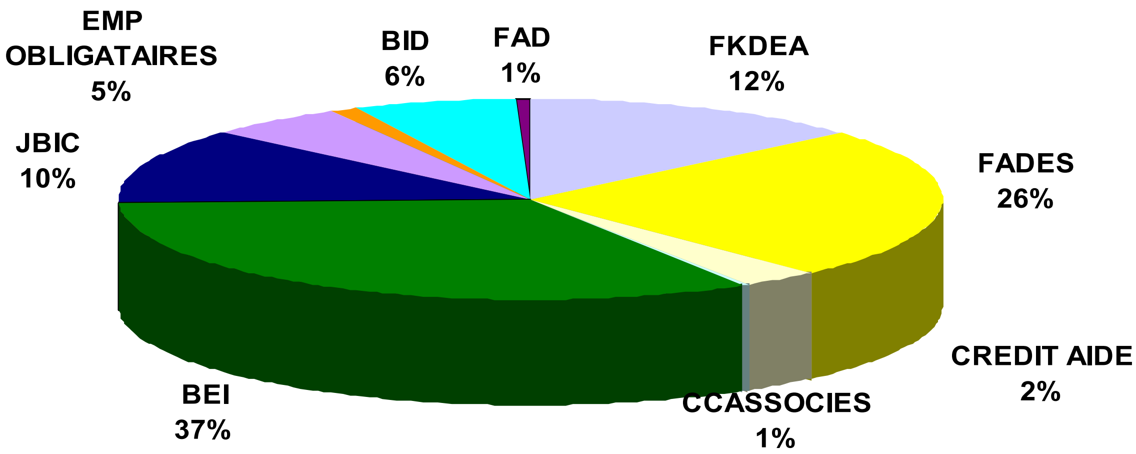


Figure 6 – Distribution of ADM debt by backer (in French version)

This global debt is currently at 95%, comprised of currencies and is then dependent on the evolution of dirham/currencies parities, which influence the financial balance of the company.

ADM has currently reached an important phase of its existence; it is at a moment where the projects of its motorway program are partly accomplished or under accomplishment and where the needs generated by their depreciation will start to get ahead of those of projects' financing. On the whole, the overall value of investments in 2010 related to underway projects or to-be-realized projects reaches around 22 billions dirhams (about 2 billions euros). These needs concern only investments' financing whereas the structural financing of the company is in dire need of means.

Studies were undertaken within financial simulations and it is awaited that the company has recourse, after its phase of investments, with important bond taking-ups in order to face the needs for exploitation and with the debt servicing.

However, the risks, linked to the nature of the activity, and the financing mode inform us about the necessity to put forth appropriate mechanisms in order to alleviate the consequences.

3. LIMITS OF THE CURRENT FINANCING SCHEME

3-1. Change risk

Main projects were financed by currency loans; ADM is confronted to over-leverage in currency which generates a high change risk under the effect of massive resorting to concessionary financing and proper capital degradation caused by the realized losses.

Covering the change risk on currency loans remains a major concern for ADM in the sense that it is exposed through financial operations to an international monetary incertitude. In fact, the currencies through which ADM finances its motorway projects witness change fluctuations according to international context and to the local economic indicators of countries of origin.

- Currencies of loans' formulation: EURO – KWD – JPY – USD – AED
- Currencies of debt repayment : EURO – KWD – JPY – USD – GBP – CHF – AED
- Debt composed of fixed-rate loans and variable-rate loans (BEI' case – Fix for every payment but variable as whole in relation to the overall amount of loan – BAD) with long durations and period of grace.

ADM's currency treasury depends consequently on the evolution of loans' currencies and mainly on EUR/USD parity.

