

No. 8881

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
MOROCCO

Guarantee Agreement — *Second BNDE 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 13 May 1966

Official text : English.

Registered by the International Bank for Reconstruction and Development on 29 December 1967.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
MAROC

Contrat de garantie — *Deuxième projet de la BNDE* (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 13 mai 1966

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 29 décembre 1967.

No. 8881. GUARANTEE AGREEMENT¹ (*SECOND BNDE PROJECT*) BETWEEN THE KINGDOM OF MOROCCO AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 13 MAY 1966

AGREEMENT, dated May 13, 1966 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 Banque Nationale pour le Développement Économique (hereinafter called the Borrower), which agreement and the schedules 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 seventeen million five hundred thousand dollars (\$17,500,000), 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 to this Guarantee 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 2 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 2 August 1966, upon notification by the Bank to the Government of Morocco.

² See p. 214 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 ensure 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, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Inbafrad
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.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.01 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

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 Ahmed LARAKI
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
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

(SECOND BNDE PROJECT)

AGREEMENT, dated May 13, 1966, 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 seventeen million five hundred thousand dollars (\$17,500,000) 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 date herewith¹ between the Guarantor and the Bank ; and

(C) 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 2 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.

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 :

¹ See p. 206 of this volume.

² See above.

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

(b) The term "Investment Enterprise" shall mean an enterprise to which the Borrower shall propose to make or shall have made a loan, or in which it shall propose to make or shall have made an investment, in accordance with and as provided in Section 3.01 of this Agreement;

(c) The term "Investment Project" shall mean a specific investment project to be carried out by an Investment Enterprise, as submitted to the Bank for approval pursuant to Section 3.02 of this Agreement, or in respect of which a request for a credit to the Loan Account shall have been made pursuant to the provisions of Section 2.02 (b) of this Agreement;

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

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

(f) The term "subsidiary" shall mean any company of which a majority of the outstanding voting stock or other proprietary interest 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;

(g) The term "Government Agreement" shall mean collectively 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, No. 4, dated August 31, 1962 and No. 5, dated March 31, 1966 amending certain provisions of the foregoing, between the Guarantor and the Borrower, and 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 seventeen million five hundred thousand dollars (\$17,500,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in instalments as follows:

(a) Following approval by the Bank of any Investment Project as in Article III of this Agreement provided, there shall be credited at the request of the Borrower in respect of the estimated cost in foreign currency of such Investment Project, such portion of the Loan as the Bank shall have approved; provided, however, that at the time of such request there shall have been no substantial change in the Investment Project as so approved.

(b) There shall also be so credited, in respect of the estimated cost in foreign currency of any Investment Project for which the Borrower is to make or has made

a loan and for which no application has been submitted pursuant to Section 3.03 (a) or for which no credit has been made to the Loan Account pursuant to paragraph (a) of this Section, such part of the Loan as the Borrower shall from time to time request, but not exceeding with respect to any Investment Project such limit as shall from time to time be agreed by the Bank. Each request by the Borrower for a credit to the Loan Account pursuant to this paragraph (b) shall describe the Investment Project for which the part of the Loan to be credited is requested and the terms and conditions of the Borrower's credit for such Investment Project, including the schedule of amortization thereof.

(c) Except as the Bank and the Borrower shall otherwise agree, no credit shall be made pursuant to paragraph (b) above for any proposed Investment Project in respect of which a credit has been made to a loan account under any other loan agreement between the Bank and the Borrower.

(d) Any amount credited to the Loan Account pursuant to 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 Agreement, and shall be applied exclusively for credits for, or investments in, 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-eighths of one per cent ($\frac{3}{8}$ of 1 %) per annum on the amount of each part 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 : (i) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations ; or (ii) the Loan Account is reduced in respect of such amounts pursuant to Section 2.02 (d) 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 to similar borrowers. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

