

## **Financing viable distressed firms in Morocco: designing a public risk-sharing mechanism for bank restructuring finance**

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**Abstract.** When banks are least inclined to extend risk due to financial hardship, viable businesses may need more liquidity. In order to assist real bank new money during corporate restructuring, this essay presents a legislative design for a specific Moroccan public risk-sharing system. The study makes use of secondary Moroccan information, legal-institutional analysis, qualitative documentary analysis, and comparative benchmarking of governmental credit-guarantee programs. It concludes that although Morocco already has the key components—Book V protections for specific new financing, TAMWILCOM's guaranty infrastructure, a track record of restructuring cofinancing, and recent prudential reforms—these components do not constitute a specific framework for restructuring new money. Targeting companies whose distress is significant but whose underlying business model is still viable, the proposed Moroccan Restructuring Finance Guaranty Window would primarily rely on partial *pari passu* loss sharing; require newness, necessity, proportionality, additionality, and traceability; maintain significant lender exposure; and condition guaranty calls on monitoring and use-of-proceeds compliance. The contribution is an integrated approach that minimizes fiscal risk and moral hazard while connecting insolvency legislation, credit-guarantee design, prudential controls, and *ex post* impact evaluation.

**Keywords:** *Distressed firms; Restructuring finance; Public credit guarantees; Risk sharing; Morocco.*

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### **1. Introduction**

There is an inherent funding conundrum in corporate reorganization. When a company's financial situation deteriorates and the bank's predicted loss increases, it may require additional liquidity to maintain going-concern value, pay essential suppliers, or carry out a credible restructuring plan. A higher interest rate may not always be enough to make up for the lender's increased risk in credit markets impacted by collateral limits and information asymmetry; instead, limiting credit may become the sensible course of action (Stiglitz & Weiss, 1981). Therefore, the pertinent policy issue for a viable but troubled company is not whether risk can be eradicated but rather whether some of the risk that prevents further financing may be distributed more effectively without compromising credit discipline.

This issue is especially noticeable in the Moroccan context. Although domestic lending to the private sector surpasses 80% of GDP, according to the World Bank (2026), just 22% of surveyed enterprises reported having a bank loan in 2023, and 77% of fixed investments were self-financed. In 2024, Morocco had 380 230 active corporate legal entities, of which 98.5% were micro, very tiny, and small businesses (OMTPME, 2026). Based on statistics from Inforisk, the Conseil Economique, Social et Environnemental (CESE, 2025) estimates 15 658 corporate business bankruptcies in 2024, with extremely tiny businesses accounting for 99.3% of them. Because deregistered firms are included in the underlying definition, that indicator should not be equated with court-supervised insolvency alone. In the banking sector, non-performing claims on non-financial companies totaled MAD 70.1 billion at the end of 2024, or an 11.1% risk ratio; they were provisioned at 73% and increased by 0.7% over the year (Bank Al-Maghrib, 2025c). These numbers demonstrate why the economic and societal benefits of preserving a company are insufficient to create fresh bank loans on their own.

Through the Société Nationale de Garantie et du Financement de l'Entreprise (SNGFE), doing business as TAMWILCOM, Morocco now runs a sizable public guaranty architecture. Through more than 66 220 operations, its initiatives raised MAD 43.5 billion in loans for businesses in 2024, supported by over MAD 25.5 billion in pledges. For MAD 23.4 billion in guaranty obligations, generic guaranties for private companies alone raised MAD 41.3 billion in credit (TAMWILCOM, 2025). Additionally, certain new contributions and post-opening claims in restructuring processes are protected by statutory regulations in the nation. A specialized bridge between these two systems—a public risk-sharing mechanism created especially for real new bank funding to distressed but clearly viable businesses—is what is lacking, not institutional capability in the abstract.

The domestic point of departure is not an absence of restructuring support. Damane Istimrar addressed the consolidation of existing bank liabilities, whereas the Fonds de soutien financier aux TPME combined an institutional subordinated loan with bank cofinancing for viable firms facing temporary difficulties (Ministry of Economy and Finance, 2016, 2018). The latter already financed supplier arrears and working-capital needs; the distinction therefore cannot rest on a claim that earlier instruments supplied no liquidity. The proposed window instead makes the guarantee of separately identifiable new bank financing its central object, links eligibility to the relevant restructuring stage under Book V, and excludes automatic coverage of the lender's legacy exposure. Its added value lies in combining these conditions with retained bank risk, monitoring obligations and outcome evaluation within the existing TAMWILCOM architecture.

In order to eliminate moral hazard, maintain lender incentives, and guaranty the financial sustainability of public support, this essay poses the question: How can Morocco create a public risk-sharing framework that mobilizes real fresh bank financing for viable distressed firms? The claim is that public guaranties shouldn't socialize losses already ingrained in previous bank exposures or save structurally unviable businesses. In situations when the core firm is still viable but restructuring risk puts fresh funds beyond the bank's typical risk appetite, their natural role is more limited: to enable extra funding.

Based on qualitative documentary analysis, legal-institutional analysis, secondary Moroccan evidence, and comparative benchmarking, the report offers a unique conceptual and policy-design study. The suggested mechanism's causal influence is not estimated. Rather, it determines the financing shortfall in Morocco, assesses local precedents, extracts design restrictions from guaranty theory and actual data, and combines these constraints with prudential and insolvency regulations. A design for a specific TAMWILCOM restructuring-finance window that incorporates ex ante viability screening, genuine-new-money safeguards, additionality, partial risk sharing, lender "skin in the game," monitoring requirements, and an explicit evaluation framework is the end result.

The research gap is located at the intersection of public-guarantee design and insolvency financing. General guarantee principles identify additionality, partial coverage and fiscal sustainability as essential safeguards (World Bank & FIRST Initiative, 2015), while Moroccan evidence examines guaranteed working-capital finance and institutional impact assessment (Benhima et al., 2023; Abdelmoumen & Ait Laamoud, 2023). Research on debtor-in-possession lending addresses access to finance during insolvency, and recent guarantee research highlights distorted renegotiation incentives when lenders retain too little risk (Dahiya et al., 2003; Aydin & Demiroglu, 2025). These contributions inform the present analysis, but do not, in the literature examined here, provide an integrated Moroccan framework specifying which restructuring funds should be guaranteed, how losses should be shared, and how guarantee conditions should interact with Book V protections. The scientific contribution is therefore a context-specific synthesis yielding explicit design propositions and observable

evaluation criteria, rather than a new general theory of guarantees or an empirically established treatment effect. The originality claimed concerns this integration and its operational boundaries, not the invention of public risk sharing or viability screening.