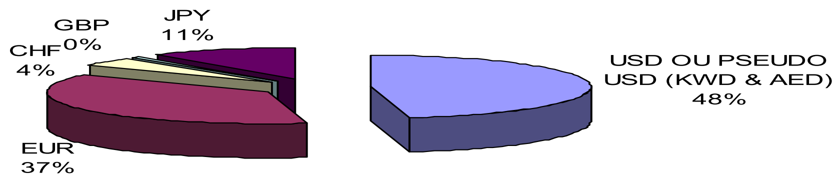
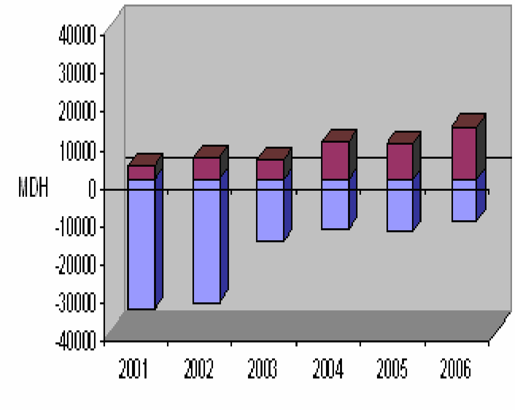


Figure 7 – Distribution of ADM debt by currency

The graphics of the evolution of results of real change and of the latent change loss between 2001 and 2006 highlight that this change risk is not controlled.



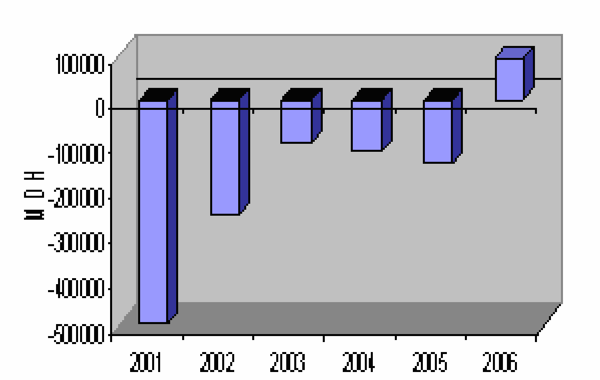


Figure 8 – Evolution of results of real change losses

Figure 9 – Evolution of latent change

Moreover, this change risk is expected to increase with the amplification of debt expressed in currencies which will be contracted until 2010.

How is change regulation like in Morocco? The change market in Morocco is a narrow market due to the regulation of the Changes' Office which does not allow short-term coverings (a maximum of 90 days for commercial operations and 360 days maximum for financial operations). Up to now, trade rooms suggest covering solutions of short-term change risk (less than one year period) via change contracts and operational solutions, which does not correspond to ADM's concern to cover part of debt that is more subject to risks and which represents a long-term profile. Within the framework of an active management of external debt and in a financial market favorable for change risk covering by long-term products, ADM is currently consulting with business banks in order to protect against change risk since the non-covering present state is similar to that of speculation.

3-2. Interest-Rate Risk

ADM undergoes, in a less extent, interest-rate risk; the fact of being exposed to this risk type is due to loans granted mainly by AfDB and lately by ISDB given the interest rate indexed in EURIBOR or in LIBOR, according to the loan currency granted and fixed at every drawing. This risk is also due to EIB's loans but it is confined in a more restrained perimeter inasmuch as the fact of being exposed to this risk takes place only during the period of construction; in fact, one of the characteristics of this bank's loaning is to conduct drawings by means of in-advance payment and thus they are, every one of them, similar to fixed-rate loans but whose cost is only known afterwards. Once the loan is consumed, the financing cost of this debt is fixed and thus ADM is no longer exposed to any fluctuation rate.

However, the particular aspect of ADM's first bond loan regarding the interest rate (reviewable every 5 years) exposes the company to fluctuations of the amounts of Treasury Bonds of equivalent maturity during the whole loan period.

