

Moroccan Participatory Banks in the Era of the Covid-19 International Health Crisis

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Abstract

Apart from the paralysis of the real estate sector and the closure of notaries and concessionaires, the economic situation of customers which is in decline because of the crisis weighs heavily on the activity of participatory banks. Therefore, in Morocco, like all other industries, the participatory banking industry has suffered from the onset of the state of health emergency and total containment of citizens, due to the “COVID-19” health crisis. But participatory banks are relatively better off than conventional banks. However, our present article aims to present the state of play of the said participatory banks a priori and post-mortem of the health crisis in the Moroccan financial fabric, taking into account the measures taken by the monetary authorities at national and international level. Furthermore, a descriptive, understandable and explanatory methodology has been adopted on the basis of a qualitative approach, which aims to identify the concrete situation involving a particular phenomenon. It is therefore a question of understanding and describing the situation of participating banks in the Moroccan banking system during the so-called “COVID-19”. Indeed, by giving meaning to our problem through observation, description and interpretation, by appreciating their context as it presents itself and by providing content data. However, Moroccan participatory banks are called upon to make more sustained efforts in mobilizing savings, in particular by proposing a daily offer of services from the bank that must be competitive, while relying on the affinity that distinguishes it from the classic offer. Moreover, the Moroccan participatory banks still suffer from a significant imbalance in balance sheet management due to several factors. However, this crisis situation was inevitable, but the Moroccan monetary authorities hope that it will only be temporary and that things will return to order as they go.

Keywords: COVID-19, Participatory Bank, Economic Recovery, Morocco

JEL Classification: E50, G21, G24

Paper type: Theoretical Research

1. Introduction

The coronavirus pandemic, which was born in China before it spread around the world, will not be without consequences for the various economic agents. The entire world is confined and economic activity is slowing down. The economic impact of this situation is beginning to be felt, and the impact will vary from one industry to another. But what remains certain is that a global economic crisis is on the horizon, and it would not be easy to get out of it. The countries that will see their economies weaken are those that have a vulnerable national economy. This is the case for example of Morocco, which in recent years has been able to build a fair economy, but it will have several difficulties because of this global health crisis. Indeed, the development of the Kingdom of Morocco depends on several sectors, especially the banking sector which plays a crucial role in the enrichment of the country. The Moroccan banking system therefore has a remarkable responsibility, especially in the current economic situation towards the “COVID-19” health crisis. Recently, participatory banks have taken their place in the Moroccan banking system, they are still in their launch phase by facing before them an exceptional global crisis. Otherwise, we will use in our present research the heterodox position, including an inductive approach, on the basis of a qualitative method, starting from a concrete situation involving a particular phenomenon that we need to understand and not to demonstrate, prove or control. Indeed, in our paper, we will study the impact of the so-called “COVID-19” on the participatory banking industry in Morocco. Moreover, we formulate our research problem as follows: Which analyzes of the health crisis COVID-19 effects on participatory banks in Morocco? What measures are taken by the different authorities? However, through our present study, we have found that participatory banks have not been too impacted by the so-called “COVID-19”, since they are based on principles of ethics and solidarity. Moreover, we do not hide the negative effects of this health crisis on the participatory banking industry like any other economic agent. But this was well accompanied by measures taken by the monetary authorities, both at national and international level, in order to revive economic activity in Morocco.

2. Methodology

Any research work first requires an appropriate methodology, that’s why, to address our research problem, we will use the heterodox position, including an inductive approach, on the basis of a qualitative method, starting from a concrete situation involving a particular phenomenon that we need to understand and not to demonstrate, prove or control. That wants to give meaning to our phenomenon of study through or beyond the observation, the description of the interpretation and the appreciation of the context and the phenomenon as it presents itself. This method uses qualitative research techniques to study particular facts. Otherwise, after the presentation of the state of play of participatory banks before the period of the health crisis COVID-19 followed by the literature review. We will divide our present article into two distinct parts: we will study first the losses caused by the so-called “COVID-19” by the participatory banking industry. Then, we will identify measures taken by monetary agencies at the national and international levels to limit the negative impacts of this crisis on the participatory banking industry.

