

CONFORMED COPY

LOAN NUMBER 2806-5 MOR

(Industrial Export Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

CREDIT DU MAROC

Dated July 27, 1987

LOAN NUMBER 2806-5 MOR

LOAN AGREEMENT

AGREEMENT, dated July 27, 1987, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and CREDIT DU MAROC (hereinafter called 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;

(C) by an agreement (BNDE Loan Agreement) of even date herewith between the Bank and National Bank for Economic Development (BNDE), BNDE has agreed to undertake certain obligations on behalf of the Borrower as set forth in the BNDE Loan 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;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 5 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms and acronyms have the following meanings:

(a) "BNDE" means the National Bank for Economic Development (Banque Nationale pour le Developpement Economique), a financial institution established and operating pursuant to the Convention dated July 30, 1959 approved by the Guarantor's Law (Dahir) No. 1-59-294 dated October 21, 1959;

(b) "Category" means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(c) "Charter" means the Borrower's Statutes (Statuts) dated April 26, 1976, as amended to the date of this Agreement, pursuant to which the Borrower has been established and is operating, as the same may be amended from time to time;

(d) "Dirham" means the currency of the Guarantor;

(e) "Exporter" means a direct or indirect exporter to which the Borrower proposes to make or has made a Working-capital Sub-loan;

(f) "Export Program" means a program of exports, which is to be carried out by an Exporter utilizing the proceeds of a Working-capital Sub-loan;

(g) "Investment Enterprise" means an enterprise to which the Borrower proposes to make or has made an Investment Sub-loan;

(h) "Investment Project" means a specific export development project, which satisfies the criteria set forth in Part A (4) (b) of Schedule 4 of this Agreement, and which is to be carried out by an Investment Enterprise utilizing the proceeds of an Investment Sub-loan;

(i) "Investment Sub-loan" means a loan to an Investment Enterprise for an Investment Project, made or proposed to be made by the Borrower, in accordance with the terms and conditions set forth in Part A of Schedule 4 to this Agreement, out of the proceeds of the Loan allocated from time to time to Categories (1) and (2); and "free-limit Investment Sub-loan" means an Investment Sub-loan as so defined, which qualifies as a free-limit Investment Sub-loan pursuant to the provisions of Part A (2) (b) of said Schedule 4;

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

(k) "Sub-loan" means an Investment Sub-loan (including a free-limit Investment Sub-loan) or a Working-capital Sub-loan, or both, as the context may require; and

(1) "Working-capital Sub-loan" means a working-capital loan to an Exporter in respect of an Export Program, made or proposed to be made by the Borrower, in accordance with the terms and conditions set forth in Part B of Schedule 4 to this Agreement, out of the proceeds of the Loan allocated from time to time to Category (3).

## 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 in various currencies equivalent to two million dollars (\$2,000,000).

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 expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in a commercial bank agreed between the Bank and the Borrower 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 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

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

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 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.

Section 2.08. BNDE is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under Section 2.02 of this Agreement and Article V of the General Conditions.

### ARTICLE III

#### Execution of the Project; Management and Operations of the Borrower

Section 3.01. 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 carry out the Project and conduct its operations and affairs with due diligence and efficiency and in conformity with appropriate technical, administrative, economic and financial standards and practices, with qualified management and staff in adequate numbers, and in accordance with the Charter, and shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Further to and without limitation on the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) make Sub-loans, to Investment Enterprises for Investment Projects under Part A of the Project, and to Exporters for Export Programs under Part B thereof, all on the basis of the criteria, procedures and terms and conditions set forth or referred to in Schedule 4 to this Agreement;

(b) supervise and monitor the carrying out of the Investment Projects under Part A of the Project and the Export Programs under Part B thereof, all in accordance with policies and procedures satisfactory to the Bank; and

(c) exercise its rights under each Sub-loan in such manner as to: (i) protect the interests of the Guarantor, the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.03. The Borrower shall: (a) prepare and, not later than December 31 of each year, furnish to the Bank for its comments the proposed program of training referred to in Part C of the Project for the following year; and (b) thereafter, promptly carry out said program on the basis of the comments received from the Bank on said program.

Section 3.04. The Borrower shall include in the information to be furnished to the Bank pursuant to Section 9.07 (a) of the General Conditions:

(a) annual progress reports, in form and substance satisfactory to the Bank, on the execution of the Investment Projects and on the operation of such Investment Projects during the first three years following their completion; and

(b) semi-annual reports, in form and substance satisfactory to the Bank, on the use of the working-capital financing facility referred to in Part B of the Project.

### ARTICLE IV

#### Financial Covenants

Section 4.01. The Borrower shall maintain records and accounts adequate to monitor and record the progress of the Project, each Investment Project and each Export Program (including its cost and the benefits to be derived from it) and to reflect, in accordance with consistently maintained sound accounting practices the operations and financial condition of the

Borrower, including, without limitation, separate records and accounts for each Sub-loan reflecting all amounts disbursed or received by the Borrower for such Sub-loan.

