

CONFORMED COPY

LOAN NUMBER 2806-0 MOR

(Industrial Export Finance Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 27, 1987

LOAN NUMBER 2806-0 MOR

GUARANTEE AGREEMENT

AGREEMENT, dated July 27, 1987, between KINGDOM OF MOROCCO (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and National Bank for Economic Development (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to twenty-eight million dollars (\$28,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan and to undertake such other obligations as provided in this Agreement;

WHEREAS the Guarantor, in consideration of the Bank's enter-

ing into the Loan Agreement with the Borrower has agreed so to guarantee such obligations of the Borrower and to undertake such other obligations;

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 5 to the Loan 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 and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

Section 3.01. In order to encourage the export of goods manufactured in the Guarantor's territory, the Guarantor shall carry out with due diligence and efficiency, and provide or cause to be provided promptly as needed, the funds, facilities, services and other resources required for:

(a) a program of actions, agreed between the Guarantor and the Bank designed to: (i) improve the systems of (A) taxation of goods used in the manufacture of exports and (B) export financing and guarantees; and (ii) improve the organization, management and operations of the Guarantor's agencies responsible for export promotion and international trade matters; and

(b) (i) studies, under terms of reference agreed between the Guarantor and the Bank, to identify, evaluate and recommend measures for improving export performance in the industrial sector; and (ii) action plans, agreed between the Guarantor and the Bank, for the implementation of the recommendations based on said studies.

Section 3.02. (a) The Guarantor shall at all times maintain with the Borrower arrangements, satisfactory to the Bank, to protect the Borrower against the risk of foreign exchange losses.

(b) Further to, and without limitation on, the provisions of paragraph (a) of this Section, the Guarantor shall take all action necessary to ensure that:

- (i) the balance of all foreign exchange losses due and payable by the Guarantor to the Borrower pursuant to the Foreign Exchange Risk Coverage Letter as at December 31, 1986 shall be paid to the Borrower in accordance with a schedule satisfactory to the Bank; and
- (ii) all foreign exchange losses, other than those referred to in sub-paragraph (i) of this paragraph, payable by the Guarantor to the Borrower pursuant to the Foreign Exchange Risk Coverage Letter shall be paid to the Borrower within six months after the date of incurrence of each such loss.

(c) For purposes of this Section, "foreign exchange losses" means losses incurred by the Borrower resulting from changes in the rates of exchange between currencies (including Dirhams) used in the Borrower's lending and borrowing operations under the Project.

Section 3.03. Further to and without limitation upon the provisions of Section 2.01 of this Agreement, the Guarantor shall take all action necessary to enable:

(a) the Borrower to open and maintain accounts in such foreign currencies and on such terms and conditions as shall be necessary for the Borrower to comply with the provisions of the Loan Agreement; and

(b) each Exporter to obtain such foreign currencies as shall be necessary for it to comply with its obligations referred to in Part B (6) of Schedule 4 to the Loan Agreement.

Section 3.04. (a) The Guarantor shall take all action necessary to ensure that:

- (i) the balance of all amounts due and payable by the Guarantor to the Borrower as at December 31, 1986 under CCG Guarantees, or payable by public enterprises as at said date under loans made by the Borrower thereto, shall be paid to the Borrower in accordance with a schedule satisfactory to the Bank; and
- (ii) all amounts other than those referred to in sub-paragraph (i) of this paragraph, which shall become due and payable from time to time by the Guarantor under CCG Guarantees or by public enterprises under loans made by the Borrower thereto, shall be paid to the Borrower promptly in accordance with the terms of said CCG Guarantees or loans, as the case may be.

(b) For the purposes of this Section:

- (i) "CCG Guarantees" means all unconditional guarantees made by the Guarantor's Central Guarantee Fund (Caisse Centrale de Garantie) in favor of the Borrower in respect of loans made by the Borrower; and
- (ii) "public enterprises" means all enterprises 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.

ARTICLE IV

Representative of the Guarantor; Address

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance
Rabat
Kingdom of Morocco

Cable address:

MINISTERE FINANCES
Rabat, Morocco

Telex:

31936 M

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)

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.

KINGDOM OF MOROCCO

By /s/ M. Bargach

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis

Acting Regional Vice President
Europe, Middle East and North Africa

