

No. 6937

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
MOROCCO**

Guarantee Agreement—Development Bank Project (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Banque Nationale pour le Développement Économique). Signed at Washington, on 21 December 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 24 September 1963.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
MAROC**

Contrat de garantie — *Projet concernant la Banque de développement économique (avec, en annexe, le Règlement n°4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Banque nationale pour le développement économique). Signé à Washington, le 21 décembre 1962*

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 24 septembre 1963.

No. 6937. GUARANTEE AGREEMENT¹ (*DEVELOPMENT BANK PROJECT*) BETWEEN THE KINGDOM OF MOROCCO AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 21 DECEMBER 1962

AGREEMENT, dated December 21, 1962, between the KINGDOM OF MOROCCO (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and the Borrower, which agreement and the schedule therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal of and interest and other charges on such loan ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties in this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 1³ to said Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in Section 1.02 of said Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

¹ Came into force on 15 January 1963, upon notification by the Bank to the Government of Morocco.

² See p. 214 of this volume.

³ See p. 232 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of, and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien created in the ordinary course of business on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banque du Maroc or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the

Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall not amend the Government Agreement without the approval of the Bank.

Section 3.07. The Guarantor covenants that it will not take, cause or permit to be taken, any action which would prevent or materially interfere with the carrying on by the Borrower of its operations and affairs in accordance with sound financial and investment standards and practices, or with the performance by the Borrower of its obligations under the Loan Agreement.

Section 3.08. The Guarantor shall make arrangements to protect the Borrower against any loss in connection with the payment of interest or other charges on or the repayment of principal of the Loan or the Bonds as a result of a change in the rate of exchange between Dirhams and the currency or currencies in which such payments are to be made.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor

and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministère des Finances
Rabat, Morocco

Alternative address for cablegrams and radiograms :

Ministère Finances
Rabat, Morocco

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Kingdom of Morocco :

By Ali BENGELLOUN
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(DEVELOPMENT BANK PROJECT)

AGREEMENT, dated December 21, 1962, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANQUE NATIONALE POUR LE DÉVELOPPEMENT ÉCONOMIQUE (hereinafter called the Borrower), a company organized and existing under the laws of the Kingdom of Morocco (hereinafter called the Guarantor).

WHEREAS (A) the Borrower has requested the Bank to make a loan to it in an amount in various currencies equivalent to fifteen million dollars (\$15,000,000) to assist the Borrower in providing credits and other productive investments for investment projects in Morocco ;

(B) The Loan provided for in this Agreement is to be guaranteed as to payment of principal, interest and other charges by the Guarantor upon the terms of a Guarantee Agreement of even date¹ herewith between the Guarantor and the Bank ;

(C) The capital stock of the Borrower is to be increased by an amount of ten million Dirhams (DH.10,000,000) of ordinary shares of the Borrower to be subscribed by the International Finance Corporation (hereinafter called the Corporation) and by existing shareholders or other investors ; and

WHEREAS the Bank has agreed to make a loan to the Borrower upon the conditions hereinafter set forth ;

NOW THEREFORE it is hereby agreed as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 1³ to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ See p. 206 of this volume.

² See above.

³ See p. 232 of this volume.

Section 1.02. Wherever used in this Loan Agreement, or any Schedule thereto, the following terms shall have the following meanings unless the context otherwise requires :

(a) The term "Statutes" shall mean the statutes of the Borrower, as amended from time to time ;

(b) The term "the 1963 share issue" means the ordinary shares of the Borrower in the amount of ten million Dirhams (DH.10,000,000) to be subscribed, allotted and fully paid in cash at par by the Corporation and existing shareholders or other investors in and outside Morocco not later than December 31, 1963 ;

(c) The term "investment enterprise" shall mean an enterprise to which the Borrower shall have granted a credit, or in which it shall have made any other investment, in accordance with and as provided in Section 3.01 of this Agreement ;