Section 4.02. (a) The Borrower shall:

- (i) have (A) the records and accounts referred to in Section 4.01 of this Agreement, (B) its accounts and financial statements (balance sheets, statements of income and expenses and related statements), (C) the records and accounts for the Special Account and (D) the separate accounts referred to in Section 4.03 of this Agreement, 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.

(b) 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 Section 4.01 of this Agreement, 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 (a) 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 4.03. Except as the Bank may otherwise agree:

(a) the Borrower shall: (i) open by the date on which it shall receive the first payment of interest or other charges on, or payment of principal under, any of the Working-capital Sub-loans, and thereafter maintain in a currency other than Dirhams a separate account in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank; and (ii) upon receipt of each such payment or repayment under each Working-capital Sub-loan, credit the same to the said separate account. All amounts so credited to the said separate account shall be utilized by the Borrower, to the extent they are not yet required to meet the Borrower's repayment obligations to the Bank under this Agreement, exclusively to finance the further development of

export-oriented industrial enterprises in accordance with guidelines satisfactory to the Bank.

(b) The Borrower shall: (i) open by the date on which it shall receive the first payment of interest or other charges on, or payment of principal under, any of the Investment Sub-loans, and thereafter maintain a separate account on its books in accordance with its normal financial procedures and on terms and conditions satisfactory to the Bank; and (ii) upon receipt of each such payment or repayment under each Investment Sub-loan, credit the same to the said separate account. All amounts so credited to the said separate account shall be utilized by the Borrower, to the extent they are not yet required to meet the Borrower's repayment obligations to the Bank under this Agreement, exclusively to finance the further development of export-oriented industrial enterprises in accordance with guidelines satisfactory to the Bank.

Section 4.04. (a) 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 (including Dirhams) used in its operations.

(b) The Borrower shall furnish to the Bank at regular intervals all such information as the Bank may reasonably request on the fulfillment by the Borrower of its obligations set forth in paragraph (a) of this Section.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely that the Charter or any law, decree or decision of the Guarantor pertaining to the operations of the Borrower 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.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the arrangements referred to in Section 3.02 of the Guarantee Agreement have been concluded in accordance with the provisions of said Section.

Section 6.02. 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

##### Miscellaneous

Section 7.01. The Chief Executive Officer 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:

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Credit du Maroc  
48-58 Boulevard Mohamed V  
Casablanca  
Kingdom of Morocco

Cable address:

CREDIROC

Telex:

21054

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.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis  
Acting Regional Vice President  
Europe, Middle East and North Africa

CREDIT DU MAROC

By /s/ M. Faris  
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) Goods, works and services for	1,000,000	60%

	Part A(1) of the Project		
(2)	Goods, works and services for Parts A(2) and A(3) of the Project	200,000	100% of foreign expenditures
(3)	Goods and services for Part B of the Project	800,000	100% of foreign expenditures
	TOTAL	2,000,000	

2. For the purposes of this Schedule, 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) 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 \$100,000 may be made in respect of expenditures to be financed out of the proceeds of the Loan allocated to Categories (1) and (2) on account of payments made for expenditures before that date but after March 31, 1987; and

(b) in respect of expenditures made for an Investment Project or an Export Program for which an Investment Sub-loan or a Working-capital Sub-loan shall have been made and to be financed out of the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3) unless such Sub-loan has been made in accordance with the criteria and procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to expand the base of manufactured exports, by financing investments in export-oriented industries and helping develop export marketing capabilities; (ii) to strengthen the export promotion and appraisal capabilities of the Borrower; and (iii) to improve the economic and administrative conditions under which exporters operate.

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: Export Finance

Financing, through the provision of loans, including Sub-loans, of Investment Projects:

- (1) for the establishment, expansion or upgrading of the facilities of export-oriented enterprises and the restructuring of said enterprises;
- (2) for the development and implementation of export marketing plans of industrial enterprises; and
- (3) for the creation and expansion of export trading companies.



Part B: Facilities for Exporters

Provision of working-capital finance to direct and indirect exporters.

Part C: Institutional Development

Development and implementation of a program to train the staff of the Borrower in matters of export development and finance, including: (i) appraisal of investments in export projects; (ii) carrying out of market studies; (iii) export marketing techniques and development of export marketing plans and export trading companies; (iv) management and organization of firms, with special attention to their export departments; and (v) export financing techniques.