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 one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such schedule shall be amended from time to time as determined by the Bank and as reasonably required : (i) to conform in relevant part substantially to the aggregate of the several maturities of the amortization schedules applicable to the Investment Projects for which parts of the Loan have been credited to the Loan Account and, in the case of investments other than loans, of the amortization schedules agreed upon pursuant to Section 3.03 (a) of this Agreement, and (ii) to take into account any cancellations pursuant to Article V of the Loan Regulations and any reductions under Section 2.02 (d) of this Agreement, except that payments due hereunder shall be made on January 15 and July 15 in each year. Such amendments of Schedule 1 shall include amendments of the premiums on prepayment and redemption if this is required. The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree : (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account ; and (ii) shall provide for approximately equal semi-annual or more frequent, aggregate payments of principal plus interest, or payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree :

(a) (i) If any Investment Enterprise shall repay to the Borrower in advance of maturity a part or all of any indebtedness resulting from the relending to such Enterprise of proceeds of the Loan (herein called " sub-loan ") ; or (ii) if the Borrower shall sell, transfer, assign or otherwise dispose of a part or all of a sub-loan or of an investment made out of proceeds of the Loan in an Investment Enterprise, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount credited to the Loan Account in respect of such sub-loan or investment, or to the said part thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement. The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply.

(b) Any amount repaid by the Borrower under this Section shall be applied by the Bank as follows : (i) in the case of a sub-loan, to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of ; and (ii), in the case of a disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 2.05 (b) of the Loan Regulations shall not apply to any repayment by the Borrower in accordance with paragraph (a) of this Section.

(d) For the purposes of paragraph (a) of this Section, assignments to financial institutions of portions of sub-loans to secure debts for periods not exceeding one year (*mise en pension*) shall not be considered disposals of sub-loans.

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 economic development of Morocco by providing credits for productive purposes to industrial or other productive enterprises in Morocco, and by making other investments in such enterprises, all for specific development projects, 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 Investment Projects in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement. Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any such Investment Project more than 150 days prior to the date on which the Bank shall have credited the Loan Account in respect of such Investment Project pursuant to Section 2.02 of this Agreement.

Section 3.03. (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, the terms and conditions of the Borrower's credit to or investment in the Investment Enterprise, the amortization schedule proposed therefor and such other information as the Bank shall reasonably request.

(b) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 3.03 (a) of this Agreement and requests for credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted on or before July 1, 1968.

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 administration, 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 financial statements (balance sheet and related statement of earnings and expenses) of the Borrower, certified annually by an independent accountant or accounting firm acceptable to the Bank, shall, promptly after their preparation and certification and not later than 150 days after the close of the fiscal year to which they apply, be transmitted by the Borrower to the Bank together with a signed copy of the accountant's or accounting firm's report.

Section 5.03. (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part 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 an Investment Enterprise for an Investment Project to be financed in whole or in part out of the proceeds of the Loan shall be granted on terms whereby the Borrower shall obtain, by the written agreement of such Investment Enterprise or by 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 technical 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 practice, and that, except as the Bank shall otherwise agree, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods ; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such Investment Enterprise to the use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Enterprise to carry out the terms of such credit.

(c) In order to carry out the purposes of paragraph (a) of this Section when any investment is made by the Borrower in an Investment Enterprise other than a credit to such Enterprise, such investment shall be made on terms and conditions which take into account as far as practicable the considerations of paragraph (b) of this Section.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt the consolidated debt of the Borrower then incurred and outstanding would be greater than three times the consolidated capital and surplus of the Borrower.

For the purposes of this Section :

(a) The term " debt " means any debt incurred by the Borrower or any subsidiary of the Borrower, maturing more than one year after the date on which it is originally incurred, including debt assumed or guaranteed by the Borrower or such a subsidiary but not including debt guaranteed by the Borrower which is covered by a guarantee of the Guarantor or any agency thereof in favor of the Borrower ;

(b) The term " incur " with reference to any debt shall include any modification of the terms of payment of such debt. Debt shall be deemed to be incurred : (i) when the Borrower contracts with a third party to relend to such third party proceeds of such debt ; or (ii), under a contract or loan agreement, on the date it

is drawn down by the Borrower pursuant to such contract or loan agreement, whichever is earlier ; and (iii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Dirhams debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(d) The term “ consolidated debt of the Borrower ” shall mean the total amount of debt of the Borrower and of all its subsidiaries, excluding debt owed by the Borrower to any such subsidiary or by any such subsidiary to the Borrower or to any other such subsidiary and excluding any debt referred to in paragraph (e) (ii) of this Section.