This is how the rest of the paper goes. The institutional and intellectual underpinnings are outlined in Section 2. The research design is described in Section 3. Morocco's current guaranty and restructuring-finance framework is assessed in Section 4. The suggested mechanism is developed in Section 5. Integration of law, prudence, and government is covered in Section 6. In Section 7, policy implementation is discussed and an ex post evaluation framework is proposed. Section 8 comes to an end.

**Table 1. Selected indicators of corporate financing stress and public guarantee activity in Morocco**

| Indicator                                | Year | Value       | Analytical relevance                                                   | Source                   |
|------------------------------------------|------|-------------|------------------------------------------------------------------------|--------------------------|
| Active corporate legal entities          | 2024 | 380,230     | Scale of the formal corporate population                               | (OMTPME, 2026)           |
| Micro, very small and small firms        | 2024 | ≈98.5%      | Small-firm dominance of the corporate fabric                           | (OMTPME, 2026)           |
| Corporate business failures              | 2024 | 15,658      | High observed exit/distress pressure; broader than judicial insolvency | (CESE, 2025)             |
| NPLs on non-financial corporations       | 2024 | MAD 70.1 bn | Material bank credit-risk stock                                        | (Bank Al-Maghrib, 2025c) |
| Risk ratio, non-financial corporations   | 2024 | 11.1%       | Constrains appetite for additional exposure                            | (Bank Al-Maghrib, 2025c) |
| Firms reporting a bank loan              | 2023 | 22%         | Access remains narrow despite banking depth                            | (World Bank, 2026)       |
| Fixed investment self-financed           | 2023 | 77%         | High reliance on internal finance                                      | (World Bank, 2026)       |
| Enterprise credit mobilized by TAMWILCOM | 2024 | MAD 43.5 bn | Shows existing guarantee infrastructure and scale                      | (TAMWILCOM, 2025)        |

## 2. Conceptual and institutional foundations

### a. Viable distress and the restructuring-finance gap

Both present solvency and future success must be kept apart from viability. A company may be financially distressed but still have a lucrative operating core; it may be solvent but experience a severe liquidity shock; or it may be fundamentally non-viable because its governance, production capacity, or business model no longer support sustainable cash generation. The middle category, which includes businesses whose continuation is in jeopardy but for whom a credible restructuring can preserve more value than the practical alternative, is the pertinent target for restructuring finance. Therefore, rather than being an ex post assurance of survival, viability is an ex ante assessment under uncertainty.

This distinction is important since funding can only add value if it provides a reliable route to recovery. Evidence from debtor-in-possession financing in the US shows that companies that receive dedicated restructuring financing have historically been more likely to emerge from Chapter 11 and to spend less time in proceedings; however, this evidence does not imply that

all financed distressed firms are viable or that the outcomes automatically translate to Morocco (Dahiya et al., 2003). Therefore, the goal of policy is to facilitate value-preserving restructuring rather than postpone identifying unviable activities.

This argument is reinforced by Moroccan institutional evidence. According to TAMWILCOM's impact-assessment work, its restructuring-loan guaranties were the exception to guarantied portfolios' typically positive performance: a guaranty was insufficient when companies had serious operational, strategic, or governance flaws. The organization came to the conclusion that restructuring guaranties are more appropriate for small and medium-sized enterprises (SMEs) that primarily suffer from excessive debt while maintaining a good business strategy (Abdelmoumen & Ait Laamoud, 2023). The screening paradigm put forth here is based on this observation. The underlying economic model must continue to be able to provide sustainable cash flow following reasonable restructuring steps; a qualified firm should exhibit material financial difficulty but should not be admitted just because a legal procedure is still accessible.

#### **b. Public credit guarantees, credit rationing and additionality**

By relieving the borrower of their repayment duty, a public credit guaranty does not add value. A portion of the lender's credit risk is transferred to a guarantor with a different capacity to absorb losses. Because private lending is too restricted due to information asymmetry, inadequate collateral, or high transaction costs, the economic justification is strongest when viable enterprises are denied credit. Therefore, eligibility, additionality, partial coverage, transparent pricing, claims administration, and financial sustainability are considered key design concepts rather than supplementary administrative elements by the World Bank and FIRST Initiative (2015).

The key is additionality. The guaranty primarily shifts private risk to the public balance sheet if a bank had given the same loan on the same terms without public support. A guaranty, on the other hand, is extra if it modifies access, amount, maturity, collateral requirements, or other financing terms in a way that would not have happened otherwise. This distinction is particularly crucial in restructuring, since the State should not retrospectively absorb losses inherent in previous debt or insure an exposure that the lender was already willing to bear. According to TAMWILCOM's impact-assessment materials, the guaranty programs evaluated have an additionality of about 80%, a guaranteed-portfolio default rate of no more than 4%, and discounted economic benefits of about USD 2.5 per dollar of guaranty resources over an economic cycle (Abdelmoumen & Ait Laamoud, 2023). Since these overall results are not unique to restructuring finance, they are simply presented here as proof that guaranty design can produce more access while still being constrained by portfolio quality.

The more general idea that guaranty schemes might ease financial limitations is supported by Moroccan microeconomic data. Benhima et al. (2023) discover that recipient firms consistently increased their production scale and decreased their cash ratios using company-level data on guarantied short-term working-capital loans; participation also showed a non-linear relationship with firm size. These results cannot prove the efficacy of the approach suggested in this research since they deal with working-capital guaranties rather than distressed-firm restructuring. However, they demonstrate how risk-sharing tools might influence actual funding behavior in Morocco, so the key point is not institutional originality but careful targeting.

#### **c. Risk sharing, lender incentives and moral hazard**

Both projected loss and behavior are altered by the guaranty ratio. A too high percentage can lessen incentives to screen, monitor, renegotiate, and recover; a low ratio might not be enough to move a transaction inside the lender's risk appetite. According to Calice's 2026 global study

of 108 guaranty institutions in 74 countries, 24% of schemes utilize coverage between 50% and 70%, 28% between 71% and 80%, barely 10% exceed 90%, and roughly 30% alter coverage by borrower, loan, or lender risk. About 20% of the schemes assessed use subordinated or first-loss structures, whereas 71% use *pari passu* loss sharing. Previous European research also emphasizes that maximum coverage in Western European schemes typically remains partial and that risk retention by the lender is crucial for incentive alignment (Chatzouz et al., 2017).