\* \* \*

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 15 and October 15 beginning October 15, 1991 through October 15, 2001	90,000
On April 15, 2002	110,000

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\* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than eleven years before maturity	0.73
More than eleven years but not more than thirteen years before maturity	0.87

SCHEDULE 4

Investment Sub-loans and Working-capital Sub-loans:  
Criteria, Procedures, Terms and Conditions

For purposes of Section 3.02 of this Agreement, the Borrower shall, except as the Bank may otherwise agree, make Investment Sub-loans and Working-capital Sub-loans on the basis of the following criteria, procedures and terms and conditions:

A. Investment Sub-loans

1. The Borrower shall appraise each Investment Project for which it proposes to make an Investment Sub-loan in accordance with guidelines satisfactory to the Bank.

2. No expenditures for goods, works or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) (i) the Investment Sub-loan for such Investment Project shall have been approved by the Bank and (ii) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 3 (a) of this Part A in respect of such Investment Sub-loan; or

(b) (i) the Investment Sub-loan for such Investment Project shall have been a free-limit Investment Sub-loan for which the Bank has authorized withdrawals from the Loan Account and (ii) such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (b) of this Part A in respect of such free-limit Investment Sub-loan. For the purposes of this Agreement, a free-limit Investment Sub-loan shall be an Investment Sub-loan for an Investment Project referred to in Part A (1) of the Project, in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$500,000 equivalent, and made or proposed to be made by the Borrower after the first three Investment Sub-loans for Investment Projects referred to in said Part A (1) which shall have been furnished by the Borrower to, and approved by, the Bank.

(c) The ninety day limitation referred to in subparagraphs (a) (ii) and (b) (ii) of this paragraph 2 shall not apply in respect of the expenditures referred to in subparagraph 3 (a) of Schedule 1 to this Agreement.

3. (a) When presenting an Investment Sub-loan (other than a free-limit Investment 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 Investment Enterprise, including its ownership structure, and the appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Investment Sub-loan, including the schedule of amortization thereof; 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 Investment Sub-loan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the free-limit Investment Sub-loan,

including the schedule of amortization thereof.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph 3 shall be presented to the Bank on or before September 30, 1990.

4. Investment Sub-loans shall be made exclusively to an Investment Enterprise:

(a) of which less than 50% of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Guarantor or by any of its political or administrative subdivisions or agencies or by any public autonomous agency of the Guarantor; and

(b) which shall have established to the satisfaction of the Borrower on the basis of guidelines acceptable to the Bank that: (i) the Investment Project is for the establishment, expansion, or upgrading of the facilities of export-oriented enterprises, the restructuring of the organization, management and operations thereof, the development and implementation of medium-term marketing plans of industrial enterprises, or the creation and expansion of export trading companies; (ii) the Investment Project is estimated to enable the Investment Enterprise to export at least 40% of the incremental production resulting from such Investment Project; (iii) the Investment Project is calculated to have an economic rate of return and a financial rate of return of at least 12% each; and (iv) at least 30% of the estimated total cost of the Investment Project, in the case of the creation of a new facility or a new trading company, and at least 30% of the estimated value of total fixed assets of the Investment Enterprise upon completion of the Investment Project, in the case of an Investment Project for the expansion, restructuring or upgrading of an existing facility, shall be financed by equity participations in the Investment Enterprise carrying out the Investment Project.

5. The total principal amount of all Investment Sub-loans to an Investment Enterprise for any single Investment Project, when added to the total amount of all other loans to such Investment Enterprise for such Investment Project which the Bank shall have agreed to finance, shall not exceed the lesser of: (a) the equivalent of \$3,000,000; and (b) in the case of an Investment Project referred to in Part A (1) of the Project, the equivalent of 60% of the estimated total cost of the Investment Project (including permanent working capital, but excluding the cost of land) and, in the case of an Investment Project referred to in Part A (2) or A (3) of the Project, the equivalent of 100% of the estimated foreign expenditures for said Investment Project. For purposes of this paragraph, the term "foreign expenditures" has the meaning set forth in paragraph 2 of Schedule 1 to this Agreement.

6. Each Investment Sub-loan shall:

(a) be denominated in a currency or currencies as reasonably selected by the Borrower;

(b) (i) if such Sub-loan is denominated in Dirhams, provide for repayment of the equivalent in Dirhams (such equivalent to be determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of goods, works and services to be financed out of the proceeds of the Loan allocated from time to time to Categories (1) and (2) and required for the execution of the Investment Project for which such Investment Sub-loan has been made; and (ii) if such Sub-loan is denominated in a currency or currencies

other than Dirhams, provide for repayment of the equivalent in terms of dollars (such equivalent to be determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of goods, works and services to be financed out of the proceeds of the Loan allocated from time to time to Categories (1) and (2) and required for the execution of the Investment Project for which such Investment Sub-loan has been made;

(c) have a maturity of not less than 5 and not more than 12 years including a grace period of not more than 3 years, provided that the final date of repayment of the principal amount of said Investment Sub-loan shall in no event occur after the final date of repayment of the principal amount of the Loan referred to in Schedule 3 to this Agreement; and

(d) carry interest on the principal amount of the Investment Sub-loan withdrawn and outstanding from time to time, at an effective rate which, shall be: (i) at least equal to 13% but not more than 16% per annum, if said Sub-loan is denominated in Dirhams; and (ii) not more than 3% above the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of this Agreement, if said Sub-loan is denominated in a currency or currencies other than Dirhams.

