

CONFORMED COPY

LOAN NUMBER 3928 MOR

Loan Agreement

(Financial Markets Development Loan)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 1, 1995

LOAN NUMBER 3928 MOR

LOAN AGREEMENT

AGREEMENT, dated August 1, 1995, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Bank has received a letter dated June 27, 1995, from the Borrower describing a program of actions, objectives and policies designed to achieve development of the Borrower's financial markets (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

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

(b) "French Franc" and "FRF" each means the lawful currency of the Republic of France.

(c) "Dollar Loan Tranche" means the amount specified in Section 2.01 (a) of this Agreement.

(d) "French Franc Loan Tranche" means the amount specified in Section 2.01 (b) of this Agreement.

(e) "Loan Tranche" means either the Dollar Loan Tranche or the French Franc Loan Tranche.

(f) "Fiscal Year" means the twelve month period commencing on January 1 and ending on December 31.

(g) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986).

(h) "Environmentally Hazardous Goods" means goods prohibited to be imported under the laws of the Borrower or international agreements to which the Borrower is a party.

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: (a) an amount equal to one hundred twenty five million dollars (\$125,000,000), and (b) an amount equal to six hundred million French Francs (FRF600,000,000).

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.

Section 2.03. The Closing Date shall be June 30, 1998 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 commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of a Loan Tranche not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest on the principal amount of each Loan Tranche withdrawn and outstanding from time to time in accordance with the provisions of Schedule 2 to this Agreement.

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

Section 2.07. The Borrower shall repay the principal amount of each Loan Tranche in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.08. (a) Bank Al-Maghrib is designated as representative of the Borrower for the purposes of taking any

action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts Bank Al-Maghrib with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, including the Program indicators agreed upon between the Borrower and the Bank, and in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 copy of 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 and accounts 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 or cause to be maintained, 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 or

custom certificates as appropriate) 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 audits 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.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. 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 VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Minister of Finance and External Investments of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance and External Investments
Rabat
Kingdom of Morocco

Cable address:	Telex:
MINFIN	36147 36936

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 Washington, D.C.	248423 (RCA) 82987 (FTCC) 64145 (WUI) or 197688 (TRT)

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/ Mustapha Cherkaoui
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By/s/ Daniel Ritchie
Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

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

(a) expenditures for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and associated materials
667	--	Pearls, precious and semiprecious stones, unworked or worked
718	718.1	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals

(except watches and watch cases)
and goldsmiths' or silversmiths'
wares (including set gems)

971

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Gold, nonmonetary (excluding
gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for goods imported prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$50,000,000 may be made on account of payments made for such goods imported before that date but after May 15, 1995;

(d) expenditures for goods procured under contracts costing less than \$50,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(g) expenditures in excess of an aggregate amount equivalent to \$50,000,000 for petroleum products and expenditures in excess of an aggregate amount equivalent to \$50,000,000 for foodstuffs; and

(h) expenditures for Environmentally Hazardous Goods.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$5,000,000 may be required by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$150,000,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program, and (b) that the actions described in Schedule 4 to this Agreement have been taken.

5. If, after the exchange of views described in paragraph 4 above, the Bank shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

SCHEDULE 2

Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings.

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of a Loan Tranche withdrawn from the Loan Account in such Interest Period.

(b) "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.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of each Loan Tranche shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount of a Loan Tranche outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount of the Dollar Loan Tranche withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) LIBOR Base Rate; plus

(ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount of the Dollar Loan Tranche until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) Dollar Fixed Base Rate; plus

(ii) Dollar Fixed Total Spread.

(c) From the date of withdrawal of each amount of each Disbursed Amount of the French Franc Loan Tranche withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

(i) PIBOR Base Rate; plus

(ii) PIBOR Total Spread.

(d) From the Rate Fixing Date for each Disbursed Amount of the French Franc Loan Tranche until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

(i) French Franc Fixed Base Rate; plus

(ii) French Franc Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings.

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount of the Dollar Loan Tranche is withdrawn, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably

determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount of the Dollar Loan Tranche is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) 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 such Disbursed Amount for such Interest Period;

as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Dollar Fixed Base Rate" means, for each Disbursed Amount of the Dollar Loan Tranche, the equivalent of the London interbank offered rate for six-month deposits in Dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Dollar Fixed Total Spread" means, for each Disbursed Amount of the Dollar Loan Tranche:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, 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 to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount;

as reasonably determined by the Bank and expressed as a percentage per annum.

(e) "PIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount of the French Franc Loan Tranche is withdrawn, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(f) "PIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount of the French Franc Loan Tranche is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris 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

such Disbursed Amount for such Interest Period;

as reasonably determined by the Bank and expressed as a percentage per annum.

(g) "French Franc Fixed Base Rate" means, for each Disbursed Amount of the French Franc Loan Tranche, the equivalent of the Paris interbank offered rate for six-month deposits in French Francs for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(h) "French Franc Fixed Total Spread" means, for each Disbursed Amount of the French Franc Loan Tranche:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount;

as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Dollar Fixed Base Rate and Dollar Fixed Total Spread applicable to each Disbursed Amount of the Dollar Loan Tranche, and of PIBOR Base Rate, PIBOR Total Spread, PIBOR Fixed Base Rate and PIBOR Fixed Total Spread applicable to each Disbursed Amount of the French Franc Loan Tranche, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, 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 this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn 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.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of each Loan Tranche in semi-annual installments payable on each May 15 and November 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the twenty-fourth (24th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-eighteenth (1/18) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of any Disbursed Amount of either Loan Tranche would, pursuant to the provisions of said

paragraph 1, be payable after November 15, 2010, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount of a Loan Tranche shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 3

Procurement

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines, subject to the provisions of paragraphs 2.63, 2.64 and 2.65 thereof.

Part C: Other Procurement Procedures

Goods estimated to cost less than \$5,000,000 equivalent per contract may be procured:

1. by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, under contracts awarded in accordance with such procedures, provided that such procedures shall have been found acceptable by the Bank; and
2. by other purchasers:
 - (a) under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; or
 - (b) in the circumstances described in paragraph 3.7 of the Guidelines, under direct contracting procedures in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract estimated to cost more than \$10,000,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

Except for contracts on account of which withdrawals from the Loan Account are to be made on the basis of statement of expenditures, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply to each contract not governed by paragraph 1 of this Part.

SCHEDULE 4

Actions Referred to in Paragraph 4 (b) of Schedule 1 to this Agreement

1. Continued maintenance of a satisfactory macroeconomic

framework, consistent with the objectives of the Program, as determined on the basis of macroeconomic indicators acceptable to the Borrower and the Bank.

2. Elimination of the mandatory placement by the Borrower of Treasury bonds with commercial banks (Plancher d'Effets Publics).

3. Elimination of the ceiling on lending rates.

4. Presentation to Parliament of a draft Law on Corporations (Loi sur les Societes Anonymes).

5. Publication of a circulaire by the Office des changes establishing a foreign exchange market.

6. Issuance of offers for sale of the shares held by the Borrower in Banque Nationale pour le Developpement Economique, Banque Centrale Populaire, and Credit Immobilier et Hotelier.