3. Moroccan participatory banks and the Covid-19: State of play

Like any other industry, the participatory banking sector will need to address the negative impacts of Covid-19, the first crisis in its history that it faces. But unlike other sectors, in the absence of the “Takaful”, participatory banks are further weakened. Indeed, it is nothing more than to say that the construction of the participatory ecosystem in Morocco is encumbered by the delay of other components such as the «Takaful». This delay will have a heavy toll for banks

and participatory windows which, for the first general crisis they face. However, it is of interest because if the conventional banking system is broken in the exercise of coping with crises, apprehends the negative consequences of the crisis with a deepening of the liquidity needs to finance the economy and an increase of failures, the participatory banking sector in Morocco will experience the first crisis in its history and as a misfortune never happens alone, it is an unprecedented crisis that involves Covid-19. Of course, the sector is making progress and the will is expressed everywhere to set up this new financial industry. But, it is an industry that admittedly starts with big handicaps including the lack of alternative coverage, as well as other components of the ecosystem such as participatory insurance called «Takaful».

3.1. The financial health of participatory banks at the beginning of the COVID-19 pandemic

According to an analysis made by Fineopolis Institute, the outstanding amount of financing granted by the participatory banking sector reached 7.7 billion dirhams, recording a 59% year-on-year increase. Assets backed solely by the Mourabaha product were marked by a high concentration of real estate financing, which alone accounts for more than 88%. In terms of resources, the sharp increase in the number of demand accounts to more than 38% year-on-year and the introduction of investment deposits enabled the sector to mobilise a total of DH 2.9 billion with an increase of 19,89% in the first six months of the year. Nevertheless, the conversion ratio remains significantly unbalanced at a rate of over 376%. In the first half of 2020, the sector's Gross National Product (GNP) increased by 75% to 140.5 million dirhams. The participatory banking sector began to absorb its losses from a loss of 207.4 million in June 2019 to a loss of 183.6 million dirhams at the end of June 2020 in terms of net income, a reduction of 11%. Operating expenses rose by 8% to 315 million dirhams. In terms of geographical coverage, the participatory banking sector offers its services through 146 dedicated branches and sales outlets within traditional branches, thus showing a year-on-year growth of 18%. In the light of these financial elements, the participatory banking sector shows a certain resilience despite the three months of confinement suffered by almost all sectors. In addition, according to a report published by the Moroccan Central Bank "BANK AL MAGHREB" in March 2020, the balance sheet of participatory banks and windows in Morocco at the start of the spread of the international health crisis COVID-19 appears as after :

TABLE 1: Balance Sheet of Participatory Banks

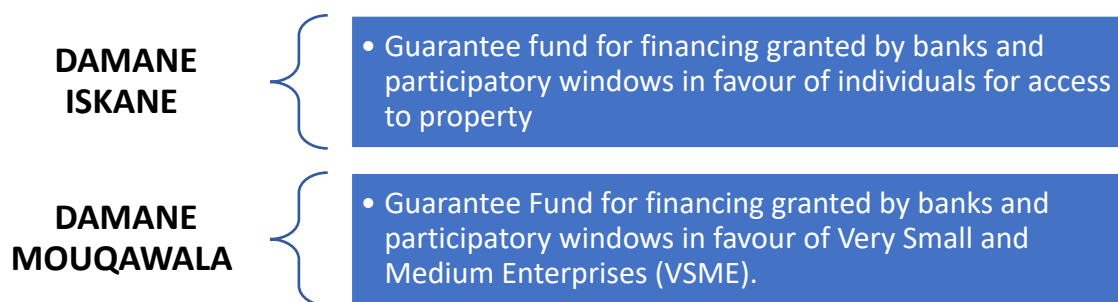
	March-2020	February-2020	December-2019
ASSETS	13159	13317	12857
Receivables from non-residents	19	19	8
Receivables from deposit-taking institutions	1124	1071	1374
Deposits with BAM	760	680	844
Deposits with banks	217	256	371
Funding	9754	9739	9130
Crowdfunding in real estate	8436	8451	7953
Crowdfunding for consumption	801	797	708
Crowdfunding for equipment	455	428	450
Sukuk certificates	311	310	309
Receivables from the central administration	130	128	135
Fixed assets	729	975	742
Fixed asset acquired through crowdfunding	407	651	417
Other assets	1091	1075	1158
LIABILITIES	13159	13317	12857
Commitments to residents	7633	7710	7411
Banks	3716	3578	3236
Central administration	229	228	222

