

LOAN NUMBER 3136-0 MOR

Loan Agreement

(Industrial Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL BANK FOR ECONOMIC DEVELOPMENT

Dated February 7, 1990

LOAN NUMBER 3136-0 MOR

LOAN AGREEMENT

LOAN AGREEMENT, dated February 7, 1990, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL BANK FOR ECONOMIC DEVELOPMENT (the Borrower).

WHEREAS (A) Kingdom of Morocco (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 4 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Industrial Enterprise" means any individual entrepreneur or partnership of entrepreneurs or enterprise operating within the industrial sector;

(b) "Supporting Enterprise" means any individual entrepreneur or partnership of entrepreneurs or enterprise supporting the operations of the industrial sector through, inter alia, the provision of product design, quality control and testing, research and development, engineering, technical and market information, export promotion and marketing and warehousing and storage services to Industrial Enterprises;

(c) "Tourism Enterprise" means any individual entrepreneur or partnership of entrepreneurs or enterprise operating within the tourism sector;

(d) "Beneficiary" means any Industrial Enterprise, Supporting Enterprise, leasing firm or Tourism Enterprise to which the Borrower proposes to make or has made a Sub-loan for a Development Project;

(e) "Sub-loan" means a loan made or proposed to be made out of the proceeds of the Loan to a Beneficiary for a Development Project;

(f) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 3 (b) of Schedule 5 to this Agreement;

(g) "Development Project" means any specific development project referred to in Part A or B of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(h) "Public Enterprise" means any Beneficiary, of which at least 50% of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Guarantor or by any of its political or administrative subdivisions or agencies or by any Public Enterprise;

(i) "Export Development Project" means any Development Project referred to in Part B of the Project, and any Development Project which is calculated on the basis of guidelines satisfactory to the Bank, to generate within 5 years of completion, annual exports and sales of intermediate goods for incorporation in manufactured products for export, equal at least to 40% of the value of the expected incremental output of such Development Project;

(j) "Charter" means the Convention dated July 30, 1959 approved by the Guarantor's Law (Dahir) No. 1-59-294 dated October 21, 1959, as amended to the date of this Agreement, pursuant to which the Borrower has been established and operating, as the same may be amended from time to time;

(k) "Statement of Policy" means the statement of lending and investment policy approved by the Directors of the Borrower in June 1983, as amended from time to time;

(l) "Foreign Exchange Risk Coverage Scheme" means the scheme established pursuant to the letter No. 3/4648 and 3/5188, dated June 5, 1989 and June 19, 1989, respectively, from the Guarantor's Minister of Finance to the Borrower for the protection of the Borrower against the risk of foreign exchange losses; and

(m) "Dirhams" and "DH" mean the currency of the Guarantor.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of fifty million dollars (\$50,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Sub-loan for a Development Project to meet the reasonable cost of goods and services required for such Development Project and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be June 30, 1996 or such later date as the Bank shall establish the Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with

the interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months, or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project; Management and Operations of the Borrower

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project and conduct its operations and affairs with due diligence and efficiency and in conformity with appropriate technical, administrative, economic and

financial standards and practices, with qualified management and staff in adequate numbers, and in accordance with the Charter and the Credit Policy Guidelines and shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Without limitation on the provisions of Section 3.01, the Borrower shall:

(a) (i) make Sub-loans to Beneficiaries for Development Projects on the basis of the applicable criteria, procedures and terms and conditions set forth or referred to in Schedule 5 to this Agreement; (ii) exercise its rights in relation to each such Development Project in such manner as to protect the interests of the Bank and the Borrower, comply with its obligations under this Agreement, and achieve the purposes of the Project; and (iii) supervise and monitor the carrying out by the Beneficiaries of their respective Development Projects in accordance with policies and procedures satisfactory to the Bank; and

(b) ensure that, except as the Bank and the Borrower shall otherwise agree: (i) the aggregate amount of all Sub-loans made by the Borrower (A) to any one Beneficiary shall not exceed the equivalent of \$5,000,000 and (B) for any one Development Project, shall not exceed the lesser of (1) the equivalent of \$5,000,000; and (2) the equivalent of 70% of the total estimated cost (excluding the cost of land) of such Development Project, as such estimated cost shall be calculated in accordance with guidelines satisfactory to the Bank; (ii) the aggregate amount of all Sub-loans made by the Borrower: (A) to Public Enterprises shall not exceed the equivalent of \$1,800,000; (B) to leasing firms under Part A (2) of the Project shall not exceed the equivalent of \$1,200,000; and (C) to Tourism Enterprises under Part B of the Project shall not exceed the equivalent of \$2,400,000; and (iii) the aggregate amount of all Sub-loans made by the Borrower to Beneficiaries for Development Projects other than Export Development Projects, shall not exceed the equivalent of \$4,800,000.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain procedures and records adequate to monitor and record the progress of the Project and of each Development Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(b) The Borrower shall:

- (i) have the records referred to in paragraph (a) of this Section, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the account referred to in Section 4.02 of this Agreement for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the as soon as available but in any case not later than six months after the end of each such

year: (A) certified copies of said financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (a) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Except as the Bank and the Borrower may otherwise agree, the Borrower shall open and thereafter maintain in its books, in accordance with its normal financial procedures and on conditions satisfactory to the Bank, a separate account to which it shall credit each repayment of principal or a Sub-loan upon receipt thereof. All amounts so credited to said separate account shall be utilized by the borrower, to the extent they are not yet required to meet the Borrower's repayment obligations to the Bank under this Agreement, exclusively to finance the further development of the Guarantor's industrial sector in accordance with guidelines satisfactory to the Bank

Section 4.03. (a) The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against the risk of loss resulting from changes in the rates of exchange between the currencies (including Dirhams) used in its operations.

(b) Without limitation on the provisions of paragraph (a) of this Section, the Borrower shall at all times maintain its participation in the Foreign Exchange Risk Coverage Scheme in accordance with the requirements

thereof.

Section 4.04 The Borrower shall prepare and furnish to the Bank not later than June 30, 1990, a proposed medium-term strategy to strengthen and expand the Borrower's banking operations. The Bank and the Borrower shall exchange views on said strategy not later than September 30, 1990 and the Borrower shall thereafter take all measures necessary to implement said strategy on the basis of said exchange of views.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely that the Charter or the Statement of Policies shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in Section 5.01 shall occur.

ARTICLE VI

Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The chief executive officer of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD	440098 (ITT)
Washington, D.C.	248423 (RCA) or
	64145 (WUI)

For the Borrower:

Banque Nationale pour le
Developpement Economique
Place des Alaouites

B.P. 407
Rabat
Royaume du Maroc

Telex:

31942 M

IN WITNESS WHEREOF the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. Wapenlians
Regional Vice President
Europe, Middle East and North Africa

NATIONAL BANK FOR ECONOMIC DEVELOPMENT

By /s/ M. Faris
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	50,000,000	100% of amounts paid by the Borrower to a Beneficiary
<hr/>		
TOTAL	50,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement; and

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of

\$5,000,000 may be made on account of payments made for expenditures before that date but after January 1, 1989.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) assist in financing such productive facilities and resources as will contribute to the development of the Guarantor's industrial and tourism sectors and the expansion of exports; and (ii) strengthen institutional capabilities to facilitate such development and expansion.

The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A:

The financing, through the provision of Sub-loans by the Borrower of specific development projects for the:

(1) development, upgrading and expansion of the facilities and strengthening of the operations of Industrial Enterprises and Supporting Enterprises; and

(2) provision of specialized manufacturing equipment to leasing firms to be leased by Industrial Enterprises for the development, upgrading and expansion of their facilities.

Part B:

The financing, through the provision of Sub-loans by the Borrower of specific development projects for the development, upgrading and expansion of the facilities and strengthening of the operations of Tourism Enterprises.

* * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in dollars)
May 15, 1995	910,000
November 15, 1995	945,000
May 15, 1996	985,000
November 15, 1996	1,020,000
May 15, 1997	1,060,000
November 15, 1997	1,100,000
May 15, 1998	1,145,000
November 15, 1998	1,190,000
May 15, 1999	1,235,000
November 15, 1999	1,280,000
May 15, 2000	1,330,000
November 15, 2000	1,385,000
May 15, 2001	1,435,000
November 15, 2001	1,490,000
May 15, 2002	1,550,000
November 15, 2002	1,610,000
May 15, 2003	1,675,000
November 15, 2003	1,735,000
May 15, 2004	1,805,000

November 15, 2004	1,875,000
May 15, 2005	1,945,000
November 15, 2005	2,020,000
May 15, 2006	2,100,000
November 15, 2006	2,180,000
May 15, 2007	2,265,000
November 15, 2007	2,355,000
May 15, 2008	2,445,000
November 15, 2008	2,540,000
May 15, 2009	2,640,000
November 15, 2009	2,750,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than three six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) The last sentence of Section 3.02 is deleted.
- (2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to

make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 4 (c) of Schedule 5 to the Loan Agreement, the Bank in respect of any portion of the Loan; (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 5

Sub-loans: Criteria, Procedures, Principal Terms and Conditions

Subject to the provisions of Section 3.02 (b) of this Agreement, and except as the Bank and the Borrower may otherwise agree, the criteria, procedures and principal terms and conditions set forth in this Schedule shall apply for the purposes of Section 3.02 (a) of this Agreement.