It is noted from what preceded that despite the advantageous conditions of indebtedness, the weight of indebtedness reaches an excessive level whose repercussions appear progressively by entering a phase of certain credits' repaying and this is despite the regular growth of revenues. In addition, if all debts' level is linked to ADM's equity capitals, the ratio quickly deteriorates because of the heavy drawings and reduction of equity capitals absorbed by the high level of investments and exploitation fees.

3-3. Risks related to bond taking ups

The limits to this financing policy are also due to bull-dog loans which are submitted to a risk of absorbing the local market; restraints may appear during the structuring operation and the placements of these bull-dog loans in investors' hands, mainly:

- Choice of repayment mode: the most appropriate mode for the company is not retained, due to the precautious measures of the State, the guarantor;
- Very long loans maturity;
- Choice of rate's nature (fixed or variable)
- Problem of liquidity of the Moroccan financial market;
- Current lack of interest of insurance companies and pension funds;
- Moderate interest of portfolios management companies.

4. LEVERAGES OF THE CURRENT POLICY OF MOROCCO'S MOTORWAYS FINANCING

Certain evolutions of the financial structure of the company help alleviate the effect of pay burden generated by loans:

- The increasing of concessions duration in 2006 from 35 to 50 years considerably diminished endowments depreciation and then lightened the company's balance.

Other evolutions are expected:

- A mechanism of fees report which maintains financial balances; the National Accounting Consult has given a positive opinion and it is expected that this mechanism of postponed fees will be adopted in 2007.

However, because their future intrinsic profitability does not allow covering the debt service related to investment, resorting to "Project – Finance" mode of financing is not envisaged. Nevertheless, average and long-term bank financing might see the light of day inasmuch as projects' exploitation incomes are not specifically affected to the repayment of debt; it is general fluxes of the company's treasury (including other projects) which contribute to covering this debt. The risk analysis is not only carried out on the project's profitability but also on the ADM's financial state and its capacity to repay the debt. Nevertheless, up to date, the State has never given its guarantee to local banks. Even though this type of financing has the advantage to eliminate the change risk and to rapidly mobilize funds, it is confronted to considerable drawbacks whose proportions are less than the funds granted by financial backers and less competitive interest rate.

At the level of public and private financing and given the particular aspect of the Moroccan context characterized by a weak traffic on the road network, the concessions of Moroccan motorways has never satisfied the interests of private investors. Attempts to grant concessions to private operations have failed because resorting to State subventions is inevitable if we want to quickly amortize investments and to acquire financial yields like other types of private investments.

Taking into consideration the weak intrinsic profitability of motorways projects, ADM intended to financially involve regions recipient of motorway infrastructures by studying the possibility to affect one or many regional taxes or to regionalize in a bid to improve the balance of construction projects. However, the part of these taxes, such as that of the tax on oil products and that of the tax rate affected to these projects, only increases feeble and unimportant sums compared to motorways projects' cost.

The takeover bid (assets' cession) to a private operator materialize by buying a built section will also allow ADM to transfer a series of future cash flows in immediate income; in order to make the operation attractive, the section to be ceded should generate financial incomes like Casablanca – Rabat section. The cession of the conceded perimeter to ADM will generate a net flux of treasury at the cession year, which will postpone ADM's need in order to face investment and treasury deadlines. There remains only one drawback: the deadline of construction since there is a necessity to accomplish all the concomitant judicial formalities.

Also, the perspectives of financing motorway concessions seem to head for solutions to optimize the current financing through setting up an active management of debt, innovative mode of financing based on security and regularity of pay incomes and on a natural growth of motorway traffic such as securitization; they also seem to move towards creating new annexed and additional income-generating activities and towards a better financial health of the company.

4-1. Outstanding debt Management

The outstanding debt management through treating heavy debts consists of:

- In-advance repayment of debt from external resources accompanied by more favorable conditions;
- Renegotiating high interest rate of certain loans in order to line up on them, prevalent in the financial market.
- Optimizing the dose of currencies of the borrowed loans in order to "stick" to the basket of currencies which forms local currency;
- Covering change and rate risk;
- Optimizing future bull-dog taking-ups.