Other resident sectors	3687	3904	3953
Checking and current accounts	2865	2912	2938
Investment deposits	478	495	335
Hamish Al Jiddiya	91	133	131
Debt on crowdfunding	0	0	0
Shares and other equity securities	1723	1864	1926
Other liabilities	3803	3743	3519

Source: by the author from the report of the central bank of Morocco on monetary statistics in March 2020

Moreover, it should be recalled that the first half of 2020 was marked by the establishment by Bank Al-Maghrib of specific provisions to provide support for the refinancing of Participatory Banks. As well as the establishment of participatory guarantee funds to facilitate access to the financing offer of banks and participatory windows. In addition, the participatory support offer, which is managed by “Sanad Tamwil”, the Central Guarantee Fund’s participatory window, focuses on various intervention mechanisms for businesses and individuals.

Graph 1 : Participatory Guarantee Funds



Source: by the author from the Central Bank of Morocco

But it is certain that the sector remains far from the ambitions of the beginning, namely to monopolize between 5 and 10% of the financing market. Moreover, participatory banking outstandings remain below 1% of total banking outstandings, and participatory bank deposits (investment deposits and demand deposits) constitute less than 0.27% of total bank deposits. As regards the national banking network, which has 6539 banking branches, the participatory banking sector represents only 2.23%.

3.2. The COVID-19 health crisis: blurred perspectives for participatory banks

The banking sector in the second half of the year is crucial, as it will reveal its ability to cope with the crisis in the absence of alternative insurance. Because, in case of death or disability of customers, banks and participatory windows will have to manage a social risk of conflict with their rights holders. Moreover, participatory banks still suffer from a significant balance sheet management imbalance due to several factors. Among other things, too low a level of deposits in relation to out-standings, which does not exceed 35%, and a low level of current deposits in relation to investment deposits, a phenomenon which is unnatural, at least in the particular context of Morocco, threaten the profitability of these institutions whose business model is structurally based on a significant level of free resources. One of the first consequences is a loss of competitiveness towards the conventional banking system due to the bidding of participatory banking products. Banks and participatory windows are thus called to provide a supernatural effect to mobilize savings in a context of health crisis coupled with an economic crisis. Therefore, the crowdfunding market should diversify its offering to achieve a healthy rebalancing of passive asset management. Indeed, the aforementioned balance-sheet imbalance

is exacerbated by a very large concentration of the financing portfolio in real estate, whose durations are typically long compared to short-term resources and a near-lack of refinancing instruments at longer maturities such as “Sukuk”. Yet, while it is true that new products have landed on the crowdfunding market, which allows a diversification of supply, and target businesses and households in addition to the financing of real estate, but these products are somewhat out of step with the operational capacities of banks and participatory windows or with their risk approach. Especially since these products must be backed by death-disability products, which are now non-existent.

4. Literature review

Most of the current research deals with their issues in relation to the COVID-19 pandemic, and this due to the importance of this crisis at the global level.

Amir Shaharuddin, (2020), aims to illustrate how Islamic finance is overcoming new challenges during the COVID-19 health crisis. Indeed, Maqasid al-Shariah demands that Islamic banking institutions protect the wealth of all stakeholders with fair business transactions. For him, COVID-19 is a real test for Islamic financial institutions on how they apply the concept of Maqasid al-Shariah in their decisions to achieve a balanced situation. According to the author, Islamic financial institutions should therefore adopt a more responsible approach to support those affected by the health crisis.