7. Investment Sub-loans shall be made on terms and conditions whereby the Borrower shall obtain by written contract or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods, works and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price (in the case of goods and works, on the basis of a comparison of quotations obtained from at least three suppliers), 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 (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall 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 Investment Enterprise to replace or repair such goods;

(e) obtain 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 Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

B. Working-capital Sub-loans

1. (a) The Borrower shall make an appraisal, to be carried out in accordance with guidelines satisfactory to the Bank, of the operations, financial condition and Export Program of each Exporter to which it proposes to make a Working-capital Sub-loan.

(b) On the basis of the appraisal referred to in subparagraph (a) of this paragraph 1, the Borrower shall establish semi-annually a credit limit satisfactory to the Bank for Working-capital Sub-loans to such Exporter.

2. No expenditures for goods or services required for an Export Program shall be eligible for financing out of the proceeds of the Loan unless the Bank shall have authorized withdrawals from the Loan Account for the Working-capital Sub-loan for such Export Program and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (a) of this Part B in respect of such Working-capital Sub-loan.

3. (a) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a Working-capital Sub-loan shall: (A) contain (i) a summary description of the Exporter and its Export Program; (ii) a description of the expenditures proposed to be financed out of the Loan; and (iii) the terms and conditions of the Working-capital Sub-loan; and (B) in the case of the first three Working-capital Sub-loans in a principal amount exceeding the equivalent of \$100,000 each, be accompanied by a copy of the appraisal referred to in paragraph 1 (a) of this Part B.

(b) Applications and requests made pursuant to subparagraph (a) of this paragraph 3 shall be presented to the Bank on or before December 31, 1989.

4. No Working-capital Sub-loan shall be made to an Exporter if the aggregate principal amount outstanding of Working-capital Sub-loans previously made to such Exporter when added to the principal amount of the Working-capital Sub-loan proposed to be made would exceed the credit limit referred to in paragraph 1 (b) of this Part B.

5. Each Working-capital Sub-loan shall be made exclusively to an Exporter:

(a) of which less than 50% of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Guarantor or by any of its political or administrative subdivisions or agencies or by any public autonomous agency of the Guarantor; and

(b) which shall have established to the satisfaction of the Borrower on the basis of guidelines satisfactory to the Bank that the Sub-loan is to finance the importation of goods required by such exporter for incorporation into a good to be exported under the Export Program and for the provision of spare parts and of services required by such exporter in connection with said Export Program.

6. Each Working-capital Sub-loan shall:

(a) be denominated in a currency or currencies other than Dirhams as reasonably selected by the Borrower;

(b) provide for repayment of the equivalent in terms of dollars (such equivalent to be determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of goods and services to be financed out of the Loan allocated from time to time to Category (3) and required for the execution of the Export Program for which such Working-capital Sub-loan has been made;

(c) have a maturity of not more than one year; and

(d) carry interest on the principal amount of the Working-capital Sub-loan withdrawn and outstanding from time to time, at an effective rate equal to not more than 2% above the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of this Agreement.

7. Working-capital Sub-loans shall be made on terms and conditions whereby the Borrower shall obtain by written contract or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Exporter to carry out its Export Program with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be purchased 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, in the case of services, of their quality and the competence of the parties rendering them; and (ii) such goods and services shall be used exclusively in the carrying out of the Export Program;

(c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and any relevant records and documents;

(d) require that: (i) the Exporter shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall 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 Exporter to replace or repair such goods;

(e) obtain 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 Exporter and to the benefits to be derived from its Export Program; and

(f) suspend or terminate the right of the Exporter to the use of the proceeds of the Loan upon failure by such Exporter to perform its obligations under its contract with the Borrower.

#### SCHEDULE 5

#### Modification of General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

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

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) (i) by the date specified in paragraph 3 (c) of Part A of Schedule 4 to the Loan Agreement, no applications or requests under sub-paragraphs (a) or (b) of said paragraph shall have been received by the Bank, or by the date specified in paragraph 3 (b) of Part B of said Schedule, no requests under sub-paragraph (a) of said paragraph shall have been received by the Bank, in respect of any portion of the Loan, or (ii) having been so received, shall have been denied, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) to (3) inclusive;

(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, provided, however, that payments for expenditures to be financed out of the proceeds of free-limit Investment Sub-loans or out of the proceeds of Working-capital 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 \$300,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower, for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.





