

CONFORMED COPY

LOAN NUMBER 4340-MOR

Loan Agreement

(Contractual Savings Development Loan)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 17, 1998

LOAN NUMBER 4340-MOR

LOAN AGREEMENT

AGREEMENT, dated June 17, 1998, between KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated November 7, 1997 from the Borrower describing a program of action, objectives and policies designed to further structural adjustment of the Borrower's financial sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; 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 a single tranche as hereinafter provided; and

(C) the Borrower has indicated that it may request further assistance from the Bank for purposes of implementing the medium and long-term measures of the Program and the Bank is prepared to consider providing such assistance in accordance with the Bank's applicable policies and procedures;

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, with the

modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, is modified to read:

"Project means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.";

(b) Section 4.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the currency of the deposit account specified in Section 2.02 of the Loan Agreement.";

(c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions";

(d) The last sentence of Section 5.03 is deleted;

(e) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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 El 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) "Deposit Account" means an account referred to in Section 2.02 (b) of this Agreement; and "Deposit Accounts" means the two Deposit Accounts collectively.

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

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

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

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 fifty million Dollars (\$50,000,000); and

(b) an amount equal to two hundred and ninety five million and one hundred thousands French Francs (FRF295,100,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain in its central bank, one (1) deposit account in Dollars and one (1) deposit account in French Francs, on terms and conditions satisfactory to the Bank. Each withdrawal from the Loan Account shall be deposited by the Bank into the Deposit Account denominated in the currency in which such withdrawal is requested.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank, (i) deposit into the Deposit Accounts or the respective Deposit Account an amount equal to the amount of said payment, or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 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 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:

(b) for the Dollar Tranche Loan LIBOR Base Rate plus LIBOR Total Spread.

(c) for the French Franc Tranche Loan PIBOR Base Rate plus PIBOR Total Spread

(d) 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 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount of the Dollar 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 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 in which Disbursed Amounts of the Dollar Loan Tranche is withdrawn: (A) one half of one percent ($1/2$ 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 such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(v) "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 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.

(vi) "PIBOR Total Spread" means, for each Interest Period in which Disbursed Amounts of the French Franc Loan Tranche is withdrawn: (A) one half of one percent (1/2 of 1%); (B) 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.

(e) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread applicable to each Disbursed Amount of the Dollar Loan Tranche, and of PIBOR Base Rate and PIBOR Total Spread applicable to each Disbursed Amount of the French Franc Loan Tranche for each Interest Period, promptly upon the determination thereof.

(f) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, 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 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 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. The Bank El 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.

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.

(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, in such detail as the Bank shall reasonably request.

(c) The Borrower shall inform the Bank on any action taken by the Borrower after disbursement that would have an impact on the Program.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Accounts audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than

nine months after the date of the Bank's request for such audit, 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

(c) furnish to the Bank such other information concerning the Deposit Accounts and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (i) 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

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Minister of Finance 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:

Ministre l'Economie et des Finances
Ministère de l'Economie et des Finances
Rabat
Kingdom of Morocco

Fax:	Telex:
(212) 7-76 40 81	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 (MCI) or 64145 (MCI)

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/ Kemal Dervis

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), 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 materials	-	Radioactive and associated
667	-	Pearls, precious and semiprecious stones, unworked or worked
718 thereof; fuel non-irradiated, for	718.7	Nuclear reactors, and parts elements (cartridges), nuclear reactors
728.43	-	Tobacco processing machinery
897 platinum watch silversmiths'	897.3	Jewelry of gold, silver or group metals (except watches and cases) and goldsmiths' or

971 - wares (including set gems)
gold Gold, non-monetary (excluding
ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 2

Amortization Schedule

Date Payment Due Tranche*	Payment of Principal of the Dollar Loan Tranche*	Payment of Principal of the French Francs Loan
November 15, 2003	1,050,000	7,395,000
May 15, 2004	1,080,000	7,535,000
November 15, 2004	1,115,000	7,675,000
May 15, 2005	1,145,000	7,825,000
November 15, 2005	1,180,000	7,970,000
May 15, 2006	1,215,000	8,120,000
November 15, 2006	1,255,000	8,275,000
May 15, 2007	1,290,000	8,435,000
November 15, 2007	1,330,000	8,595,000
May 15, 2008	1,370,000	8,755,000
November 15, 2008	1,410,000	8,920,000
May 15, 2009	1,455,000	9,090,000
November 15, 2009	1,495,000	9,265,000
May 15, 2010	1,545,000	9,440,000
November 15, 2010	1,590,000	9,615,000
May 15, 2011	1,635,000	9,800,000
November 15, 2011	1,685,000	9,985,000
May 15, 2012	1,735,000	10,175,000
November 15, 2012	1,790,000	10,365,000
May 15, 2013	1,845,000	10,565,000
November 15, 2013	1,900,000	10,765,000
May 15, 2014	1,955,000	10,970,000
November 15, 2014	2,015,000	11,175,000
May 15, 2015	2,075,000	11,390,000
November 15, 2015	2,140,000	11,605,000
May 15, 2016	2,205,000	11,825,000
November 15, 2016	2,270,000	12,045,000
May 15, 2017	2,340,000	12,275,000
November 15, 2017	2,410,000	12,510,000
May 15, 2018	2,475,000	12,740,000

* The figures in this column represent each the amount respectively in dollars and

French Francs to be repaid, except as provided in Section 4.04(d) of the
General Conditions.