Nura Abubakar Gwadabe and Asmak Ab Rahman, (2020), adopted a qualitative approach to explore the role of waqf in the empowerment of the youth in order to survive the economic meltdown as a result of the COVID-19 pandemic. Their result concluded that Waqf can be used to overcome economic challenges in this time of COVID-19 and post COVID-19 era towards the attainment of financial stability and realization of Maqasid Shariah.

Kabir Hassan, Mustafa Raza Rabbani and Yomna Abdullah, (2021), analyze the socio-economic impact of COVID-19 on Middle East and North Africa region as well as the role and opportunities of Islamic finance post COVID-19. They show that Islamic finance can be utilized as an alternative financial system in providing the relief to the COVID-19 affected people and entrepreneurs.

Aisyah Abdul-Rahman and Reza Gholami, (2020), uncovers the beauty of Islamic finance via its Profit-Loss Sharing Contract (PLSC) as a financing tool in helping the economy and businesses to recover from COVID-19 economic crisis. They found that the Islamic finance via profit and loss sharing financing contract seems to be one of the best approaches towards enriching the resilient financial systems in getting out of COVID-19 economic crisis.

Mustafa Raza Rabbani, Yomna Abdulla, *Abu Basahr, Shahnawaz Khan* and Mahmood Asad Moh'd Ali, (2020), consider the COVID-19 as an opportunity for the Islamic finance industry to grow and prove its worth again after the global financial crisis of 2008 and emerge as a major contender to the conventional financial system. They found that the merge between Fintech and Islamic finance may help to turn the pandemic to an opportunity for growth and digital advancement of Islamic finance products.

Amir Shaharuddin, (2020), in other article titled analyzes the moratorium issue based on the framework of Shariah objectives. The analysis will not only shed light on the current moratorium polemic but also provides a comprehensive view for the broader issue pertaining to the dichotomy between the theory and practice of Islamic banking industry. His study shows that Islamic banks justified the additional instalment was necessary to cover the modification losses which they needed to bear in complying the IFRS 9 reporting guideline. They were supposed to assist the majority of public who were affected by the Covid-19 pandemic without charging any extra instalment. Also, their profit will be impacted due to this circumstance.

BENSGHIR.A & ADDOU.K I (2021), analyze the implications of the Covid-19 health crisis on the Moroccan participatory banking sector. Their results shows that the most important of

which concern the PNB and the RNG of the Moroccan windows and participatory banks, which have recorded a fairly significant decline during the first half of 2020.

Tanvir Alam, (2020), following a semi-structure questionnaire using quantitative method of data collection, the author studied the practical implication of Zakat as short-term emergency support system for vulnerable community of Dhaka north City Corporation. His study finds out that the practical implications of Zakat are quite useful especially as a short-term emergency support system during the COVID-19 crisis, and also it can be used as a tool for building resilience also only if smaller number of Zakat recipients are selected.

Ahmad Abbas, Andi Ayu Frihatni, (2020), studied the social role of Islamic banks in Indonesia in helping the nation survive in the midst of COVID-19 pandemic in the context of market share. Using the mixed research method under sequential explanatory model, the authors found that all the banks have implemented their social role in the midst of coronavirus outbreak through the donation.

Kabir Hassan, Mustafa Raza Rabbani, Mahmood Asad Mohd Ali, (2020), aim to analyze the challenges posed by COVID-19 to the Islamic finance and how disruptive technological innovation called Fintech can be utilized to address those challenges. Their study also presents a critical analysis of the Islamic finance and the role of Islamic finance in creating a more sustainable financial system post COVID. They found that the role of Islamic Fintech and adoption of Fintech by the Islamic finance customers will be significant in recovery post COVID.

Indeed, we realize by this study of literature review that the majority of those authors found that Islamic banks play a crucial role in terms of COVID-19 using their own social principles.

5. The post-covid-19 period: what results have been achieved by participating banks in morocco?

The impact of the pandemic on the global economy, and particularly the Moroccan economy, has been noted, many sectors of which are in difficult situations. Without a doubt, the banking sector has played an extremely important role in getting the various economic agents out of this crisis, so participatory banks are no exception.