This incentive issue is especially severe in the case of reorganization. Aydin and Demiroglu (2025) report that guarantied loans to distressed firms were 9.35 percentage points, or 55.8% in relative terms, more likely to default rather than successfully restructure than comparable non-guaranteed loans to the same firm using the Turkish public-guarantee program from 2017. The effect grew with guaranty coverage and decreased as banks' own loss exposure increased. The outcome should not be numerically generalized to Morocco because it is context-specific. Its significance is conceptual: if the lender maintains decision-making authority while bearing insufficient financial responsibility, the guarantor may unintentionally create a "empty creditor." Therefore, a Moroccan restructuring guaranty should lower risk without removing significant lender exposure.

#### **d. Moroccan legal foundations for restructuring new money**

International bankruptcy norms acknowledge that access to financing is necessary for successful restructuring once distress becomes apparent. Legal structures that enable post-commencement financing required for continuation, survival, or value preservation are recommended by the UNCITRAL Legislative Guide (UNCITRAL, 2005). Similar protections for fresh and interim finance are provided by the EU Restructuring Directive (European Union, 2019), which also allows Member States to provide priority in a subsequent insolvency. However, enhanced protection is contingent on the financing's participation in the restructuring. These documents establish the more fundamental idea that fresh funding has a different purpose from existing debt, rather than prescribing a governmental guaranty.

Several aspects of the reasoning are already present in Moroccan Book V. In external prevention, Article 549 acknowledges challenges or requirements that cannot be met by finance tailored to the firm's capabilities. Articles 560 and 561 define safeguard as a process for businesses that have not yet stopped making payments but are facing challenges that they are unable to resolve and that could soon cause them to stop making payments. While Article 570 calls for significant chances of rescue, Article 562 calls for a recommended safeguard plan to determine how to sustain activities and funding. Cessation of payments is defined in Article 575, and irretrievably compromised situations are distinguished from those that can be reorganized in Article 583 (Kingdom of Morocco, 2019). Taken together, these provisions provide a legal vocabulary for viable distress, even though they do not formulate a unified financing test.

Additionally, certain new financing is protected under Book V. New cash contributions and new products or services provided under a conciliation agreement are given precedence under Article 558 when they promote sustainability and continuation. Regularly incurred post-opening claims that are essential to the safeguard process or business operation are protected by Article 565. A similar rule is applied in judicial restructuring under Article 590. While Article 594 requires judicial authority for a pledge or mortgage granted in that context, Article 591 specifically permits a company undergoing reorganization to obtain new funding (Kingdom of Morocco, 2019). Crucially, while Article 591 permits access to new financing, it does not automatically grant Article 590 priority to all new loans; the latter's requirements must still be met. This procedural fragmentation is one reason a dedicated guarantee

mechanism should define its own eligibility criteria rather than assume that all legally “new” debt is equally valuable.

### **3. Research design and methodology**

#### **a. Research approach**

The study combines qualitative documentary analysis, legal-institutional analysis and a structured, functional comparison for policy design. Its objective is constructive rather than causal: it examines which arrangement can address restructuring-finance constraints while remaining compatible with Morocco’s legal framework and lender incentives. The unit of analysis is the financing mechanism and its allocation of rights, obligations and losses among banks, TAMWILCOM and restructuring bodies. The review is purposive and narrative, rather than a systematic literature review or a statistical comparison of programme performance; no interviews, original borrower survey or loan-level estimation are undertaken.

#### **b. Evidence base**

There is a total of four bodies of evidence. First, the legal corpus consists of pertinent prudential texts, the statutory framework controlling TAMWILCOM and banking regulation, and Book V of the Moroccan Commercial Code. Second, Bank Al-Maghrib, TAMWILCOM, the Ministry of Economy and Finance, OMTPE, and World Bank statistics are examples of Moroccan institutional evidence. Third, the behavior of guaranty beneficiaries is directly measured by Moroccan empirical research. Fourth, lender incentives, restructuring funding, and credit-guarantee design are all covered by international comparative evidence.

The documentary scope comprises the publications and legal materials identified in the References. The Moroccan institutional sequence examined runs from the 2011 activity reported in the Treasury’s 2012 report to the 2026 materials cited in the article, including the April 2026 IFC operation. The principal descriptive indicators concern 2023–2024; publication years are distinguished from the years observed. The international guarantee-design and evaluation sources mainly cover 2015–2026. Earlier works are retained for their foundational relevance, notably Stiglitz and Weiss (1981), Dahiya et al. (2003) and UNCITRAL (2005). This defines the temporal coverage of the cited corpus, rather than claiming exhaustive coverage of every publication issued during those periods.

Relevance and authority were taken into consideration when choosing sources. For legal propositions, official Moroccan legal and regulatory texts were preferred; for numeric claims, official institutional reports were preferred; and for comparative inference, multilateral, peer-reviewed, or research-institution studies were considered. Rather than being estimates of Moroccan effects, international data are used as benchmarks. The contrast is made clear where definitions diverge, such as between judicial insolvency and a wide business-failure indicator.

For reproducibility, the Commercial Code reference in this revised article is the Ministry of Justice’s French consolidation dated 19 December 2019, available through WIPO Lex (Kingdom of Morocco, 2019). It incorporates the replacement of Book V by Law No. 73-17, promulgated on 19 April 2018, and amendments up to Law No. 21-18. References to Book V articles throughout the text and tables use this dated edition; it is not described as a consolidation current to 2026. Subsequent banking and guarantee-related texts are identified separately by their own dates in the References.

International comparators are selected for functional relevance to a specific design question, the availability of identifiable research or institutional documentation, and the possibility of separating an instrument’s contractual features from its local legal context. Western European schemes and the global survey inform coverage and loss-allocation choices (Chatzouz et al., 2017; Calice, 2026); the Turkish experience is retained because it directly examines guarantee

coverage and restructuring incentives (Aydin & Demiroglu, 2025). The fi-compass case informs first-loss allocation, while the EIB–BCP and IFC–TAMWILCOM operations illustrate portfolio risk transfer within Morocco’s institutional setting. US debtor-in-possession evidence and the EU and UNCITRAL instruments are used separately as financing and legal benchmarks, not classified as public-guarantee schemes. Selection thus seeks analytical relevance and variation in risk allocation, rather than geographic representativeness or presumed equivalence with Morocco.