(d) The term "investment project" shall mean a specific development project to be carried out by an Investment Enterprise as shall be approved in writing by the Bank pursuant to the provisions of Section 3.02 of this Agreement ;

(e) The term "Dirham" and the symbol "DH" shall mean currency of the Guarantor ;

(f) The term "foreign currency" shall mean any currency other than currency of the Guarantor ;

(g) The term "subsidiary" shall mean any company of which a majority of the outstanding voting stock shall be owned, or which shall be effectively controlled, by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries ;

(h) The term "Investment Agreement" shall mean the agreement between the Corporation and the Borrower providing for the subscription by the Corporation of ordinary shares of the Borrower of the 1963 share issue ; and

(i) The term "Government Agreement" shall mean collectively the Conventions No. 1, dated July 30, 1959, No. 2, dated December 15, 1959 (as amended by the Avenant A, dated August 31, 1962), No. 3, dated January 22, 1960, and No. 4, dated August 31, 1962, between the Guarantor and the Borrower, and the Letter No. 303, dated March 20, 1962, from the Minister of Finance of the Guarantor to the Borrower, as the same may be amended from time to time.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower.

(b) Except as the Bank and the Borrower shall otherwise agree, there shall be credited to the Loan Account, when any investment project shall be approved by the Bank as in Section 3.02 provided, such part of the Loan as the Bank shall approve ; provided, how-

ever, that the amount so credited to the Loan Account shall, except as the Bank and the Borrower shall otherwise agree, not exceed (i) the estimated foreign currency cost of such investment project or (ii) the amount of the credit or other investments made directly by the Borrower for such investment project, whichever shall be the smaller.

(c) The amount credited to the Loan Account pursuant to subparagraph (b) of this Section may, by agreement between the Bank and the Borrower, be reduced by any amount which will not be required for the investment project in respect of which it was so credited. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an investment project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations and this Agreement, and shall be applied exclusively for credits or other investments for the investment project in respect of which such amounts were credited to the Loan Account.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on amounts of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account to the respective dates on which they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations, or the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (c) hereof.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity.

Section 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.08. (a) The Borrower shall repay the principal of each part of the Loan in accordance with an amortization schedule, including provisions for premiums on prepayment of principal in advance of maturity, to be agreed upon between the Bank and the Borrower for such part of the Loan at the time when the Loan Account is credited therewith, as such schedule may be amended from time to time by agreement between the Bank and the Borrower. Except as the Bank and the Borrower may otherwise agree, such amortization schedule shall not extend beyond fifteen years from the time when the Loan

Account is credited and shall conform substantially to the amortization schedule applicable to any credit made by the Borrower in respect of the investment project for which such part of the Loan is to be used ; provided, however, that payments due hereunder shall be made on the dates specified in Section 2.07 hereof.

(b) Notwithstanding the provisions of subparagraph (a) of this Section, if the Borrower shall sell, transfer or otherwise dispose of all or any part of any credit or other investment for an investment project, the Borrower shall repay on the next following payment date such amount of that part of the Loan, the equivalent of which was used for making such credit or other investment so sold, transferred or disposed of.

Article III

DESCRIPTION OF PROJECT ; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is a program to contribute to the industrial development of Morocco by providing credits for productive purposes to industrial or other productive enterprises in Morocco, and by making other productive investments in such enterprises, for specific development projects, all in accordance with the Statutes of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 3.02. The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such investment projects as shall from time to time be approved in writing by the Bank. Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such investment project more than 90 days prior to the submission of the investment project to the Bank for approval.

Section 3.03. The Borrower shall be entitled, subject to the provisions of this Agreement and of the Loan Regulations, to withdraw from the Loan Account :

(a) such amounts as shall have been expended for the reasonable cost of goods required to carry out such investment projects as shall be approved by the Bank pursuant to the provisions of Section 3.02 hereof ; and, if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods ; and

(b) if the Bank shall so agree, the equivalent of a percentage or percentages to be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended for the reasonable cost of goods required to carry out such investment projects and not included in the foregoing ;

(c) except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (i) expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor or (ii) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 3.04. (a) When submitting an investment project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such investment project and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, requests for approval of investment projects shall be submitted on or before a date two years after the effective date of this Agreement.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Managing Director of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and personnel and in accordance with its Statutes, as amended from time to time.