5.1. Overview of participatory bank results during the covid-19 crisis

During the first half of 2020, participatory banking institutions in Morocco were not spared from the Covid-19 pandemic. Banks and participatory windows generated a net banking income of around DH 140 million (Finéopolis Institute, 2020). In addition, we learned that as far as outstanding financing at the end of June 2020, “Mourabaha” receivables increased by more than 17% compared to their level at the end of December 2019, with a total recorded exceeding DH 10.690 billion. The analysis of Finéopolis institute (Global Islamic Finance Advisors)¹ also shows that real estate financing continues to occupy the largest proportion, more than 82%, followed by consumer finance (car acquisitions) at just under 10%. However, financing for equipment, intended for companies, despite a strong increase of 12%, is still unable to achieve the expected growth. Beyond the weakness in deposit growth over the period under review, which could be, in part, legitimately attributed to the effects of the Covid-19 pandemic, the most telling, if not the most worrisome, lies in the crystallization of the phenomenon that has marked participatory finance in Morocco since its inception, the much slower evolution of deposits compared to that of financing in this case (According to the Journal «Aujourd'hui Le

¹ Fineopolis is an international consulting firm committed to work with leading institutions and authorities to achieve sustainable and inclusive social and economic development using technology, innovation and sharia compliant financial instruments.

Maroc»). As far as market shares are concerned, changes in positions were made during the period, without calling into question the status quo that has characterized the participatory finance market since its inception, since the three market leaders remain the same. In relative terms, the largest shifts that were observed involved a loss of 3.6 points on behalf of Bank Assafa against gains of 1.4 and 1.0 points for Al Akhdar and Umnia respectively (Ismail Benbaba, Finéopolis institute, 2020). As far as investment deposits are concerned, they have managed to drain only 610 million DH, one year after their marketing. In terms of market shares, 70.19% of the stock of investment deposits is held by Umnia (1st), 18.23% by Dar Al Amane (2nd) and 6.68% by Bank Assafa (3rd), adding that Moroccan banks and equity windows achieved an overall net profit of -183 million DH. However, the largest losses were recorded in Umnia (-65.9 MDH), Al Youssr (-34.2 MDH), Al Akhdar (-24.3 DH). Two structures manage to pull out of the game by making a small profit (+2.2MDH) and (+0.6 MDH) that are respectively «Dar Al Amane» and «Najmah».

5.2. The reduction of losses in the participatory banking sector in morocco

In the difficult circumstances of the “COVID-19” health crisis, the banking system must not stop, since the appearance of the Corona Virus, the participating banking institutions have set up watch cells as an example the case at “Bank Assafa”, which has put a cell called: Business Continuity Plan (BCP), so that agencies can serve customers in very good conditions. Banks and participatory windows currently do not have many alternatives. They have to work hard, show a lot of perseverance, ingenuity and imagination to satisfy an increasingly demanding and knowledgeable clientele and also to face competitive market conditions and a gloomy economic situation. Indeed, the reading of the financial results posted by the sector and the quantitative and qualitative analysis of recent developments show that despite the considerable efforts made by all stakeholders, the development of the participatory banking sector is still in its infancy. Because of his youth, he is naturally going through a critical phase of fragility that must be managed with great finesse, especially in the period of the crisis. Certainly, the participatory banking sector began to absorb its losses, going from 207.4 million in June 2019 to a loss of 183.6 million dirhams at the end of June 2020 in terms of net income, a reduction of 11%. In addition, operating expenses increased by 8% to 315 million dirhams. However, in terms of resources, the sharp increase in the number of demand accounts to more than 38% year-on-year and the introduction of investment deposits enabled the sector to mobilise a total of DH 2.9 billion with an increase of 19,89% in the first six months of the year. The conversion ratio thus remains considerably unbalanced with a rate of more than 376%. Otherwise, as far as geographical coverage is concerned, the participatory banking sector offers its services through 146 dedicated branches and sales outlets within traditional branches, thus showing a year-on-year growth of 18%. At this level, it should be recalled that in 2019, only 36 banking branches at the national level were opened, 33 of which are branches by participating banks.