1. Each Sub-Loan shall be made only to a Beneficiary which shall have established to the satisfaction of the Borrower on the basis of guidelines satisfactory to the Bank that it is creditworthy and, in the case of Sub-loans under Parts A (1) and B of the Project, its projected internal cash generation or equity increases shall be sufficient to enable it to carry out the Development Project and to contribute at least 30% of the aggregate cost thereof (excluding the cost land).

2. Each Sub-loan shall be made only for a Development Project which is: (a) determined to be technically and commercially feasible, including, on the basis, inter alia, of the existence of markets for its output; (b) designed in accordance with appropriate safety, health and environmental standards satisfactory to the Bank; and (c) calculated to have a financial rate of return and an economic rate of return of at least 12% each; all as shall have been determined and calculated to the satisfaction of the Borrower on the basis of an appraisal, including an environmental impact assessment, carried out in accordance with guidelines satisfactory to the Bank.

3. No expenditures for goods or services required for a Development Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) (i) the Sub-loan for such Development Project shall have been approved by the Bank and (ii) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Schedule in respect of such Sub-loan; or

(b) (i) the Sub-loan for such Development Project shall have been a free-limit Sub-loan for which the Bank has authorized

withdrawals from the Loan Account and (ii) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement a free-limit Sub-loan shall be a Sub-loan under Part A (1) of the Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$2,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan or of any other loan provided for in any outstanding loan agreement between the Bank and the Borrower entered into before the date of this Agreement, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Development Project, the foregoing amount being subject to change from time to time as determined by the Bank.

(c) The ninety day limitation referred to in subparagraphs (a) (ii) and (b) (ii) of this paragraph shall not apply to expenditures to be financed under Sub-loans in respect of which the applications and information required under paragraph 4 (a) of this Schedule, or the requests and information required under paragraph 4 (b) of this Schedule, as the case may be, are received by the Bank not later than December 31, 1989.

4. (a) When presenting a Sub-loan (other than a free-limit Subloan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Beneficiary and an appraisal of the Development Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Beneficiary and the Development Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1992.

5. (a) Each Sub-loan shall be charged interest on the principal amount thereof withdrawn outstanding from time to time, at a rate equal at least to the greater of: (i) the rate of interest applicable, on the date upon which the Sub-loan is made, to the Loan pursuant to the provisions of Section 2.05 of this Agreement; and (ii) (A) in the case of a Sub-loan under Part A of the Project, the rate of interest established by the Guarantor's Minister of Finance, applicable, on the date upon which the Sub-loan is made, to loans made by the National Bank for Economic Development with the same maturity as such Sub-loan; and (B) in the case of a Sub-loan under Part B of the Project, the rate of interest established by the Guarantor's Minister of Finance, applicable, on the date upon which such Sub-loan is made,

to loans made by the Real Estate and Hotel Finance Company with the same maturity as such Sub-loan.

(b) For purposes of this paragraph: (i) the term "National Bank for Economic Development" means Credit Immobilier et Hotelier a financial institution established and operating under the laws of the Guarantor pursuant to the Convention dated December 31, 1988, as the same may be amended from time to time.

6. Each Sub-loan shall have a maturity of not more than 12 years, including a grace period of not more than 5 years; provided that Sub-loans under Part A (2) of the Project shall have a maturity of not more than 5 years.

7. Each Sub-loan shall be made on further terms whereby the Borrower shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including:

(a) that each Beneficiary shall undertake to: (i) carry out and operate the Development Project with due diligence and efficiency and in accordance with (A) sound technical, financial and managerial standards, and (B) appropriate safety, health and environmental standards satisfactory to the Bank; maintain adequate records; and provide, promptly as needed, the funds, facilities and other resources required for the purpose; (ii) procure the goods and services to be financed out of the proceeds of the Loan at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them (provided that the Beneficiary may, with the prior approval of the Bank, carry out works under force account in accordance with procedures satisfactory to the Bank); and utilize such goods and services exclusively in the carrying out of the Development Project; (iii) enable the Bank and the Borrower to inspect such goods and the sites and works included in the Development Project, the operation thereof, and any relevant records and documents; (iv) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely useable by the Beneficiary to replace or repair such goods; and (v) prepare and furnish to the Borrower, for forwarding to the Bank, if so requested by the Bank, all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the management, operations and financial condition of the Beneficiary and to the benefits to be derived from the Development Project; and

(b) provisions to ensure the right of the Borrower to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract providing for the Subloan.



