

CONFORMED COPY

LOAN NUMBER 3662 MOR

Loan Agreement

(National Rural Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

CAISSE NATIONALE DE CREDIT AGRICOLE

Dated December 13, 1993

LOAN NUMBER 3662 MOR

LOAN AGREEMENT

AGREEMENT, dated December 13, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and CAISSE NATIONALE DE CREDIT AGRICOLE (the Borrower).

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

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

(C) the Borrower intends to obtain from other external sources of funds (the Cofinanciers) (i) loans in an aggregate amount equivalent to about \$245,000,000 (two hundred forty-five million dollars) and (ii) other funding in an aggregate amount equivalent to about \$34,000,000 (thirty-four million dollars) to assist in financing part of the cost 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 for the loans and between the Guarantor and the Cofinanciers for the other funding; 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

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

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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", which includes rural women, 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) "Investment Project" means any investment project under Part A of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

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

(e) "Borrower's Legislation" means the Guarantor's Dahir No. 1-60-106 dated December 4, 1961, establishing the Borrower, as amended by Law (Dahir portant Loi) No. 1-93-225 dated July 27, 1993 and the Decree (Decret) No. 2-61-607 dated December 4, 1961 issued by the Guarantor, pursuant to which the Borrower is operating; Dahir No. 1-59-271 dated April 14, 1960, Dahir No. 1-61-402 dated June 30, 1962, and the Decision (Arrete) dated November 16, 1984, of the Guarantor's Ministry of Finance, governing the Guarantor's financial control of the Borrower, and Law (Dahir portant Loi) No. 1-93-147 of July 6, 1993 on the organization and control of financial institutions, as said Dahirs Laws, Decree and Decision may be amended from time to time;

(f) "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;

(g) "Credit Policy Guidelines" means the guidelines regulating the provision of credit by the Borrower, dated June 1991, as the same may be amended from time to time;

(h) "Foreign Exchange Risk Coverage Scheme" means the scheme established by the Guarantor's Minister of Finance, for the

protection of the Borrower against the risk of foreign exchange losses as set forth in a letter from the Ministry of Finance to the Bank dated October 14, 1993;

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

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

(k) "Bank al Maghrib" means the central bank of the Guarantor, 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 the same may be amended from time to time;

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

(m) "Climatic Risk Insurance Fund" means the system and the program of actions to be established to cover losses incurred by eligible farmers as a result of climatic conditions.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred million dollars (\$100,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (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) for 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 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 deposit account in a currency and a financial institution, both satisfactory to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account would be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1998 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 percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

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

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

(c) For the purposes of this Section:

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

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

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

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

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

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

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

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 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. (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, shall: (i) carry out Parts A, B and C of the Project, in accordance with appropriate technical, financial, economic and administrative practices; (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the purpose; and (iii) conduct its operations and affairs with due diligence and efficiency and in accordance with sound financial, technical, agricultural and administrative standards and practices, with qualified management and personnel, and in accordance with the

Borrower's Legislation, the Statement of Development Policy and the Credit Policy Guidelines.

(b) Part D of the Project shall be carried out by the Guarantor.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out Part C of the Project in accordance with the Action Program set forth in Schedule 4 to this Agreement.

Section 3.03. Without limitation on the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) make Sub-loans under Part A of the Project, in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement;

(b) appraise Investment Projects and supervise, monitor, evaluate and report on, the carrying out by the Beneficiaries of their respective Investment Projects, in accordance with policies and procedures satisfactory 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 the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of Part A of the Project.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods 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 6 to this Agreement.

Section 3.05. Without limitation on the provisions of Section 9.01 of the General Conditions, the Borrower shall:

(a) maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators satisfactory to the Bank, the carrying out of the Project;

(b) prepare and furnish to the Bank, not later than June 30, 1996, a report, of such scope and in such detail as the Bank shall reasonably request, on the conclusions and recommendations indicated by the monitoring and evaluation activities performed pursuant to paragraph (c) of this Section, together with any actions proposed to be taken to further the progress in the carrying out of the Project; and

(c) afford the Bank a reasonable opportunity to exchange views with the Borrower on said reports, and thereafter, promptly take all action which the Guarantor, the Bank and the Borrower shall have agreed to be required on the Borrower's part to further the progress in the carrying out of the Project.