6. Financial organizations: what measures to fight against the nefastes effects of covid-19 in morocco?

Participatory banks are supervised by Bank Al-Maghrib and the High Council of Oulemas, and the participatory banking ecosystem counts as actors : The Ministry of Economy, Finance and Administration Reform, the Central Guarantee Fund which joins this ecosystem through its participatory subsidiary “SANAD TAMWIL”, the Insurance and Social Security Control Authority (ISSCA) whose main task is to regulate and supervise the insurance and social security sectors, and of course the participatory insurance called "Takaful", the Moroccan Capital Markets Authority (MCMA) which manages the capital markets and the "Sukuk", and the Bank Deposit Guarantee Fund Management Company, which has just set up a fund dedicated to covering the deposits of participating banks. In addition, the ecosystem also

includes actors from civil society, universities and consulting and training firms in the field of participatory finance.

6.1. Measures taken by national monetary authorities

As part of the implementation of measures decided by the Economic Monitoring Committee (VEC) to mitigate the excesses of the COVID-19 health crisis on Moroccan businesses, the Ministry of Economy, On Thursday, March 26, 2020, at the Central Guarantee Fund (CGF), a new guarantee mechanism called “DAMANE OXYGENE”, was established. Indeed, this new product had enabled banks to quickly set up exceptional overdrafts to finance the working capital needs of the target companies and covers 95% of the amount of credit granted. The participation banks were unfortunately not able to benefit from this guarantee mechanism because of its inadequacy to the specificities of the participation bank. The Economic Intelligence Committee announced that another recovery plan will be launched in the second half of 2020, which will allow public and private companies to go into debt with banks at an interest rate of 4% (which represents Bank Al-Maghrib’s key interest rate of +200 basis points) to finance their working capital. However, “DAMANE RELANCE” is a credit guaranteed by the Central Guarantee Fund (CGF) and is intended for all companies that have been impacted by the pandemic. In addition, the Central Bank “BAM” lowered the key interest rate twice in 2020. The rate was reduced by 25 basis points on Tuesday, 17 March, to 2%. The second decrease took place on Tuesday, 16 June. The Central Bank Board decided to reduce the key interest rate by 50 basis points to 1.5%. These reductions were made to help mitigate the impact of the pandemic and support economic and employment recovery. With the current level of the key interest rate, the question of the cost of money is almost no longer an instrument on which we must act at this time in order to revive credit, consumption and, above all, investment. It is not just monetary policy that is part of the stimulus equation, it is not just the cost of credit to stimulate consumption and investment. You have to have investor confidence first. You have to have the basis of the investment ideas. And a framework that supports the private investor. And another factor is important as well. These are state-led reforms to support sectors impacted by the crisis and boost employment. The risk component is also very important in this equation. With the current crisis, the cost of risk will rise because of defaults. With this projected rise in the cost of risk, in a context of low interest rates, would banks be able to release money? That is the question that is currently being asked. Furthermore, as part of its support for the participatory financing market, the Central Guarantee Fund (CGF) has launched its “SANAD TAMWIL” window, exclusively dedicated to participatory finance activity. The purpose of this window is to facilitate access to financing provided by banks and participatory windows, both for companies and individuals, through the establishment of dedicated guarantee mechanisms. As a result, the CGF’s offer has been enriched with four new guarantee products managed through its “SANAD TAMWIL” window. These products, which, let us recall, were all the subject of the notice of conformity of the Supreme Council of Oulemas :