Section 5.02. (a) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the investment enterprises, the investment projects and the operations and financial condition of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each investment project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representative to examine such records.

(c) The Borrower shall furnish to the Bank, as soon as available, but in any event within 150 days after the end of each fiscal year, a report stating accurately, in accordance with generally accepted accounting standards, the financial condition of the Borrower.

Section 5.03. (a) The Borrower shall exercise its rights in relation to each investment project financed out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

(b) Any credit granted by the Borrower to, or other investment made by the Borrower in, an investment enterprise for an investment project to be financed out of the

proceeds of the Loan shall be granted or made on terms whereby the Borrower shall obtain, by the written agreement of such investment enterprise or other appropriate legal means, rights adequate to protect the interests of the Borrower and the Bank, including the right to require such investment enterprise to carry out and operate the investment project with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such investment project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such investment project, the operation thereof and any relevant records and documents; the right to require that such investment enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Bank shall otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such investment enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such investment enterprise to carry out the terms of such credit or other investment.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.05. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt if at the time or as a result thereof the aggregate amount of debt incurred by the Borrower shall exceed an amount equal to three times the equity of the Borrower determined in accordance with sound accounting practices. For the purposes of this Section:

(a) the term "debt" shall be deemed to mean all indebtedness (less the amount referred to in subparagraph (b) (ii) of this Section) of the Borrower maturing more than one year after the date on which it is originally incurred and shall include guarantees of debt, and credits and investments contracted to be made by the Borrower out of debt incurred by the Borrower but not yet drawn down;

(b) the term "equity" shall be deemed to mean the aggregate of (i) the unimpaired capital of the Borrower, (ii) the amount at the time outstanding of the long-term loan from the Guarantor pursuant to the Government Agreement or any other loan which the

Bank shall determine to be equity for the purpose of this Section, and (iii) the surplus and free reserves, that is to say, reserves not set apart for any specific purpose, of the Borrower ;

(c) the equivalent in currency of the Guarantor of amounts in any other currency shall be determined on the basis of the rate of exchange at which such other currency may be obtained by the Borrower on the date of determination.

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree : (a) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; and (b) if any lien shall be created on any assets of the Borrower, other than under (a) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien created in the ordinary course of business on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods ; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall take out or cause to be taken out and maintain or cause to be maintained such insurance, against such risks and in such amounts, as shall be consistent with sound business practices.

Section 5.10. The Borrower shall duly perform all its obligations under the Government Agreement. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Government Agreement, without the approval of the Bank.

Section 5.11. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not (a) amend its Statutes ; or (b) sell, lease, transfer or otherwise dispose of its property and assets, except in the ordinary course of business.

Section 5.12. The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Section 5.13. The statement of the Borrower's lending and investment policies, which has been furnished to the Bank, shall be ratified by the Board of Directors of the Borrower at its next meeting. Except as the Bank and the Borrower shall otherwise agree, such lending and investment policies shall not be amended.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

(a) Any creditor shall, in accordance with the terms of any loan having an original maturity of one year or more, demand payment from the Borrower of any part of such loan prior to the agreed maturity thereof.

(b) A resolution shall be adopted for the dissolution or liquidation of the Borrower.

(c) The Corporation shall, in accordance with the terms of the Investment Agreement, terminate the right of the Borrower to subscription and payment under such Agreement.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Loan Agreement, within the meaning of Section 9.01 (c) of the Loan Regulations, namely that the 1962 share issue of ten million Dirhams (DH.10,000,000) of the ordinary shares of the Borrower shall have been duly and validly authorized by the Borrower and that arrangements satisfactory to the Bank shall have been made for the subscription, allotment and payment of such shares.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the authorization and arrangements referred to in Section 7.01 of this Agreement have been duly and validly taken and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.