### **c. Analytical framework**

The six steps of the analysis are as follows: determine the financing gap that viable distressed firms face; map Moroccan mechanisms currently in place; isolate the specific gap that affects genuine restructuring new money; benchmark guaranty coverage and loss allocation; derive eligibility and governance rules that are compatible with incentives; and specify an ex post evaluation framework. Only when a design proposal aligns with three concurrent goals—more funding, lender discipline, and public financial sustainability—is it kept. The article cannot regard credit growth as the only measure of policy success because of this three-part criteria.

The comparison uses a common set of questions: who is eligible and how is viability assessed; does the instrument finance existing liabilities or new resources; is support a guarantee, a subordinated loan or portfolio risk transfer; what are the coverage ratio, loss order and retained bank exposure; what screening, monitoring and claim conditions are documented; and what evidence exists on additionality, recoveries and fiscal cost? The analysis first describes each mechanism on its own terms, then compares these dimensions across instruments, and finally assesses their compatibility with Book V and TAMWILCOM’s mandate. Tables 2 and 3 summarise the mapping and its translation into design rules. Where a source does not document a dimension, no equivalent feature is assumed. Reported causal findings, descriptive programme data and normative recommendations are kept analytically distinct; effect sizes are neither pooled nor transferred numerically to Morocco. The resulting rules are proposals to be tested through the evaluation framework in Section 7, not findings of demonstrated effectiveness.

## **4. Morocco’s existing public guarantee architecture and the restructuring-finance gap**

### **a. TAMWILCOM’s existing guarantee infrastructure**

A ready institutional framework for a specific restructuring window is offered by TAMWILCOM. The previous Caisse Centrale de Garantie was renamed the SNGFE by Law No. 36-20, which states that its main function is to guaranty finance for businesses and other groups that are the focus of public policy. Additionally, Article 3 enables capital-financing operations, including collaborations with credit institutions, as well as accessory loans and support. Financing agreements with the State that specify programs, funding arrangements, qualitative and quantitative targets, and performance monitoring are outlined in Article 4. In addition to establishing a multi-layer risk-absorption framework based on State or donor resources, a reserve fund, and the company’s own capital with State backing under specified conditions, Articles 6 and 7 reserve net earnings for risk coverage (Kingdom of Morocco, 2020a).

The SNGFE was subsequently categorized as an entity assimilated to credit institutions by Law No. 44-20, which also added Article 19 bis to Law No. 103-12, subjecting it to banking-law rules under particular circumstances decided by Bank Al-Maghrib (Kingdom of Morocco, 2020b; Kingdom of Morocco, 2014a). The implication is significant: a new off-balance-sheet public vehicle does not have to contain a restructuring guaranty. It can be formed within an organization that already has a prudential connection with the central bank, risk resources, and a mandate.

Additionally, an operational scale is constructed. Through more than 66,220 activities and about MAD 25.5 billion in pledges, TAMWILCOM raised MAD 43.5 billion in enterprise credit in 2024. Compared to MAD 23.4 billion in commitments, generic guaranties for private companies raised MAD 41.3 billion in loans, which is 8% more than in 2023. While SMEs made up 11% of beneficiaries and 79% of commitments, very small businesses accounted for 89% of beneficiaries but just 18% of commitments. 50–80% of the underlying credit is often covered by already available generic products (TAMWILCOM, 2025). These trends show both operational reach and a current inclination toward partial risk transfer as opposed to full risk transfer.

Product-specific activity reinforces the point. In 2024, Damane Atassyir supported more than 5,140 working-capital operations representing MAD 30.9 billion of credit and around MAD 17 billion of guarantee commitments. Damane Istimar supported 833 investment operations, mobilizing MAD 4.9 billion of credit for approximately MAD 2.5 billion of commitments. Damane Express covered 49,080 smaller operations representing MAD 5.4 billion of credit and MAD 3.9 billion of commitments (TAMWILCOM, 2025). These products are important precedents for delivery capacity, but none is equivalent to a guarantee dedicated to genuine new money for a firm already in a restructuring process.

#### **b. Lessons from Damane Istimar**

Morocco has previously operated a guarantee specifically associated with financial restructuring. In 2011, Damane Istimar supported consolidation and rescheduling of bank debt; the Ministry of Economy and Finance reported MAD 36 million of consolidated credit for ten firms, backed by MAD 18 million of guarantee commitments (Ministry of Economy and Finance, 2012). Program documentation described a 50% guarantee of principal for potentially viable firms and excluded enterprises already in judicial reorganization or liquidation (Ministry of Economy and Finance, 2018).

Damane Istimar is therefore an important precedent but not a model to reproduce unchanged. Its central object was consolidation of existing bank liabilities. The policy problem addressed in this article is different: whether to guarantee genuinely additional resources injected after distress is known. A new mechanism should not use a marginal new disbursement as a vehicle for transferring to TAMWILCOM the risk of the bank's pre-existing impaired exposure. The distinction between old-debt restructuring and restructuring new money is thus the first substantive boundary of the proposed design.

#### **c. The TPME Financial Support Fund as a Moroccan restructuring precedent**

The strongest domestic precedent for risk-sharing in viable distress is the Fonds de soutien financier aux TPME, established in 2014 at the initiative of Bank Al-Maghrib, the banking association and the former CCG. The fund, endowed with MAD 3.6 billion, was explicitly intended to cofinance the financial restructuring of firms considered viable but facing temporary difficulties. By 31 March 2016 it had supported 245 firms with MAD 1.55 billion from the fund and approximately MAD 1.1 billion of complementary bank financing. The beneficiaries employed 24,610 people and generated more than MAD 12.5 billion of turnover (Ministry of Economy and Finance, 2016).

Its operating design is particularly informative. The institutional component could take the form of a subordinated loan of up to MAD 50 million within a joint credit of up to ten years. About 70% of fund credit was used to regularize supplier arrears; the remaining 30% supported working capital and other liabilities, including social and tax debts, while the bank share mainly consolidated bank debt. Eligibility was initiated through the firm's bank, which prepared and validated the financing file before CCG review (Ministry of Economy and Finance, 2016). This is not identical to a modern guarantee for new money, but it proves that

Morocco has already combined a viability criterion, an institutional risk-bearing tranche and continued bank participation. The proposed mechanism is therefore an institutional modernization of a domestic logic rather than a foreign transplantation.