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 consistently maintained sound accounting practices its operations and financial condition.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 4.01, its financial statements (balance sheets, statements of income and expenses and related statements), the records and accounts for the Special Account, for each Fiscal Year audited in accordance with sound 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 said financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain, in accordance with the provisions of paragraph (a) of this Section 4.01, 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 from Beneficiaries in payment of interest or other charges on, or repayment of principal under, Sub-loans, 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. 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 used in its operations and the Dirham.

Section 4.04. (a) The Borrower shall take such actions as shall be necessary to maintain a prudent financial policy and a

satisfactory level of performance complying with a minimum standard of capital adequacy, liquidity, and financial profitability as measured on December 31 of each year with appropriate financial ratios.

(b) the Borrower shall ensure as a minimum level that weighted average of all rates at which interest and other fees on loans made by the Borrower are charged during each Fiscal Year shall be equal to at least the rate of change of inflation determined in accordance with the Producer Price Index during such Fiscal Year.

(c) Before June 30 in each Fiscal Year, 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 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.

(d) If any such review shows that the Borrower would not meet any of its requirements on financial performance, for the Fiscal Year covered by such review, the Borrower shall promptly take all measures as shall be necessary (including, without limitation, adjustments to 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, the term "Producer Price Index" means the Guarantor's producer price index published in the annual report of the Bank al Maghrib.

Section 4.05. The provisions of Section 4.04 of the Loan Agreement between the Bank and the Borrower dated July 21, 1989 for a National Agricultural Credit Project (Loan No. 3088 MOR) are hereby amended by the substitution therefor of the provisions of the preceding Section 4.04 of this Agreement.

Section 4.06. (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 4.07. 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) the Borrower's Legislation or the Statement of Development 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, 1994, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph (b) 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 (c):

(A) the right of the Borrower to withdraw the proceeds of the Cofinancing 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 (c) 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.

(d) The Borrower shall have failed to maintain its participation in the Foreign Exchange Risk Coverage Scheme in accordance with the requirements thereof or the Guarantor shall have failed to maintain the Foreign Exchange Risk Coverage Scheme.

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

(a) any event specified in paragraph (a) or paragraph (d) 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 Director General 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:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

For the Borrower:

Caisse Nationale de Credit Agricole
2-4 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 Rabat, Kingdom of Morocco, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

CAISSE NATIONALE DE CREDIT AGRICOLE

By /s/ Rachid 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 for: | | |
| (a) greenhouses | 10,000,000 | 75% of amounts paid by the Borrower |
| (b) other investments | 45,000,000 | 40% of amounts paid by the Borrower |
| (2) Sub-loans under Part A (2) of the Project: | | |
| (a) agro-industry | 15,000,000 | 50% of amounts paid by the Borrower |
| (b) other investments | 10,000,000 | 50% of amounts paid by the Borrower |
| (3) Sub-loans under Part A (3) of the Project | 10,000,000 | 35% of amounts paid by the Borrower |
| (4) Sub-loans under Part A (4) of the Project | 5,000,000 | 30% 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 | 4,000,000 | 50% of amounts paid by the Borrower |
| (6) Goods for Part C of the Project | 500,000 | 100% of foreign expenditures and 80% of local expenditures for other items procured locally |
| (7) Consultants' services, training and fellowships for Part C of the Project | 500,000 | 100% |

TOTAL 100,000,000
=====

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

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$10,000,000, may be made on account of payments made for expenditures before that date but after April 1, 1993.

4. The Bank may require that withdrawals from the Loan Account be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Bank shall specify by notice to the Borrower.

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, inter alia, of the Guarantor's agricultural, agro-processing, rural and fishing sectors; and (2) strengthen the Guarantor's rural financing system, including the operations and institutional capabilities of the Borrower.

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: Sub-loans

The financing, through the provision of Sub-loans, to:

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

(2) agro-processing enterprises, of investment projects to construct and equip processing, packing and storage facilities for agro-industrial, agricultural, forestry and livestock products, to expand, upgrade and rehabilitate the product mix of such facilities and to strengthen the operations of said enterprises;

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

(4) fishermen, of investment projects to acquire fishing boats and to equip, repair and upgrade fishing boats so as to improve the operations of coastal fisheries; and

(5) 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: Land Consolidation Credit

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

Part C: Borrower's Institutional Development

The carrying out of a program to strengthen the organization, management and operations of the Borrower, including the provision of training and the provision of software, the maintenance of computer equipment and the provision of small pedagogical and other small equipment.