Section 7.03. A date 90 days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1965, or such other date as shall be agreed upon between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

Banque Nationale pour le Développement Économique
Boîte postale 407
Rabat, Morocco

Alternative address for cablegrams and radiograms :

BADEMAROC
Rabat

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered 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 Eugene R. BLACK
President

Banque Nationale pour le Développement Économique :

By Ahmed LYAZIDI
Authorized Representative

SCHEDULE 1

MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of Sections 2.01, 2.02 and 2.03.

(b) By the deletion of sub-paragraphs (a) and (b) of Section 2.05 and the substitution thereof of the following sub-paragraphs :

“(a) The principal of each part of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule agreed upon between the Bank and the Borrower in respect of such part of the Loan pursuant to Section 2.08 of the Loan Agreement.

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premiums specified in the applicable amortization schedule, and upon not less than 45 days' notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such payment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(c) By the addition to Section 2.05 of the following new sub-paragraph as sub-paragraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(d) By the deletion of sub-paragraph (a) of Section 3.03 and the substitution thereof of the following sub-paragraph :

“(a) The principal of each part of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the portion of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase.”

(e) By the deletion of sub-paragraph (c) of Section 3.03 and the substitution thereof of the following sub-paragraph :

"(c) Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such instalments, not inconsistent with the instalments set forth in the amortization schedule applicable to the part of the Loan in respect of which the repayment is made, as the Bank shall from time to time specify."

(f) By the deletion of Section 4.01.

(g) By the deletion of the second sentence of Section 4.03 and the substitution therefor of the following sentence :

"Applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to expenditures for investment projects."

(h) By the deletion of Section 5.05 and the substitution therefor of the following Section :

"SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article or any reduction of the Loan Account pursuant to Section 2.02 (c) of the Loan Agreement in respect of any part of the Loan credited to the Loan Account shall be applied *pro rata* to the several maturities of the principal amount of such part of the Loan as set forth in the amortization schedule applicable thereto, except that the principal amount of any such maturity so cancelled shall not exceed the amount of such maturity remaining after deducting the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank."

(i) By the insertion of the words "of each part" after the word "amount" in Section 6.01.

(j) By the substitution of the words "the part of the Loan represented by such Bonds" for the words "the Loan", whenever they occur in Section 6.02.

(k) By the deletion of Section 6.04 and the substitution therefor of the following Section :

"SECTION 6.04. *Interest on Bonds ; Service Charge.* Each Bond shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the part of the Loan represented by such Bond. If the rate of interest on any Bond shall be less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such part of the Loan at a rate equal to the difference between the interest rate on such part of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable."

(l) By the deletion of Section 6.05 and the substitution therefor of the following Section :

“SECTION 6.05. *Currency in Which Bonds are Payable.* The Bonds shall be payable as to principal and interest in the several currencies in which the part of the Loan represented by such Bonds is repayable. Each Bond delivered pursuant to any request under Section 6.03 or under Section 6.11 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds representing a part of the Loan and payable in any currency shall at no time exceed the outstanding amount of such part of the Loan repayable in such currency.”

(m) By the deletion of Section 6.06 and the substitution therefor of the following Section :

SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of the principal amounts of the several parts of the Loan represented thereby as set forth in the amortization schedules applicable thereto. The Bonds delivered pursuant to any request under Section 6.03 or under Section 6.11 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the part of the Loan represented by such Bonds.”

(n) By the insertion of the words “of the part” after the word “amount” in the last sentence of Section 6.09.

(o) By the deletion of the first sentence of sub-paragraph (a) of Section 6.11 and the substitution therefor of the following sentence :

“(a) Bonds representing a part of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such part of the Loan.”

