

CONFORMED COPY

LOAN NUMBER 3088 MOR

(National Agricultural Credit Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

NATIONAL BANK FOR AGRICULTURAL CREDIT

Dated July 21, 1989

LOAN NUMBER 3088 MOR

LOAN AGREEMENT

AGREEMENT, dated July 21, 1989 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL BANK FOR AGRICULTURAL CREDIT (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;

(C) the Borrower intends to contract from other external sources of funds (the Cofinanciers) loans (the Cofinance) in an aggregate amount equivalent to about \$298,000,000 dollars to

assist in financing part of the Project on the terms and conditions to be set forth in agreements (the Cofinancing Agreements) to be entered into between the Borrower and the Cofinanciers; 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 last sentence of Section 3.02 deleted (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Beneficiary" means a farmer, a household, a fisherman, an artisan or an enterprise to which the Borrower proposes to make or has made a Sub-loan;

(b) "Sub-loan" means a loan made or proposed to be made by the Borrower out of part of the proceeds of the Loan to a Beneficiary for an Investment Project;

(c) "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 2 (b) of Schedule 7 to this Agreement;

(d) "Investment Project" means any on-farm or forestry investment or other investment project under Part A of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(e) "CLCA" means any local branch of the Borrower;

(f) "Borrower's Legislation" means the Guarantor's Law (Dahir) No. 1-60-106 dated December 4, 1961, and Decree (DÉcret) No. 2-61-607 dated December 4, 1961, pursuant to which the Borrower has been established and is operating; and the Guarantor's Laws (Dahir) No. 1-59-271 dated April 14, 1960, and No. 1-61-402 dated June 30, 1962, and Decision (Arrêté) dated November 16, 1984, of the Guarantor's Ministry of Finance, governing the Guarantor's financial control of the Borrower, as said Laws, Decree and Decision may be amended from time to time;

(g) "Statement of Development Policy" means the statement of the Borrower's medium-term development policy dated May 5, 1989, as the same may be amended from time to time;

(h) "Credit Policy Guidelines" means the guidelines regulating the provision of credit by the Borrower, dated January 1989, as the same may be amended from time to time;

(i) "Action Plan" means the Borrower's 1989-1993 plan of actions, set forth or referred to in Schedule 5 to this Agreement, for the development and strengthening of its operations;

(j) "Foreign Exchange Risk Coverage Scheme" means the scheme established pursuant to the letter No. 3/3789 dated May 9, 1989, from the Guarantor's Minister of Finance to the Borrower, for the protection of the Borrower against the risk of foreign exchange losses;

(k) "Dirham" and "DH" mean the currency of the Guarantor;

(l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(m) "Bank of Morocco" means the central bank of the Guarantor (Bank al Maghrib), established and operating pursuant to the Guarantor's Laws (Dahir) No. 1-59-233 dated June 30, 1959, and No. 1-61-258 dated December 30, 1961, as amended from time to time.

## 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, an amount in various currencies equivalent to one hundred ninety million dollars (\$190,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) 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 to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part C of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain a special account in a currency and a financial institution, both satisfactory to the Bank, on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1993 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

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

Section 2.06. Interest and other charges shall be payable semiannually 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 banking, financial, economic, technical and administrative practices, with qualified management and staff in adequate numbers, and in accordance with the Borrower's Legislation, Statement of Policy, Credit Policy Guidelines and the Action Plan, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purposes.

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

- (a) make Sub-loans to Beneficiaries for Investment Projects on the basis of the criteria, procedures and terms and conditions set forth or referred to in Schedule 7 to this Agreement;

- (b) supervise, monitor and evaluate the carrying out by Beneficiaries of their respective Investment Projects in accordance with policies and procedures acceptable to the Bank; and

- (c) exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and of the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of Part A of the Project.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain records and accounts (including without limitation, separate records and accounts for the CLCAs) adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any

case not later than six months after the end of each such year: (A) certified copies of its 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 said records, accounts and financial statements as well as 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 (b) 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 may otherwise agree, the Borrower shall:

(a) utilize all amounts received by the Borrower in payment of interest or other charges on, or repayment of principal under, Sub-loans (other than Sub-loans made under Part A (3) of the Project), to the extent they are not yet required to meet the Borrower's payment obligations to the Bank under this Agreement, exclusively to finance the further development of the Guarantor's agricultural and rural sectors in accordance with the Borrower's Credit Policy Guidelines;

(b) maintain procedures satisfactory to the Bank to enable the Borrower properly to monitor the Borrower's utilization of the amounts referred to in paragraph (a) of this Section; and

(c) furnish to the Bank at regular intervals all such information as the Bank may reasonably request concerning the utilization of said amounts.