Table 2: Sanad Tamwil Window

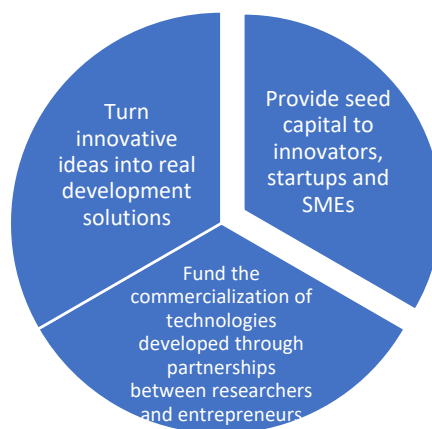
Fogaloge Iskane	Fogarim Iskane	Damane Dayn	Damane Moubachir
Is intended to guarantee participatory financing for middle-class households and Moroccans Residing Abroad (MRA), for the acquisition of their housing or land and/or its construction, with a quota that varies between 50 and 80%	With a guarantee ratio ranging from 70% to 80%, and targeting low- and irregular-income populations, to enable them to acquire a home or land and/or build it	Is intended to guarantee the projects of companies with a turnover of more than 10 MDH, or with a financing amount of more than 1 million dirhams, with a guarantee quota ranging from 60% to 70%	To guarantee projects with a financing amount of less than or equal to 1 million dirhams, in favour of companies with a turnover of not more than 10 MDH, with a guarantee ratio between 70% and 80%

Source: Central Guarantee Fund (CGF)

6.2. Measures taken by international organizations

Promoted by the Islamic Development Bank, the “Transform” Fund is a \$500 million (US\$500M) fund that provides significant support to millions of people by giving to all scientists, technology experts and innovators the opportunity to impact the world around them. Given the enormous impact of the COVID-19 pandemic on the global economy, health care and education, the 2020 Transformation Fund Call for Innovation will focus entirely on supporting the long-term preparedness and response of Islamic Development Bank member countries to the COVID-19 pandemic. The Transform Fund is linked to the Engage hub, a digital hub designed by the Islamic Development Bank to accelerate economic and social progress in the developing world through the driving force of science, technology and innovation.

Graph 2 : Economic and Social Progress in the Developing Countries



Source: Islamic Development Bank

Indeed, the Islamic Development Bank (IDB) is deeply concerned about the exponential growth in the number of cases worldwide and the human, social and economic impacts of this pandemic, especially in IDB member countries. Disruptions in the global supply chain, shrinking demand and macroeconomic instability will have a serious impact on economic growth and poverty in member countries if not managed appropriately. However, the IDB Group fully recognizes the limited capacity of its member countries to deal with these adverse impacts of COVID-19 and the Group's full and consistent support to get through these difficult times. To support its member countries during this time of need, the IDB Group is implementing a US\$730 million Strategic Preparedness and Response Facility to mitigate the negative health and socio-economic impact of the pandemic. This will include \$280 million from the Bank and the Islamic Solidarity Fund for Development (ISFD) for sovereign projects and programs, \$300 million from the International Islamic Trade Finance Corporation (ITFC) for trade finance and \$150 million from the Islamic Society for Investment Insurance and Export Credits (ICIEC) for insurance coverage. The Facility will extend funding to the public and private sectors to minimize the spread and impact of the pandemic in IDB member countries and strengthen their resilience. The financing will be extended in the form of grants, concessional resources, trade finance, loans to the private sector and political insurance and risk cover. The IDB Group will deploy all available funding instruments to expedite the flow of funds to support its member countries. However, SPRF funding will target interventions that focus on emergency preparedness and response to contain and limit the spread of COVID-19, minimize the socio-economic impact of the pandemic, particularly on the poor, and building the resilience of member countries to respond to outbreaks and pandemics. The facility will support health systems strengthening, funding for national outbreak preparedness and response plans, community awareness and education, disease surveillance, data collection and analysis, sustainable provision of essential social services, provision of social safety nets and will support private sector activities. In addition, IDB Group will invest in research and development and provide technical assistance for the development of innovative solutions to prevent and contain the pandemic through its Science, Technology and Innovation program. Also, the bank will use its Reverse Linking Facility to share lessons, best practices and technical expertise from other member countries in the response and management of COVID-19. IDB Group entities will support the private sector in its response to the crisis and minimize its impact on Small and Medium Enterprises (SMEs) to support economic development. Support for International Islamic Trade Finance Corporation (IITFC) trade finance will take the form of short-term rapid response initiatives aimed primarily at enabling member countries to purchase emergency medical equipment and supplies for COVID-19 preparedness and medium-term support to enable SMEs to recover from the impact of crises. The rapid response plan will be in the order of US\$300 million. The support of the IITFC will allow the revival of trade and the maintenance of supply chains in strategically important sectors. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) will provide credit and political risk insurance to support imports of strategic products, protect investments and minimize volatility. However, the Bank believes that effective coordination and interaction at the global, national and local levels is extremely important to effectively address the current situation. The IDB will work closely and in partnership with the Multilateral Development Banks (MDBs) and development finance institutions to effectively coordinate and mobilize resources to support affected member countries and implement its interventions. The IDB has also reached key donors and development partners, including the Arab Coordination Group, to mobilize resources to support member countries. A significant number of partners, including the Asian Infrastructure Investment Bank, the Organization of Petroleum Exporting Countries (OPEC), Fund for International Development, the Saudi Fund and the Kuwait Development Fund, Also, expressed

