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**LOAN NUMBER 4661-MOR**

# **LOAN AGREEMENT**

**(Support for the Social Development Agency Project)**

**between**

**KINGDOM OF MOROCCO**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated February 7, 2003**

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**LOAN NUMBER 4661-MOR**

**LOAN AGREEMENT**

AGREEMENT, dated February 7, 2003, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) Part B of the Project will be carried out by the Social Development Agency (ADS), established and operating under the Laws of the Borrower, with the Borrower's assistance, and as part of such assistance, the Borrower will make available to ADS the proceeds of the Loan as provided in this 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 and in the Project Agreement of even date herewith between the Bank and ADS;

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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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) "ADS" means the Social Development Agency (Agence de Developpement Social), a public administrative entity (Etablissement Public) established and operating pursuant to law No.12-99 of August 25, 1999, as amended from time to time;

(b) “Dirhams” and “MAD” mean the lawful currency of the Kingdom of Morocco;

(c) “EA” means the Borrower’s environmental assessment for the Project, prepared by the Borrower and submitted to the Bank on November 15, 2001;

(d) “EMP” means the Project Environmental Management Plan satisfactory to the Bank to be developed pursuant to paragraph 2 of Schedule 1 to the Project Agreement;

(e) “Financial Contribution” means a contribution made or proposed to be made by ADS out of the proceeds of the Loan for a Sub-project under the Project;

(f) “Fiscal Year” and “FY” mean the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(g) “MFP” means the Ministry of Finance and Privatization of the Borrower, or any successor thereto;

(h) “Operations Manual” means ADS’s Manual, to be agreed with the Bank, for the carrying out of the Project, as the same may be amended from time to time with the agreement of the Bank throughout Project implementation;

(i) “Partners Agreement” means the agreement between ADS and its partners, as provided for in the Operations Manual, for the granting of financial contributions for the financing of Sub-Projects;

(j) “Partners” means ADS contracting parties contributing financially or otherwise to Sub-Projects implementation;

(k) “Project Agreement” means the agreement between the Bank and ADS, of even date herewith, as the same may be amended from time to time, and such term includes all schedules supplemental to the Project Agreement;

(l) “Project Area” means the administrative regions of Meknès – Tafilalet; Fès – Boulemane; Taza – Al Hoceima – Taounate; Makarech – Tensift – Al-Haouz; Doukala – Abda; Souss – Massa-Draa; l’Oriental; Tangiers – Tétouan;

(m) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(n) “Statutes” mean the Law No. 12-99 dated August 25, 1999, and all its implementing regulations, as amended to the date of this Agreement, excluding amendments referred to in Section 5.01 (b) of this Agreement; and

(o) "Sub-project" means a specific project to be carried out under the Project utilizing the proceeds of a Financial Contribution.

## 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 equal to five million eight hundred thousand Euro (€5,800,000).

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, amounts to be paid) by ADS on account of withdrawals made under Sub-grants to meet the reasonable cost of works, goods and services required for Sub-projects under Parts A, B and C.1 of the Project; and (ii) amounts paid (or, if the Bank shall so agree, amounts to be paid) by ADS in respect of the reasonable cost of works, goods and services required for Parts C.2 and D of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its general treasury (Trésorerie générale du Royaume) 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

- (b) For the purposes of this Section:
- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
  - (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
  - (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Euro for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
  - (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.08. 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**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause ADS to perform, in accordance with the provisions of the Project Agreement, all the obligations of ADS therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable ADS to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without any limitation or restriction upon any of its obligations under this Agreement, the Borrower shall make available to ADS, during Project implementation and through budgetary allocations as inscribed in its budget law, the proceeds of the Loan under terms and conditions which shall have been approved by the Bank.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by ADS pursuant to Section 2.03 of the Project Agreement.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) 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 or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;

- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
  - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
  - (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Project, including 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 the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including 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; and
  - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

## **ARTICLE V**

### **Remedies of the Bank**

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

- (a) ADS shall have failed to perform any of its obligations under the Project Agreement.
- (b) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of ADS or its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ADS or for the suspension of its operations.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower and ADS; and

(b) any event specified in paragraph (b) or (c) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (b) of Article XII of the General Conditions:

(a) that ADS shall have established the financial management system referred to in Section 3.01 of the Project Agreement in a manner satisfactory to the Bank; and

(b) the Operations Manual has been finalized in form and substance and under terms of reference acceptable to the Bank.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of Article XII of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely that the Project Agreement has been duly authorized and approved by ADS's Board of Directors and is legally binding upon ADS according to its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of Article XII of the General Conditions.



## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Privatization 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 Borrower:

Minister of Finance and Privatization  
Avenue Mohamed V  
Rabat  
Kingdom of Morocco

Cable address:	Telex:	Facsimile:
MINFIN	36715	037761072

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ferid Belhaj  
Country Manager  
Middle East and North Africa

### 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:

	<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euro Equivalent)</u>	<u>% of Expenditures To be Financed</u>
(1)	Civil works for Part C of the Project	125,000	80%
(2)	Goods for Parts C and D of the Project	250,000	100% of foreign expenditures; and 80% of items procured locally
(3)	Consultants' services and Training for Parts C and D of the Project	575,000	100%
(4)	Partnership Agreements ADS for Parts A, B and C.1 of the Project	4,600,000	100% of  Financial Contribution
(5)	Fee	58,000	Amount due under Section 2.04 of this Agreement
(6)	Unallocated	192,000	
	<b>TOTAL</b>	<u>5,800,000</u>	

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 Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of fifty three thousand Euro (€53,000), may be made in respect of Category 1,2, 3, and 4 set forth in the table of paragraph 1 of this Schedule on account of payments made for expenditures before that date but after January 30, 2002.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent; (b) services of consulting firms under contracts costing less than \$100,000 equivalent; (c) services of individual consultants under contracts costing less than \$50,000 equivalent; and (d) payments made by ADS on account of Sub-Projects, each not exceeding \$200,000, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to develop and strengthen participative and local programs to reduce poverty and vulnerability and improve the range of services and economic opportunities available to the poorer segments of the population through the carrying out of social, economic, infrastructure and capacity building programs in the Project Area.

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

**Part A:**           Community Development and Social Infrastructure

Provision of Financial Contributions done with Partners, such as non-governmental organizations and local communities, for the carrying out of Sub-projects consisting of works and the delivery of community services, including support for basic education, primary health care and rural drinking water supply.

**Part B:**           Economic Infrastructure and Income Generation Activities

1.       Financing of Sub-projects for the enhancement of basic economic infrastructure in rural and urban slum areas, including irrigation, small markets and rural roads;
2.       Financing of Sub-projects for training, through NGO's, of small enterprises staff in basic business and financial management techniques and processes; and
3.       Provision of Financial Contributions to intermediaries operating in micro-credit, with a view to enhancing their abilities to reach clients amongst the poor.

**Part C:**           Institutional Development for Partners

1.       Carrying out, through the provision of training, technical assistance and goods, of activities to develop the institutional and monitoring capacity of Partners, including non-governmental organizations and community-based organizations.
2.       Carrying out, through the provision of training, technical assistance and goods, of a program to strengthen the capacity of ADS to reach remote areas through contracting non-governmental organizations having the capacity to reach remote areas.

Part D:            Capacity Building for ADS

1.        Carrying out, through the provision of goods, training and consultants' services, a program to strengthen the institutional capacity of ADS and its capacity to monitor and assess Sub-Projects implementation.
  
2.        Provision of technical assistance for operational studies, including early impact assessment.

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The Project is expected to be completed by December 31, 2007

**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Euro)*</u>
February 15, 2008	145,000
August 15, 2008	150,000
February 15, 2009	150,000
August 15, 2009	155,000
February 15, 2010	155,000
August 15, 2010	160,000
February 15, 2011	165,000
August 15, 2011	165,000
February 15, 2012	170,000
August 15, 2012	170,000
February 15, 2013	175,000
August 15, 2013	180,000
February 15, 2014	180,000
August 15, 2014	185,000
February 15, 2015	190,000
August 15, 2015	195,000
February 15, 2016	195,000
August 15, 2016	200,000
February 15, 2017	205,000
August 15, 2017	210,000
February 15, 2018	210,000
August 15, 2018	215,000
February 15, 2019	220,000
August 15, 2019	225,000
February 15, 2020	230,000
August 15, 2020	230,000
February 15, 2021	235,000
August 15, 2021	240,000
February 15, 2022	245,000
August 15, 2022	250,000
<b>TOTAL</b>	<b>5,800,000</b>

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\* *The figures in this column represent the amount in Euro to be repaid, except as provided in Section 4.04 (d) of the General Conditions.*

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) 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 MAD 8,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to MAD 3,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of one million six hundred thousand Euro (□,600,000).
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 deposit into the Special Account of an amount or amounts 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 into 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 paid 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;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.

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