(e) The term “ consolidated capital and surplus of the Borrower ” shall mean the aggregate of : (i) the total unimpaired capital, surplus and free reserves of the Borrower and of all its subsidiaries after excluding such items of capital, surplus and free reserves as shall represent equity interests of the Borrower or of any such subsidiary in the Borrower or in any subsidiary ; (ii) the amount at the time outstanding but not yet due for repayment of the loans totalling DH 30 million from the Guarantor pursuant to Conventions Nos. 4 and 5 included in the Government Agreement ; and (iii) such amount of any other loan which the Bank may determine to be included in the consolidated capital and surplus of the Borrower. For the purposes of this paragraph (e), free reserves shall include “ *provision pour risques de mobilisation de crédit à moyen terme* ” and “ *fonds spécial pour risques de prêts en cours.* ”

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 ; or (ii) 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.

Section 5.11. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not (a) propose to its general assembly any amendment of 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 applied thereto as though such obligations were binding upon each of such subsidiaries.

Section 5.13. Except as the Bank and the Borrower shall otherwise agree, the statement of the Borrower's 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 Statutes of the Borrower shall have been amended without the prior approval of the Bank.

(d) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Guarantor and the International Development Association.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. If this Loan Agreement shall not have come into force and effect by August 15, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1969, 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, D.C. 20433
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 George D. WOODS
President

Banque Nationale pour le Développement Économique :

By Ahmed LYAZIDI
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
January 15, 1969	\$ 50,000	July 15, 1976	\$550,000
July 15, 1969	150,000	January 15, 1977	360,000
January 15, 1970	600,000	July 15, 1977	340,000
July 15, 1970	700,000	January 15, 1978	320,000
January 15, 1971	1,300,000	July 15, 1978	280,000
July 15, 1971	1,400,000	January 15, 1979	260,000
January 15, 1972	1,450,000	July 15, 1979	240,000
July 15, 1972	1,350,000	January 15, 1980	215,000
January 15, 1973	1,250,000	July 15, 1980	185,000
July 15, 1973	1,150,000	January 15, 1981	160,000
January 15, 1974	1,100,000	July 15, 1981	140,000
July 15, 1974	1,000,000	January 15, 1982	110,000
January 15, 1975	975,000	July 15, 1982	90,000
July 15, 1975	925,000	January 15, 1983	70,000
January 15, 1976	750,000	July 15, 1983	30,000

* To the extent that any part of Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity.....	1/2%
More than three years but not more than six years before maturity.....	2 1/4%
More than six years but not more than eleven years before maturity....	3 1/2%
More than eleven years but not more than fifteen years before maturity..	5%
More than fifteen years before maturity.....	6%

SCHEDULE 2

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:

- (1) By the deletion of Sections 2.01, 2.02 and 2.03.
- (2) By the addition to Section 2.05 of the following new paragraph as 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.”

- (3) By the substitution in the second sentence of Section 4.03 of the words “Investment Projects” for the words “the Project”.

- (4) By the deletion of the period at the end of paragraph (c) of Section 5.02 and the addition to such paragraph of the following: “or under any other loan agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement.”

- (5) 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: (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and any reduction of the Loan Account pursuant to Section 2.02 (d) of the Loan Agreement, in respect of any part of the Loan credited to the Loan Account, shall be applied *pro rata* to the principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom 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; and (ii) any cancellation pursuant to this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth

in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity.”

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

“ SECTION 6.04. *Interest on Bonds ; Service Charge.* Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion 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 portion 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 portion of the Loan at a rate equal to the difference between the interest rate on such portion 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. ”

(7) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following :

“ (a) Bonds representing a portion 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 portion of the Loan. ”

(8) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph :

“ (b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion 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 portion of the Loan represented by such Bond. ”

(9) By the deletion of Section 9.04.

(10) 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 amount of the Loan credited to the Loan Account in respect of an Investment Project. ”

(11) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor 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. ”

(12) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“ 11. The term ‘ Project ’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower. ”

(13) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“ The term ‘ goods ’ means equipment, supplies and services required by Investment Enterprises to carry out Investment Projects financed out of the proceeds of the Loan. ”