interest in partnering with the bank in addressing the COVID-19 pandemic. The IDB calls for strong global coordination and collaboration for immediate response and medium- and long-term responses. The IDB will work hand in hand with all partners for action to overcome this pandemic and calls for unity to tackle global problems. In addition, the IDB Group has put in place practical measures, as part of its business continuity management, to ensure that critical functions operate without interruption. The IDB proactively tested internal response mechanisms at headquarters and in its regional offices to continue the operations of the Bank Group during this global pandemic. The World Bank Group has deployed up to \$160 billion in financial support over the next 15 months to help more than 100 countries in their fight to protect the poor and vulnerable, supporting businesses and fostering economic recovery. This includes \$50 billion for African countries. Moreover, in Africa, the World Bank's action is based on four main axes: saving lives, protecting the poor, preserving and creating jobs, and rebuilding on a better basis. Since the outbreak of the pandemic in March 2020, the World Bank has committed nearly \$12 billion to help African countries finance their response to the crisis, including through new projects in the health sectors, social protection and economic recovery, while reallocating existing resources in the response plan. In addition, Morocco used the International Monetary Fund's (IMF) Precautionary and Liquidity Line (www.imf.org) for a total of \$3 billion, including the objective of dealing with the consequences of the coronavirus outbreak. This unpublished draw is repayable over five years, with a three-year grace period (According to the Central Bank of Morocco). Its mobilization takes place within the framework of the Precautionary and Liquidity Line agreement concluded with the International Monetary Fund in 2012 and renewed for the 3rd time in December 2018, for a period of two years, with the intention of using it as insurance against extreme shocks. Indeed, the Precautionary and Liquidity Line is an instrument designed to serve as insurance or help resolve crises in a wide range of situations. Meanwhile, Morocco has received a \$275 million loan from the World Bank for pandemic risk management. The Arab Monetary Fund (AMF) has provided Morocco with a loan of US\$211 million to address the current challenges of the pandemic.

7. Conclusion

The Moroccan banking sector is committed to supporting businesses, and in general, economic agents in difficulty because of the "COVID-19" health crisis. Participatory banks are part of that commitment and they had a key role in that. Moreover, following the call of the Moroccan Central Bank "BANK AL MAGHREB" which asked all Moroccan banking institutions to grant a postponement of deadlines to their clients, during the entire period of confinement in the country. The "COVID-19" health crisis has disrupted all the action plans that participatory banks have already begun since the beginning of 2020. However, after the containment and the lifting of a state of emergency in the Kingdom of Morocco, the participating banks will resume banking activity by accompanying their clients and participating in the resumption of the economic dynamics of Morocco. However, it would be advisable to accelerate the projects under construction of the participatory ecosystem, not to allow the participatory banking sector to contribute more to the financing of the economy and households, and to contribute to the recovery, but above all to preserve this embryonic but successful experience despite all the initial obstacles and protect it from Covid-19. Otherwise, all the above-mentioned instruments are intended to provide the necessary support to the various economic agents. It is clear that in the face of the crisis, the latter are affected in a differentiated way, they need not only financing, but also the expenditure must be as relevant as possible.

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