It is noteworthy that a benchmark was carried out by the Ministry of Finances and Privatization in order to determine the target portfolio of borrower external debt, showed that a stock structure with 60% of Euro and floating interest rate of about 20%.

4-1-1. Covering the change and the rate risk

The structure of ADM debt, as presented above, shows that the company fully undergoes rates evolution at moments of receipt and disbursement. The unfavorable evolution of rates change may engender consequent losses. Many solutions to cover change risk were suggested by banks: be they products of static management of change risk like term contracts ("contrats à terme") through mechanisms of placements and loans, or products of dynamic management through options; these do not seem to satisfy the company's need inasmuch as they make part of a short-term policy and an inadequate management of debt unless to renew them annually as in a revolving system.

However, the bank sector suggests covering solutions in order to attenuate and even eliminate these problems by very long maturities that have the capacity to ensure a covering at very important rates on all currencies which constitute the essential part of ADM's debt: EUR, USD, GBP, JPY, CHF and KWD. To accomplish this operation, ADM should get an authorization from the Office of Changes because the change covering duration is superior to 1 year and at the same time, the bank should conduct a search at the Central Bank of Morocco (Bank Al-Maghrib) in order to get the approval of conducting placements of currencies abroad for a duration of time superior to 2 years. One of these suggested financial products consists of a Cross-currency Swap (8); it consists of exchanging its debt in currencies with an equivalent value in dirhams; its general principle revolves around the following steps:

- The bank gets into debts in dirhams and gives the dirhams against the currency cash;
- The bank invests the currency in an expressed asset in the same currency;
- The bank gets into a cross-currency swap with the borrower at the end of which he pays the currency and receives dirhams;
- The cash-flows of different transactions are made up for
    - ✓ In dirhams: the fluxes received out of the swap help to repay and pay the debt interests in currencies.
    - ✓ In currencies: the fluxes received as interests and depreciation of the asset in currencies allows paying the flux in currency of the sway to the borrower.
- The asset in currencies and the liabilities in dirhams are structured to fit in the structure of depreciation and interest of the buyer credit of the borrower.

The advantage of this solution is to neutralize in one operation the change risks linked to its debt in currencies.

Concerning the interest rate, the risk is attributable to the debt part accompanied by floating interest rates; this risk has currently a feeble impact on the financing cost of investments for the majority of loans are at fixed rates. The company has to choose between undertaking a medium and long-term covering in case rates increase or swaps of heavy debts or to adapt to the condition of rates' markets, meaning to prefer to be indebted at variable rates when variable rates (indicated on short-term references) are weaker that fixed rates.

4-1-2. Optimization of bond loans

Resorting to bond loans seems to be a good alternative to financing in the sense that it balances the debt's currency with that of pay revenues and thus eliminates the change risk. On one hand, these loans offer a great flexibility: maturity choice, type of rates (fixed and/or variable), and type of repayment mode (in fine, depreciable, constant deadline or zero coupon). On the other hand, this financing mode is accompanied by limited constraints, like the obligation of the visa of Securities Deontology Consult (Conseil Déontologique des Valeurs Mobilières) in case where there is no State guarantee and a periodic publishing of annual and quarterly synthesis states as being an organism publicly bidding for saving.

As well, the current favorable condition of long rates on Moroccan bond market predicts good opportunities to be seized: the financing cost flowing from the market with the current conditions will be a relatively competitive cost compared to that of concessionary costs granted by financial backers in addition to time saving (there is no assessment mission), absence of follow-up, control and applicability of projects market procedures funded by development banks.