Section 4.03. (a) The Borrower shall take such actions 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, and except as the Bank may otherwise agree, 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. (a) Except as the Bank shall otherwise agree, the Borrower shall: (i) earn, for each of its fiscal years after its fiscal year ending on December 31, 1988, an annual return on equity of not less than the rate of change of the Producer Price Index during such year; (ii) ensure that the CLCAs shall produce in the aggregate for each of the Borrower's fiscal years after its fiscal year ending on December 31, 1988, total revenues equivalent to not less than the sum of the CLCAs' (A) total operating expenses and (B) total debt service requirements; (iii) maintain a ratio of equity to risk assets of not less than 8%; (iv) maintain a ratio of current assets to current liabilities of not less than 1.2 to 1; and (v) without limitation on the provisions of subparagraphs (i), (ii), (iii) and (iv) hereof, ensure that weighted average of all rates at which interest and other fees on loans made by the Borrower are charged during each of the Borrower's fiscal years shall be equal to at least the rate of change of the Producer Price Index.

(b) Before June 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet any of the requirements set forth in paragraph (a) of this Section, for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all measures as shall be necessary (including, without limitation, submission of proposals for approval by the Guarantor to adjust the structure or levels of its interest rates and other financial charges) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The annual return on equity shall be calculated by dividing the Borrower's net operating income for the fiscal year in question by the Borrower's equity at the beginning of that fiscal year.
- (ii) The term "net operating income" means total operating revenues less total operating expenses.
- (iii) the term "total operating revenues" means revenues from all sources related to operations.
- (iv) The term "total operating expenses" means all expenses related to operations, including interest and other charges on debt, administration, adequate maintenance, taxes and payments in lieu of taxes, and provisions for losses on loans and for depreciation on a basis and at rates acceptable to the Bank.
- (v) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
- (vi) The term "Producer Price Index" means the Guarantor's producer price index published in the annual report of the Bank of Morocco.
- (vii) The term "total revenues" means the sum of total operating revenues and net non-operating income.
- (viii) The term "net non-operating income" means the difference between:
  - (A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

- (ix) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (x) The term "risk assets" means the total amount outstanding from time to time of all loans made by the Borrower and discounted bills.
- (xi) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
- (xii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements and taxes and payments in lieu of taxes.
- (xiii) Whenever for the purposes of this Section it shall be necessary to value in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 10 to 1.

(b) For purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than eighteen months after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
- (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such

other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.06. (a) Except as the Bank shall otherwise agree, the Borrower shall provide no financing to a beneficiary if, after the provision of such financing, the aggregate principal amount of all financing then outstanding provided by the Borrower to such beneficiary would exceed 20% of the Borrower's equity.

(b) For the purposes of this Section:

(i) The term "financing" means a loan or guarantee made to, or equity investment made in, a beneficiary.

(ii) The term "equity" means the sum of unimpaired paid-up capital, reserves not allocated to cover specific liabilities and retained earnings.

Section 4.07. The Borrower shall at all times apply policies and procedures, satisfactory to the Bank, for the allocation of adequate amounts to provisions for losses on loans made by the Borrower, in accordance with sound accounting and financial practices.

Section 4.08. The provisions of Sections 4.03, 4.05 (a), 4.09 and 4.11 of the Loan Agreement between the Bank and the Borrower dated September 17, 1986, for a Sixth Agricultural Credit Project (Loan No. 2731 MOR) are hereby amended to read as set forth in Sections 4.05, 4.04 (a) (i), 4.06 and 4.03, respectively, of this Agreement.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) The Borrower's Legislation or the Statement of Policy or the Credit Policy Guidelines 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.

(b) The Cofinancing Agreements shall have failed to become effective by June 30, 1990, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(c) (i) Subject to sub-paragraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the Cofinance or of any other grant or loan made to or for the benefit of the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:



- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 shall occur; and

(b) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

#### 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:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Caisse Nationale de CrEdit Agricole  
24 rue d'Alger  
Rabat  
Kingdom of Morocco

Cable address:

CREDIAGRICOLE  
Rabat, Morocco

Telex:

31657M  
32956M

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 city of Rabat, Kingdom of Morocco, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ B. Conable

President

NATIONAL BANK FOR AGRICULTURAL CREDIT

By /s/ R. Haddaoui

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 under Part A (1) of the Project to farmers and enterprises:		
(a) for greenhouses	30,000,000	75% of amounts paid by the Borrower
(b) for other investments	86,000,000	25% of amounts paid by the Borrower
(2) Sub-loans under Part A (2) of the Project to agro-processing and wood-processing enterprises	15,000,000	50% of amounts paid by the Borrower
(3) Sub-loans under Part A (3) of the Project to agro-processing enterprises	20,000,000	100% of amounts paid by the Borrower
(4) Sub-loans under Part A (4) of the Project to rural households	10,000,000	33% of amounts paid by the Borrower