Part D: Climatic Risk Management

The establishment of a Climatic Risk Insurance Fund, to put into operation a suitable nationwide climatic risk management insurance scheme.

* * *

The Project is expected to be completed by September 30, 1997.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|--------------------|---|
| March 15, 1999 | 1,870,000 |
| September 15, 1999 | 1,940,000 |
| March 15, 2000 | 2,010,000 |
| September 15, 2000 | 2,085,000 |
| March 15, 2001 | 2,165,000 |
| September 15, 2001 | 2,245,000 |
| March 15, 2002 | 2,325,000 |
| September 15, 2002 | 2,415,000 |
| March 15, 2003 | 2,505,000 |
| September 15, 2003 | 2,595,000 |
| March 15, 2004 | 2,695,000 |
| September 15, 2004 | 2,795,000 |
| March 15, 2005 | 2,895,000 |
| September 15, 2005 | 3,005,000 |
| March 15, 2006 | 3,115,000 |
| September 15, 2006 | 3,230,000 |
| March 15, 2007 | 3,350,000 |
| September 15, 2007 | 3,475,000 |
| March 15, 2008 | 3,605,000 |
| September 15, 2008 | 3,740,000 |
| March 15, 2009 | 3,880,000 |
| September 15, 2009 | 4,020,000 |
| March 15, 2010 | 4,170,000 |
| September 15, 2010 | 4,325,000 |
| March 15, 2011 | 4,485,000 |
| September 15, 2011 | 4,655,000 |
| March 15, 2012 | 4,825,000 |
| September 15, 2012 | 5,005,000 |
| March 15, 2013 | 5,190,000 |
| September 15, 2013 | 5,385,000 |

* 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 11 years before maturity | 0.55 |
| More than 11 years but not more than 16 years before maturity | 0.80 |
| More than 16 years but not more than 18 years before maturity | 0.90 |
| More than 18 years before maturity | 1.00 |

SCHEDULE 4
Action Program

The provisions of this Schedule shall apply for the purposes of Section 3.02 of this Agreement.

In order to carry out the Project, the Borrower shall:

(a) develop and introduce an executive decision making information and management control system which the Bank agrees is designed to assist the Borrower in carrying out its strategic objectives, its long-term corporate development plan, and its annual business plan, and ensure that said system shall be fully operational starting June 30, 1994;

(b) develop and introduce, not later than January 1, 1995, a management information system, including a banking accounting system, designed to improve the quality and efficiency of the Borrower's services and further the competition of its products, and ensure that said systems shall be fully operational not later than January 1, 1997;

(c) introduce a regional structure designed to strengthen the Borrower's institutional capabilities as a multi-purpose finance institution and ensure that said structure shall be operational not later than September 30, 1997;

(d) develop a program, satisfactory to the Bank, to diversify its services, and ensure that said program shall be implemented starting January 1, 1996; and

(e) prepare and furnish to the Bank, not later than October 31 in each Fiscal Year, a proposed training program, including, without limitation, training in environmental impact assessments for staff of the agro-processing units of the Borrower's regional branches, which it proposes to carry out during the next following Fiscal Year; and thereafter, carry out such training program for said next Fiscal Year as shall have been agreed between the Bank and the Borrower.

SCHEDULE 5

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 3.03 (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

(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 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.

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), or A (5) of the Project, regardless of the amount thereof; and (ii) any Sub-loan for an Investment Project under Part A (2) or A (4) of the Project in an amount not exceeding the sum of DH20,000,000 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 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;

(b) provisions to ensure that no expenditures for pesticides shall be eligible for financing out of the proceeds of the Sub-loan; and

(c) 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.

SCHEDULE 6

Procurement and Consultants' Services

Section I. Procurement of Goods

Contracts for goods estimated to cost the equivalent of \$200,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures acceptable to the Bank.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded to consultants: (a) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (b) 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall

not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4), (5), (6) and (7) 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 Parts A and C of 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, provided, however, that notwithstanding the provisions of paragraph 2 (b) of Schedule 5 to this Agreement, payments for expenditures to be financed out of the proceeds of free limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited in 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 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; 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.