#### **d. Contemporary risk-sharing capacity and the remaining gap**

Morocco has also demonstrated that guarantee intensity can be adjusted under exceptional conditions. During the COVID-19 shock, Relance TPE covered 95% of qualifying loans to very small firms and Damane Relance covered 80–90% depending on firm size. By September 2020 the two programs had supported 15,183 firms and MAD 22.4 billion of credit for MAD 19.7 billion of commitments (Ministry of Economy, Finance and Administrative Reform, 2020). The episode confirms technical flexibility but should not be used as the normal benchmark for restructuring finance: unusually high coverage was justified by a broad exogenous shock affecting firms that were often viable before the crisis.

More recent structures demonstrate the feasibility of multilayer risk sharing. In October 2022 the European Investment Bank signed an EUR 8 million risk-sharing facility with Banque Centrale Populaire within an operation with an approximate total cost of EUR 70 million, using a partial portfolio guarantee for SME and MidCap lending (European Investment Bank, 2022). In April 2026 IFC provided TAMWILCOM with an unfunded risk-sharing facility of up to MAD 2.74 billion, approximately USD 300 million, covering a portfolio of SME guarantees. IFC characterizes the structure as market-based and non-sovereign and estimates Morocco's MSME financing gap at USD 20.4 billion (International Finance Corporation, 2026). Neither operation targets distressed-firm restructuring, but together they show that a second layer of risk sharing or counter-guarantee can be integrated into Morocco's existing financial architecture.

The remaining gap is therefore specific rather than systemic. Morocco has generic working-capital and investment guarantees, a historical guarantee for debt consolidation, a past cofinancing mechanism for temporarily distressed viable firms and contemporary portfolio risk-sharing capacity. What it does not yet display as a distinct public-policy instrument is a window whose object is genuine new money during restructuring and whose eligibility, coverage, monitoring and claims rules are explicitly designed around viability and lender incentives. The current reform agenda also places increasing weight on mobilization rather than public exposure alone: the World Bank's 2026 program uses additional private financing mobilized for SMEs through guarantees as a results indicator, with a baseline of USD 4.2 billion in 2024 and a target of USD 6.2 billion in 2029 (World Bank, 2026). These are policy targets, not realized outcomes.

**Table 2. Existing Moroccan mechanisms and the unresolved restructuring-finance gap.**

| Instrument                  | Target / function                                                   | Risk-sharing feature                              | Relevance to distress                                            | Main limitation for proposed purpose                                               |
|-----------------------------|---------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Damane Atassyir             | Working-capital financing                                           | Generic partial guarantee                         | Can prevent liquidity stress from worsening                      | Not a dedicated restructuring-new-money product                                    |
| Damane Istitmar             | Investment financing                                                | Generic partial guarantee                         | Can support investment needed to restore competitiveness         | Not specifically linked to formal restructuring                                    |
| Damane Express              | Smaller working-capital / investment loans                          | Partial guarantee for small-ticket loans          | Shows scalable portfolio delivery                                | Not designed around viability screening in distress                                |
| Damane Istimrar             | Consolidation of bank debt                                          | 50% principal coverage                            | Explicit historical focus on potentially viable distressed firms | Focused on old-debt consolidation; excluded judicial reorganization or liquidation |
| COVID-19 Relance guarantees | Countercyclical restart financing                                   | 80–95% exceptional coverage                       | Shows capacity to vary guarantee intensity                       | Systemic-shock design; coverage too high as a normal restructuring benchmark       |
| TPME Financial Support Fund | Financial restructuring of viable firms with temporary difficulties | Institutional subordinated tranche + bank tranche | Direct Moroccan restructuring precedent                          | Cofinancing architecture not integrated with current new-money rules               |
| EIB–BCP / IFC–TAMWILCOM     | Portfolio risk sharing                                              | Second-layer / portfolio risk transfer            | Shows feasibility of multilayer structures                       | Not specific to distressed-firm restructuring                                      |

## 5. Designing a public risk-sharing mechanism for viable distressed firms

### a. Eligibility: viable distress rather than non-viability

The proposed “Moroccan Restructuring Finance Guarantee Window” is a scholarly policy proposal, not an existing TAMWILCOM product. Its first rule should be restrictive eligibility. The borrower must face material financial distress that threatens continuity, but its underlying business model must remain capable of sustainable operation after a credible restructuring. This test should separate financial leverage or liquidity problems from irremediable operational, strategic or governance failure. The TAMWILCOM impact evidence is especially useful here: a guarantee can absorb credit risk, but it cannot repair a structurally defective business model (Abdelmoumen & Ait Laamoud, 2023).

Eligibility should therefore require a documented viability assessment based on realistic cash-flow projections, operating performance, market position, restructuring measures, management capacity and the sensitivity of the plan to downside scenarios. The test should be prospective. A later failure does not prove that the original decision was irrational; conversely, temporary legal solvency should not be treated as sufficient evidence of economic viability. The bank should remain responsible for the credit judgment because it bears residual loss and has superior incentives to evaluate repayment capacity.

A second gateway should concern the quality of information. Public risk sharing is particularly vulnerable to adverse selection when financial records are unreliable or the restructuring plan cannot be monitored. Admission should therefore require financial statements and cash-flow

data adequate to identify the source of distress, the amount of new money required and the uses to which it will be put. The mechanism should remain accessible to smaller firms, but proportionality should affect documentation intensity rather than eliminate minimum transparency.

#### **b. Genuine new money and anti-evergreening safeguards**

Only additional financing that is genuinely required should be guaranteed. Two functional categories are appropriate. 'Interim financing' would cover the resources necessary to maintain operations and preserve value while a restructuring solution is being negotiated or prepared. Plan-implementation financing would fund the specific measures required once a restructuring solution has been adopted. In both cases, the protected amount must represent new economic value rather than relabelled pre-existing debt.

This rule has operational consequences. The bank should identify the amount of the new commitment, the disbursement schedule, the use of the proceeds, the maturity, and the relationship to the restructuring plan. Old exposure and new money must be identifiable separately in contractual documentation and internal accounting. Unless the transaction is expressly justified within the restructuring framework and the new-value component is independently measurable, a guarantee should not extend automatically to the pre-existing claim, the collateral securing that claim or amounts primarily used to cure the lender's own arrears.

The direction of Moroccan prudential reform supports such separation. Bank Al-Maghrib's Circular No. 1/W/2025 strengthens forward-looking classification and the treatment of restructured exposures, including scrutiny where new financing is used in connection with unpaid claims. Implementation will begin progressively on 1 January 2027, with transition periods for the new criteria (Bank Al-Maghrib, 2025a; APSF, 2026). The proposed guarantee should adhere to the same underlying principle: public support must not be used to postpone loss recognition. The SNGFE itself is now subject to a dedicated prudential regime under Circular No. 2/W/2025 (Bank Al-Maghrib, 2025b), which reinforces the case for integrating the window into existing risk governance rather than creating a parallel public guarantee entity.