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Sub-loans under Part A (5) of the Project to fishermen	20,000,000	20% of amounts paid by the Borrower
(6) Sub-loans under	2,000,000	25% of amounts paid

	Part A (6) of the Project to artisans and rural enterprises		by the Borrower
(7)	Goods for Part C (1) of the Project	4,600,000	100% of foreign expenditures and 80% of local expenditures for other items procured locally
(8)	Consultants' ser- vices, training and fellowships for Part C (1) of the Project	1,000,000	100%
(9)	Civil works for Part C (2) of the Project	1,400,000	47%
	TOTAL	190,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$19,000,000, may be made on account of payments made for expenditures before that date but after October 1, 1988; and

(b) Sub-loans under Part A (3) of the Project to be financed out of the proceeds of the Loan allocated to Category (3) unless the Borrower shall have established and communicated to the Bank terms and conditions satisfactory to the Bank upon which such Sub-loans shall be made.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (1) assist the Borrower in the financing of such productive facilities and resources as will contribute to the development of the Guarantor's agricultural, rural and fishing sectors; and (2) strengthen and expand the Borrower's banking operations and institutional capabilities.

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 to:

(1) farmers and enterprises, of on-farm and forestry investments;

(2) agro-processing and wood-processing enterprises, of investment projects to construct and equip production, processing, packing and storage facilities and to expand, upgrade and rehabilitate the product mix of such facilities;

(3) agro-processing enterprises of investment projects to provide imported inputs to be utilized by such enterprises in the production of goods for export;

(4) rural households, of investment projects to construct dwellings for such households;

(5) fishermen, of investment projects to improve their fishing operations; and

(6) artisans and enterprises, of investment projects to:

(a) develop, upgrade and expand the production of artisanal goods and the provision of commercial services required for the proper development of the rural sector; and

(b) upgrade the environment of the rural sector.

Part B:

The operation of a credit facility to finance the purchase by farmers of land for agricultural production.

Part C:

(1) The carrying out of a program to enhance the institutional capabilities of the Borrower, including the:

(a) strengthening of the Borrower's organization and operations;

(b) strengthening of the Borrower's planning capabilities through the establishment and staffing of a suitable planning unit;

(c) upgrading and further development of the Borrower's data processing, management information and accounting systems, and provision and maintenance of computer hardware and software and other equipment required therefor;

(d) development and introduction of (i) suitable strategies, policies and procedures for the expansion of the Borrower's banking operations; (ii) new lending instruments and banking services in accordance with said strategies and policies; and

(e) carrying out of a training program to strengthen the skills of staff of the Borrower in planning, human resources and financial management, accounting, marketing, banking operations, data processing, project appraisal and evaluation (including environmental impact assessments of projects); and provision of equipment and materials required for said program.

(2) The carrying out of the Borrower's 1989-1992 program of construction and upgrading of branch offices and other facilities of the Borrower so as to improve the access of farmers and other beneficiaries to the Borrower's banking facilities.

\* \* \* \*

The Project is expected to be completed by June 30, 1993.

### SCHEDULE 3

#### Amortization Schedule

#### Payment of Principal

Date Payment Due	(expressed in dollars)*
November 15, 1994	3,490,000
May 15, 1995	3,620,000
November 15, 1995	3,760,000
May 15, 1996	3,905,000
November 15, 1996	4,055,000
May 15, 1997	4,210,000
November 15, 1997	4,370,000
May 15, 1998	4,535,000
November 15, 1998	4,710,000
May 15, 1999	4,890,000
November 15, 1999	5,075,000
May 15, 2000	5,270,000
November 15, 2000	5,475,000
May 15, 2001	5,680,000
November 15, 2001	5,900,000
May 15, 2002	6,125,000
November 15, 2002	6,360,000
May 15, 2003	6,600,000
November 15, 2003	6,855,000
May 15, 2004	7,115,000
November 15, 2004	7,390,000
May 15, 2005	7,670,000
November 15, 2005	7,965,000
May 15, 2006	8,270,000
November 15, 2006	8,585,000
May 15, 2007	8,915,000
November, 15 2007	9,255,000
May 15, 2008	9,610,000
November 15, 2008	9,980,000
May 15, 2009	10,360,000

\* 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 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	0.90

before maturity

More than eighteen years before  
maturity

1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Guarantor's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