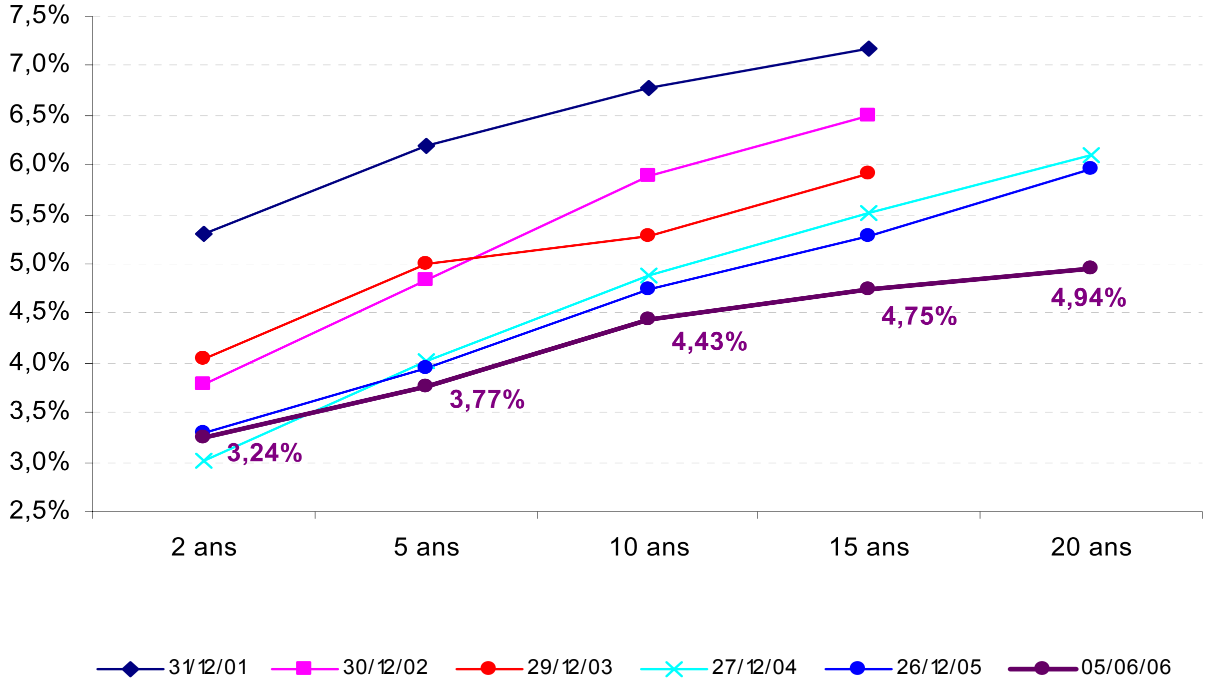


Figure 10 – Level of basic interest rates in Morocco following to maturities

Finally, certain conditionality for the ADM's coming bull-dog taking-ups should be noted, mainly the following elements:

- State guarantee since the default premium risk approaches 500 datum points compared to the rate of the Treasury bill at an equivalent maturity and ADM's obligations will be similar to speculative ones; this guarantee is also necessary in order to increase important amounts;
- Premium risk adapted to maturity;
- Structuring attending to investors' needs, especially long maturities that go beyond 15 years;
- In fine or zero coupon financing mode since ADM will have at a very long term a good capacity to repay;
- Favoring fixed rates destined to insurance companies and pension funds;
- Predicting a reviewable and/or variable slice destined to certain investors.

This is in order to reduce the profile of the risk currently high for investors.