#### **c. Partial *pari passu* risk sharing and lender skin in the game**

The default loss-allocation rule should be *pari passu*. Under this arrangement, the bank and TAMWILCOM each bear a proportion of eligible losses agreed upon in advance. The bank is therefore exposed from the first unit of loss and retains an incentive to screen, monitor, renegotiate and recover. This choice is supported by the international distribution of guarantee designs: *pari passu* arrangements dominate the global sample studied by Calice (2026), while very high coverage remains uncommon. The rationale is incentive alignment, not conformity for its own sake.

Coverage should be partial and risk-sensitive. Existing Moroccan generic products generally operate within a range of 50–80% (TAMWILCOM, 2025), and comparative evidence shows substantial clustering below 90% (Calice, 2026; Chatzouz et al., 2017). While this range can inform calibration, it should not be converted into a universal statutory ceiling or entitlement. The appropriate percentage depends on the borrower's risk, the quality and maturity of the restructuring plan, the additionality of the financing, the available collateral, and the bank's demonstrated willingness to retain exposure. Any increase in coverage should require stronger public-interest justification and monitoring safeguards.

The key design variable is not just the nominal guarantee ratio, but also the bank's economically meaningful retained exposure. If the lender is protected by other public, private or collateral arrangements, its effective loss share may be lower than the headline percentage for which it is not protected. Therefore, TAMWILCOM should assess total risk transfer rather

than a single guarantee contract in isolation. This is the practical meaning of 'skin in the game' in a multilayer financing structure.

#### **d. Exceptional first-loss and cofinancing structures**

First-loss protection can be useful when financing cannot be triggered by *pari passu* coverage due to excessive concentration of risk, but this should be exceptional. A first-loss tranche absorbs early portfolio losses before the bank begins to bear losses according to the remaining structure. European experience shows that, when applied to diversified portfolios, the technique can increase leverage on limited public resources, but it also weakens lender incentives if the bank is insulated from initial losses (European Investment Bank – *fi-compass*, 2015). Therefore, for large individual restructuring loans, a first-loss structure is harder to justify than for a sufficiently diversified and capped portfolio.

Cofinancing offers an alternative way to absorb risk. The historical TPME Financial Support Fund demonstrates that a subordinated institutional tranche can coexist with a bank tranche (Ministry of Economy and Finance, 2016). A modern version could preserve senior bank exposure, with TAMWILCOM or another public/institutional provider supplying a subordinated component when restructuring requires loss absorption capacity rather than a pure guarantee. External institutions, such as the IFC or the EIB, could provide a counter-guarantee or portfolio risk-sharing at a second level (European Investment Bank, 2022; International Finance Corporation, 2026). The architecture should be selected according to financing needs rather than to maximise public risk transfer.

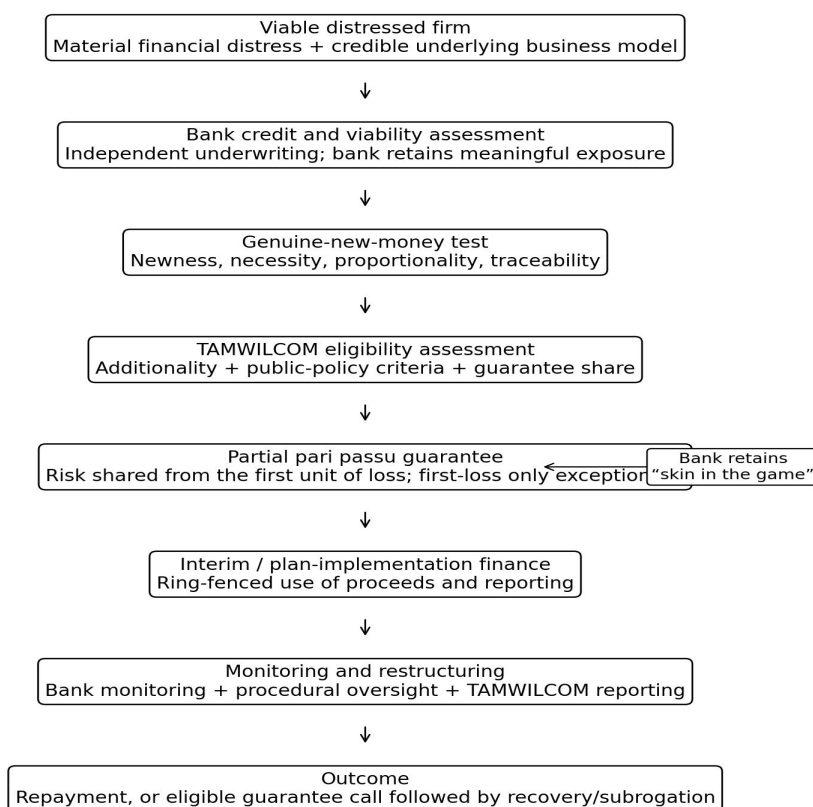
#### **e. Pricing, guarantee calls and monitoring obligations**

Although guarantee pricing can reflect risk, pricing is not a substitute for underwriting. In Calice's global survey, differentiated pricing was common, yet the evidence did not support the simple assertion that risk-based fees alone result in lower defaults (Calice, 2026). The Moroccan window should therefore employ transparent pricing that promotes sustainability without undermining additionality. Fees should reflect risk and tenor; however, a viable distressed firm should not be priced out of the programme simply because the guarantee is accurately described as risky.

Claims management should be predictable, but conditional upon compliance. Default should remain the economic trigger for a loss claim; however, payment should require evidence that the bank complied with key programme obligations, such as independent credit approval, monitoring, reporting, use-of-proceeds controls, maintenance of the agreed retained exposure, and reasonable restructuring diligence. The guarantor should not retrospectively second-guess a credit decision made in good faith merely because the restructuring failed. The distinction lies between outcome risk, which the guarantee is designed to share, and process failure or diversion of funds, which should remain with the lender.

This approach directly addresses the moral hazard issue. A Turkish study suggests that requiring lenders to internalise more of the cost of premature default can improve restructuring incentives (Aydin & Demiroglu, 2025). A Moroccan mechanism could achieve the same objective without adopting the Turkish rules in full: it could make claims conditional on documented process obligations while ensuring rapid and transparent payouts once these obligations have been met.

