

CONFORMED COPY

LOAN NUMBER 3121 MOR

(Second Housing Finance Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 27, 1989

LOAN NUMBER 3121 MOR

LOAN AGREEMENT

AGREEMENT, dated October 27, 1989, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; 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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the term "Special Account" means the account referred to in Section 2.02 (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, various currencies that shall have an aggregate value equivalent to the amount of three million dollars (\$3,000,000), 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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of 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 may, for the purposes of the Project, open and maintain a special account, on terms and conditions satisfactory to the Bank, in a currency and a financial institution, both satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 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 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 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 semiannually on January 15 and July 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

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 Part A of the Project through its Ministry of Interior and Information and Part B thereof through its Ministry of Housing, all with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and urban planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) In order to assist the Borrower in carrying out the Project, the Borrower shall employ, not later than September 30, 1990, consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) 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.

(b) The Borrower shall take all action necessary to ensure that: (i) the plans and programs to be developed under Part A(2) of the Project and the study to be carried out under Part A(3) thereof shall be completed and copies thereof furnished to the Bank not later than December 31, 1992; and (ii) the study to be carried out under Part B of the Project shall be completed and a copy thereof furnished to the Bank not later than December 31, 1991.

(c) The Borrower shall afford the Bank a reasonable opportunity to exchange views with the Borrower on said plans, programs and studies and shall thereafter promptly take all action necessary to ensure the proper implementation of said programs and the recommendations based on said studies, taking into account the Bank's comments thereon.

(d) The Borrower shall assign qualified staff of its Ministries of Interior and Information and of Housing in adequate numbers: (i) to assist the consultants employed in accordance with the provisions of paragraph (a) of this Section for Parts A and B of the Project; and (ii) thereafter to update and disseminate, in accordance with the policies and procedures developed under Parts A and B of the Project, data required for the preparation and updating of urban development plans and for the documents related to the study of housing production.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in para-

graph (a) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) 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.

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. 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:

Ministry of Finance
Rabat
Kingdom of Morocco

Telex:

31936 M

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)

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/ A. Benjelloun

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis

Acting Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Loan Allocated (Expressed in Dollar Equivalent) | of % Expenditures to be Financed |
|--|--|--|
| (1) Consultants' services, including preparation of base maps, and related equipment for Part A of the Project | 2,000,000 | 100% |
| (2) Consultants' services and related equip- | 1,000,000 | 100% |

ment for
Part B of the
Project

TOTAL 3,000,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$300,000, may be made on account of payments made for expenditures before that date but after September 1, 1989.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in implementing its strategy to promote the development of suitable low- and moderate-cost housing within its urban centers through the strengthening of the institutional capabilities of the Borrower's Ministries of Interior and Information and of Housing.

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:

Carrying out of a study to:

(1) Develop and apply policies and procedures to enhance the efficient preparation of urban development, land-use plans, and action plans for the development of priority areas of the Borrower's urban centers, for the purpose of establishing a new operational system for urban development using appropriate and efficient technical and financial instruments.

(2) Prepare, on the basis of the policies and procedures developed under Part A (1) of the Project, pilot projects comprising: (i) urban development, land-use plans, and action plans for the development of priority areas for the agglomeration of Larrache and Ksar El-Kebir, and implementation programs for said plans; (ii) action plans for the development of priority areas within Rabat and Tangier; and (iii) base maps required for said plans.

(3) Review the Borrower's legislative and regulatory system governing urban planning in Morocco, including the preparation of urban development and land-use plans and the deployment of an operational implementation system, for the purpose of recommending measures to facilitate the proper preparation and implementation of such urban plans and programs.

Part B:

Carrying out of a study to:

(1) Analyze the existing building and housing development facilities and products through the evaluation of the capacity of all entities concerned, and the assessment of the cost elements, taking into consideration the physical, regulatory, and procedural factors.

(2) Recommend improvements to the regulatory, organizational and procedural system for enhancing the quality and reducing the cost of low- and moderate-cost dwellings, and serviced land for such dwellings.

(3) Develop a monitoring system in the form of data banks and establish an implementation system to encourage improvements in

the architectural designs and in the execution of low-and moderate-cost dwellings and land development projects.

* * * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars)* |
|------------------|---|
| January 15, 1995 | 55,000 |
| July 15, 1995 | 55,000 |
| January 15, 1996 | 60,000 |
| July 15, 1996 | 60,000 |
| January 15, 1997 | 65,000 |
| July 15, 1997 | 65,000 |
| January 15, 1998 | 70,000 |
| July 15, 1998 | 70,000 |
| January 15, 1999 | 75,000 |
| July 15, 1999 | 75,000 |
| January 15, 2000 | 80,000 |
| July 15, 2000 | 85,000 |
| January 15, 2001 | 85,000 |
| July 15, 2001 | 90,000 |
| January 15, 2002 | 95,000 |
| July 15, 2002 | 95,000 |
| January 15, 2003 | 100,000 |
| July 15, 2003 | 105,000 |
| January 15, 2004 | 110,000 |
| July 15, 2004 | 110,000 |
| January 15, 2005 | 115,000 |
| July 15, 2005 | 120,000 |
| January 15, 2006 | 125,000 |
| July 15, 2006 | 130,000 |
| January 15, 2007 | 135,000 |
| July 15, 2007 | 140,000 |
| January 15, 2008 | 145,000 |
| July 15, 2008 | 150,000 |
| January 15, 2009 | 160,000 |
| July 15, 2009 | 175,000 |

* 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 on the Loan on the day of prepayment, multiplied by: |
| Not more than three years before maturity | 0.15 |
| More than three years but | 0.30 |

| | |
|--|------|
| not more than six years before maturity | |
| More than six years but not more than eleven years before maturity | 0.55 |
| More than eleven years but not more than sixteen years before maturity | 0.80 |
| More than sixteen years but not more than eighteen years before maturity | 0.90 |
| More than eighteen years before maturity | 1.00 |

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Loan Account and deposited into 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 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 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.