4-2. SECURITIZATION

Securitization is an interesting alternative which will be envisaged in short and medium term inasmuch as it is based on pay which constitutes a resource that will increase with time. A new regulation shall see the light of day and may foster this financing mode. Morocco has currently a regulation that securitizes healthy and mortgage loan receivable. Its principle is based on the following [10]:

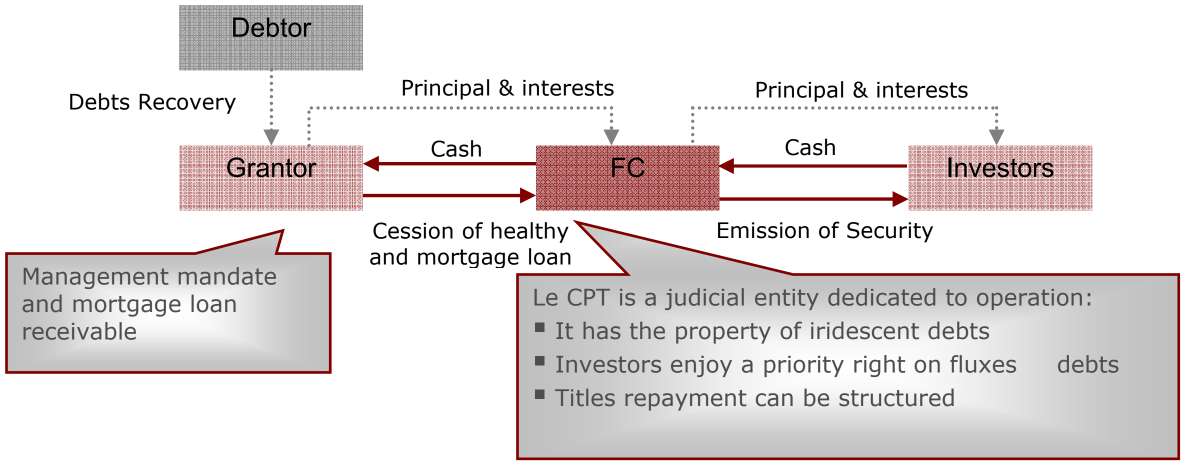


Figure 11 – Securitization Principle

A grantor who has debtors will cede its healthy and mortgaged debts to a collective securitization classing fund. This fund will resort to investors, who through emitting security, will transfer the cash against the principal repayment and an interests' payment. The fund will transfer the cash to the grantor against a principal repayment and interests.

At the same time, the grantor keeps a management mandate and mortgaged debt recovery. The grantor remains responsible for debt recovery. Once the regulation is amended, two options according to the level of the wanted security present themselves; these two options are either the securitization of revenues or the securitization of concessions or segments. The securitization of revenues will be the most interesting operation for it is easier and judicially less complicated. It helps identify revenues and to affect them to the fund; these revenues can be identified on a segment or on more than one segment. Its main advantages are:

- Dissociating fluxes and risks: when the fund looks for money, it is not a risk that ADM will sell but rather a segment risk that is forcibly separate and this improves the signature quality of this fund, especially that this financing does not increase the overall indebtedness of the company;
- Financing that does increase the indebtedness level;
- Mutual fund industry securitization can reach a better signature quality and thus a better financing cost;
- Possibility to concord between the flux to be securitized and the obligation to be emitted;
- Foreign experiences have witnessed success in countries likes the United States, Brazil and China in the same activity sector in which ADM is registered

However, this system is not free from drawbacks; deadlines are relatively long, mainly for the setting up of the operation perimeter; there is currently an agreement to effectively adopt the project which aims to reform the regulatory framework.

4-3. CREATION OF NEW REVENUE SOURCES

The motorway construction financing cost can be counterbalanced by searching to set up new ADM's activities in a bid to drain new revenues sources by completing pay revenues and sub-concessionary fees.

Certain activities can be developed at a medium-term horizon and seem to be lucrative [11]:

- Leasing fiber optic passive (leasing to operators);
- Public works' concessions (bridges, roads, parking, etc.);
- Consulting in order to construct big infrastructures for the benefit of national and international operators;
- Delegated work control of infrastructure project and assistance to the work control or infrastructure projects, mainly for Moroccan administrations, local collectivities, semi-public organisms (offices and States companies) and for foreign clients especially African countries;
- Parking concessions;
- Exploitation and development of tourist zones.

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