###### 1. Local competitive bidding:

Works under Part C (2) of the Project for the construction and upgrading of branches offices may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

###### 2. Shopping:

Contracts for computer software for the Borrower's management information system, for goods for the Borrower's training program and for maintenance of computer equipment, up to an aggregate amount of \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

###### Part D: Review by the Bank of Procurement Decisions

###### 1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$700,000 or more, and each contract for works estimated to cost the equivalent of \$700,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding sub-paragraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to consultants: (1) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (2) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 5

#### Action Plan

1. In order to ensure the proper carrying out of Part C of the Project, and except as the Bank shall otherwise agree, the Borrower shall:

(a) strengthen its organization under Part C (1) (a) of the Project in accordance with an organizational plan satisfactory to the Bank;

(b) (i) establish the planning unit under Part C (1) (b) of the Project, with organization, terms of reference, staffing and other resources satisfactory to the Bank; and (ii) ensure that said unit is operational not later than June 30, 1990; and

(c) prepare and furnish to the Bank not later than October 31, of each of the Borrower's fiscal years (i) an action plan, in form and substance satisfactory to the Bank, for the carrying out during the following year of the activities under Parts C (1) (c), C (1) (d) and C (1) (e) of the Project and (ii) a work program, in form and substance satisfactory to the Bank for the carrying out during the following year of the activities under Part C (2) of the Project; and promptly carry out said activities in accordance with said action plan and work program.

2. In order to promote the utilization by agro-processing enterprises of credit facilities made available by the Borrower for investments, the Borrower shall:

(a) establish within each of the Borrower's regional branches in Marrakech and Kenitra, not later than December 31, 1989, and thereafter at all times maintain, a unit with terms of reference, staffing and other resources satisfactory to the Bank to be responsible for the marketing of such credit facilities in said areas;

(b) continue at all times to maintain within each of the Borrower's regional branches in Meknes, Casablanca and Agadir, a unit with terms of reference, staffing and other resources satisfactory to the Bank, to be responsible for the marketing of such credit facilities in said areas; and

(c) ensure that the staff of the units referred to in paragraphs (a) and (b) of this Section shall receive the training in environmental impact assessment provided under Part C (1) (e) of the Project.

### SCHEDULE 6

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of



the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 7

##### Criteria, Procedures and Principal Terms and Conditions of Sub-loans

Except as the Bank and the Borrower may otherwise agree, the criteria, procedures and 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:

(a) to a Beneficiary which shall have established its creditworthiness to the satisfaction of the Borrower in accordance with the Credit Policy Guidelines and additional guidelines satisfactory to the Bank; and

(b) for an Investment Project which (i) is determined to be technically, economically, financially and commercially feasible including, on the basis, inter alia, of the existence of markets for its output and (ii) in the case of an Investment Project to be carried out by an agro-processing or wood-processing enterprise under Part A (2) of the Project, is designed in accordance with

appropriate safety, health and environmental standards satisfactory to the Bank, all as shall be determined on the basis of an appraisal carried out in accordance with the Credit Policy Guidelines and further guidelines satisfactory to the Bank.

2. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Bank; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account. For the purposes of this Agreement, the term "free-limit Sub-loan" shall mean: (i) any Sub-loan for an Investment Project under Part A (1), A (3), A (4) or A (6) of the Project, regardless of the amount thereof; and (ii) any Sub-loan for an Investment Project under Part A (2) or A (5) of the Project in an amount not exceeding the sum of DH10,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan which have been or are being used for financing goods and services for such Investment Project, the foregoing amount being subject to change from time to time as determined by the Bank.

3. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) 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 the appraisal of the Investment Project and 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 such information as the Bank shall reasonably request.

4. Sub-loans shall be made on the terms and conditions set forth in the Credit Policy Guidelines and additional guidelines satisfactory to the Bank and on the following principal terms and conditions. The Borrower shall obtain, by written contract or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, where applicable:

(a) that each Beneficiary shall undertake to: (i) carry out and operate the Investment Project with due diligence and efficiency and in accordance with appropriate safety, health and environmental standards satisfactory to the Bank, and with sound technical, financial and managerial standards and practices, provide promptly, as needed, the funds, facilities and other resources required for the purposes and maintain adequate records; (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, and use such goods and services exclusively in the carrying out of the Investment Project; (iii) enable the Bank and the Borrower to inspect such goods and the sites, works, plants and construction included in the Investment 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 usable by the Beneficiary to replace or repair such goods; and (v) prepare and promptly 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 administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Investment 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 Sub-loan upon failure by such Beneficiary to perform its obligations under its agreement providing for the Sub-loan.