(p) By the deletion of sub-paragraphs (a) and (b) of Section 6.16 and the substitution therefor of the following sub-paragraphs :

“(a) Bonds shall be subject to redemption prior to their maturity by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule applicable to the part of the Loan represented by such Bonds.

“(b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the part of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such part of the Loan represented by such Bond.”

(q) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“The term ‘Loan’ means the loan provided for in the Loan Agreement, and the term ‘part of the Loan’ means the portion of the Loan credited to the Loan Account in respect of an investment project.”

(*r*) By the deletion of paragraph 10 of Section 10.01 and the substitution thereof of the following paragraph :

“The term ‘Loan Account’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement.”

(*s*) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution thereof of the following sentence :

“The term ‘goods’ means equipment, supplies and services required for the investment projects financed out of the proceeds of the Loan.”

LETTERS RELATING TO THE LOAN AGREEMENT

I

BANQUE NATIONALE POUR LE DÉVELOPPEMENT ÉCONOMIQUE

December 21, 1962

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Re : *Debt-Equity Ratio*

Gentlemen :

Reference is made to Section 5.05 of the Loan Agreement of even date¹ herewith between us. This is to confirm our understanding that :

(*a*) “debt” as defined in paragraph (*a*) of said Section shall be deemed (i) to include the advance made by the Guarantor to the Banque Nationale pour le Développement Économique pursuant to Convention No. 2 dated December 15, 1959 (as amended by the Avenant A dated August 31, 1962 and as the same may be further amended from time to time), and ii) not to include guaranteed debt on account of which the Banque Nationale pour le Développement Économique bears no risk because of the existence of “garanties” extended by the Guarantor ; and

(*b*) “free reserves” as defined in paragraph (*b*) of said Section shall be deemed to include “provision pour risques de mobilisation de crédit à moyen terme” and “fonds spécial de risques en cours”.

¹ See p. 214 of this volume.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Banque Nationale pour le Développement Économique :

By LYAZIDI

Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :

By Eugene R. BLACK
President

II

BANQUE NATIONALE POUR LE DÉVELOPPEMENT ÉCONOMIQUE

December, 21 1962

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Re : "*Mises en pension*"

Gentlemen :

Reference is made to Section 2.08 (b) of the Loan Agreement of even date herewith between us. During the course of the negotiations we have explained to you that situations could occur in which we might pledge with the Banque du Maroc or other financial institutions portions of credits or investments made by our Bank for periods not exceeding one year. This type of operation is referred to in Morocco as a "*mise en pension*".

I am writing to you to request your agreement that such operations be considered outside the scope of the above-mentioned Section of the Loan Agreement and be deemed not to constitute any sale, transfer or other act of disposal referred to in that Section.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Banque Nationale pour le Développement Économique :

By LYAZIDI

Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :

By Eugene R. BLACK
President

III

BANQUE NATIONALE POUR LE DÉVELOPPEMENT ÉCONOMIQUE

December 21, 1962

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.

Re : Eligibility of Investment Projects

Gentlemen :

Referring to Section 3.01 of the Loan Agreement of even date herewith between us, we confirm that, except as shall be otherwise agreed between you and us, the proceeds of the Loan shall not be used by us to make credits or other investments in government-controlled industrial enterprises. For the purpose of this letter, the term "government-controlled enterprise" means (a) any corporation of which a majority of the outstanding voting stock is owned by the Government of Morocco or any of its agencies, and (b) any corporation of which a majority of the outstanding voting stock is owned, directly or indirectly, by any corporation referred to in the foregoing clause (a); and the term "industrial" means processing, fabricating or assembling.

Reference is also made to Section 3.02 of the Loan Agreement. We hereby request your agreement that we shall be entitled to withdraw from the Loan Account amounts on account of expenditures made for investment projects for which contracts were signed by us after May 15, 1962 to be submitted to, and approved by you, all in accordance with the provisions of the Loan Agreement.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Banque Nationale pour le Développement Économique :

By LYAZIDI
Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :

By Eugene R. BLACK
President