**Figure 1. Proposed public risk-sharing mechanism for restructuring finance in Morocco.**



**Table 3. Design principles of the proposed Moroccan Restructuring Finance Guarantee Window**

| Design dimension | Proposed rule                                                                        | Economic / legal rationale                                  | Evidence / benchmark                                                                          |
|------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Viability        | Material distress + sound underlying business model + credible recovery path         | Avoid financing structurally non-viable firms               | Book V; TAMWILCOM impact evidence (Abdelmoumen & Ait Laamoud, 2023; Kingdom of Morocco, 2019) |
| Newness          | Guarantee only genuinely additional value                                            | Prevent transfer of old bank losses to the public guarantor | Book V new-money logic (Kingdom of Morocco, 2019)                                             |
| Additionality    | Support financing unavailable on comparable terms without the guarantee              | Limit deadweight fiscal transfer                            | World Bank principles (World Bank & FIRST Initiative, 2015)                                   |
| Loss sharing     | Pari passu as baseline                                                               | Keep bank exposed from first unit of loss                   | Global benchmark (Calice, 2026)                                                               |
| Coverage         | Partial and risk-sensitive; Moroccan 50–80% range used as benchmark, not entitlement | Balance credit activation and moral hazard                  | TAMWILCOM (TAMWILCOM, 2025); comparative evidence (Calice, 2026; Chatzouz et al., 2017)       |
| First loss       | Exceptional, capped and preferably portfolio-based                                   | Avoid insulating lender from early losses                   | First-loss evidence (European Investment Bank – fi-compass, 2015)                             |
| Monitoring       | Bank underwriting + use-of-proceeds + periodic reporting                             | Preserve screening and monitoring incentives                | Moral-hazard evidence (Aydin & Demiroglu, 2025)                                               |
| Guarantee call   | Default plus compliance with material program obligations                            | Share outcome risk, not process misconduct                  | Policy proposal                                                                               |

| Design dimension | Proposed rule                                                           | Economic / legal rationale               | Evidence / benchmark                                        |
|------------------|-------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Evaluation       | Additionality, restructuring outcomes, fiscal cost and recovery metrics | Measure impact rather than output volume | World Bank principles (World Bank & FIRST Initiative, 2015) |

## 6. Legal, prudential and governance integration

### a. Interaction with Book V priorities

A public guarantee and an insolvency priority solve different problems. The guarantee changes the distribution of expected loss between bank and guarantor; a priority changes the lender's position relative to other creditors in the debtor's estate. The proposed window should therefore not pretend to create a new ranking rule. It should instead use the existing Book V rules as one element of eligibility and pricing. A conciliation contribution protected by Article 558, a post-opening claim satisfying Article 565 or 590, and a secured new loan authorized under Articles 591 and 594 may present different recovery profiles even if they serve a similar restructuring function (Kingdom of Morocco, 2019).

The guarantee decision should identify which legal basis applies, but its own protection should follow the financing across procedural transitions as far as the guarantee contract permits. A loan that was properly eligible when granted should not lose guarantee protection solely because a safeguard later converts into reorganization or liquidation. Fraud, misrepresentation, diversion of proceeds or absence of genuine new value should remain grounds for exclusion. This approach improves predictability without altering statutory creditor priorities.

Law No. 36-20 provides a plausible institutional route. Because Article 4 allows State–SNGFE financing agreements to define programs, funding, targets and evaluation arrangements, a dedicated restructuring-finance window could in principle be created inside TAMWILCOM through an appropriately designed program rather than by establishing a new public entity (Kingdom of Morocco, 2020a). Any implementation would of course require confirmation of the precise regulatory and budgetary instruments chosen by the competent authorities.

### b. Prudential treatment and Bank Al-Maghrib reforms

The design of guarantees cannot be separated from prudential treatment. A bank may consider a loan that is legally protected and partially guaranteed to be unattractive if it still generates significant provisioning, capital or liquidity costs. Circular No. 1/W/2025 is an important modernisation as it introduces a forward-looking sensitive-claim category and strengthens the treatment of restructured exposures. The transition begins in 2027 and is implemented in stages (Bank Al-Maghrib, 2025a; APSF, 2026). Similarly, international prudential standards emphasise that forbearance does not automatically restore an exposure to performing status, and that repeated restructuring requires enhanced caution (Basel Committee on Banking Supervision, 2017).

The proposed mechanism should reinforce, rather than undermine, this discipline. New money should not be treated as evidence that the borrower's legacy exposure has become sound. The bank should maintain separate records for the original claim and the additional financing, while maintaining a forward-looking approach to its overall counterparty assessment. A viability analysis of the guarantee can complement a prudential analysis, but cannot override it. Conversely, the prudential framework should not mechanically erase the economic distinction between deteriorated legacy exposures and additional financing necessary for credible restructuring.

The SNGFE's own dedicated prudential framework under Circular No. 2/W/2025 is also relevant (Bank Al-Maghrib, 2025b). Public risk sharing creates risk for both the guarantor and

the bank. Portfolio concentration, expected losses, counter-guarantee arrangements and reserves must therefore be monitored at the TAMWILCOM level. The layered loss-absorption architecture contained within Law No. 36-20 provides an institutional basis for this discipline (Kingdom of Morocco, 2020a).

### **c. Allocation of responsibilities between banks, TAMWILCOM and restructuring bodies**

To prevent a public guarantee from becoming a substitute for private credit judgement, clear responsibility is necessary. The bank should perform credit analysis, assess viability, approve the facility through its internal governance process, negotiate terms, disburse funds, monitor the borrower, and participate in recovery. TAMWILCOM should determine whether the financing meets the conditions of the public programme, verify additionality and newness, set the guarantee share, monitor programme-level exposure and administer eligible claims. Where financing occurs in a safeguarding or judicial reorganization process, the court, judge-commissioner and trustee should retain the powers assigned to them by Book V.

This division also clarifies the meaning of a viability certification. TAMWILCOM should not issue an administrative statement that a firm 'will succeed'. Its role is to determine whether the lender's documented analysis meets the programme's eligibility threshold and whether public risk sharing is justified. The bank remains exposed precisely so that this analysis continues to carry economic consequences.

### **d. Competition, transparency and fiscal safeguards**

Co-financing and syndicated structures may necessitate exchanges between banks, but cooperation should be confined to the objective exchange of information necessary for the structuring, monitoring and recovery of the relevant financing. Article 6 of Law No. 104-12 prohibits agreements and concerted practices that restrict competition, while Article 9 provides a framework for limited exemptions, subject to statutory conditions (Kingdom of Morocco, 2014b). Therefore, a restructuring window should standardise permissible information flows and avoid coordination on unrelated pricing, customer allocation or commercial strategy.

Fiscal safeguards are equally important. The programme should operate with an annual commitment ceiling, portfolio-level concentration limits, transparent pricing, and periodic reporting of gross claims, recoveries, and net costs. TAMWILCOM's legal architecture already distinguishes guarantee commitments from the borrower's underlying debt and provides layers for absorbing institutional risk (Kingdom of Morocco, 2020a). The policy objective is not to make the State a general insurer of entrepreneurial failure, but rather to share a defined portion of incremental restructuring risk where the expected preservation of economic value justifies intervention.

## **7. Evaluation framework and policy implications**

### **a. From guarantee volumes to restructuring outcomes**

The value of a restructuring guarantee should not be judged by the amount of credit it provides. Output indicators can be misleading: a programme may grow by guaranteeing loans that banks would have granted anyway; by supporting weak firms that subsequently fail; or by transferring excessive risk to the public balance sheet. The key question is whether the mechanism provides additional financing for viable firms and whether this improves restructuring outcomes at an acceptable net public cost.

TAMWILCOM already has experience with impact assessment. Its documented approach combines assessment of viability at the time of guarantee issuance, collateral assessment, additionality, cost-benefit analysis and comparison with non-guaranteed portfolios. For short-term guarantees, it uses Difference-in-Differences analysis (Abdelmoumen & Ait Laamoud,

2023). This institutional capacity is an important implementation advantage. However, internationally, Calice (2026) finds that only around 26% of surveyed guarantee institutions conduct impact evaluations annually. Therefore, a restructuring window should make evaluation part of programme design from the outset rather than an optional retrospective exercise.

The World Bank's (2018) impact-evaluation toolkit for public credit-guarantee schemes emphasises the importance of counterfactual analysis where possible. A Moroccan pilot should therefore collect a structured dataset at the application, approval, disbursement, and post-restructuring stages. Once sufficient sample size and data quality are achieved, the outcomes of guaranteed firms could be compared with those of carefully matched non-guaranteed firms, and policy or timing variation could inform Difference-in-Differences or related designs.

**Table 4. Proposed ex post performance indicators.**

| Dimension                | Core indicators                                                                                                                  | Interpretation                                                                                    |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Access / additionality   | Share of supported loans unavailable on comparable terms without guarantee; private credit mobilized per unit of public exposure | Measures whether public support changes financing rather than merely subsidizing existing lending |
| Restructuring outcomes   | Completion of restructuring; survival/recovery at defined horizons; re-default rate                                              | Tests whether eligibility identifies firms capable of recovery                                    |
| Banking outcomes         | Retained bank exposure; repayment performance; continued credit availability                                                     | Checks lender participation and discipline                                                        |
| Public finance           | Gross claims; recoveries; net loss; cost per successful restructuring; leverage ratio                                            | Measures fiscal sustainability rather than gross commitments alone                                |
| Economic / social impact | Employment preserved; investment; turnover/activity where measurable                                                             | Captures value preserved beyond the loan contract                                                 |
| Anti-moral-hazard        | Use-of-proceeds compliance; improper refinancing of old claims; repeated restructurings                                          | Tests whether guarantees distort lender or borrower behavior                                      |

## **b. Implementation sequence and limitations**

Implementation should begin with a time-limited pilot rather than immediate, system-wide coverage. Before scaling up, the pilot should establish standardised viability documentation, guarantee contracts, reporting templates, claim rules and a data dictionary. Initially, complex or large restructurings should be assessed individually, while a portfolio approach can be developed for more standardised exposures once there is enough data to calibrate expected losses. The guarantee ratio should be periodically reviewed rather than being fixed permanently before loss experience is observed.

Several limitations remain. The proposed mechanism has not yet been implemented and is therefore not causally tested. Furthermore, the analysis relies on public and institutional secondary data, while granular information on Moroccan restructuring loans, post-procedure survival and bank recoveries remains limited. International evidence may not fully transfer to the Moroccan legal and banking environment. Finally, the detailed prudential and budgetary treatment of a new window would depend on the decisions of the relevant authorities and the implementation of recent Bank Al-Maghrib reforms. These limitations define a research agenda: once a pilot scheme is in place, loan-level data should be used to directly test additionality, coverage incentives and restructuring outcomes.

## 8. Conclusion

Morocco does not need to choose between leaving the risk of restructuring entirely on bank balance sheets or socialising that risk through near-complete public guarantees. A more defensible solution would be to allocate risk in a targeted, partial and conditional manner. The necessary institutional framework already exists: Book V recognises the economic role of new financing, TAMWILCOM has a substantial guarantee platform and statutory risk-bearing capacity, Morocco has historical experience of restructuring co-financing, and recent external risk-sharing operations demonstrate the technical feasibility of multilayer structures.

The design proposed in this article addresses the research question through six interlinked rules. Firstly, eligibility should be restricted to firms in material financial distress whose underlying business model is viable in advance. Secondly, the protected financing must be genuine new money — either interim or plan-implementation finance — clearly separated from legacy debt. Thirdly, public support must be supplementary; it should alter the availability or terms of financing rather than insure a loan that the bank would have granted anyway. Fourthly, partial coverage on an equal footing should be the baseline, so that the bank retains economically meaningful exposure. First-loss protection should be reserved for exceptional and suitably diversified structures. Fifth, claims should depend on compliance with monitoring, reporting, and use-of-proceeds obligations rather than on the mere occurrence of default. Sixthly, performance should be measured through additionality, restructuring success, re-default, recoveries, and net public cost, rather than guarantee volumes alone.

The theoretical contribution lies in connecting the design of credit guarantees with the incentives of a restructuring lender, rather than treating a guarantee as a neutral reduction in expected loss. Institutionally, the contribution is to demonstrate that a Moroccan restructuring finance window could be developed based on the existing TAMWILCOM and Book V architecture, rather than necessitating the establishment of a new public institution. In terms of policy, the framework provides a basis for evaluation, enabling public support to reduce the financing gap without removing lender discipline. Future research should empirically test the mechanism using loan-level outcomes, once a pilot or comparable dataset is available.

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