Loan Agreement

(Municipal Performance Program)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF MOROCCO ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of two hundred seventy-one million eight hundred thousand Euro (EUR271,800,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the program described in Schedule I to this Agreement ("Program").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Fixed Spread; or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Borrower elects to apply the Automatic Rate Fixing Conversion to the Loan. Accordingly, without limitation upon the provisions of Article IV of the General Conditions and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

2.07. The Payment Dates are February 15 and August 15 in each year.

2.08. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.
ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the objectives of the Program. To this end, the Borrower shall carry out the Program in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK


ARTICLE V — TERMINATION

5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Economy, Finance, and Administration Reform

6.02. For purposes of Section 10.01 of the General Conditions:

   a) the Borrower’s address is:

      Ministère de l’Economie et des Finances
      Quartier Administratif
      Avenue Mohammed V
      Rabat
      Kingdom of Morocco; and

   (b) the Borrower’s Electronic Address is:

      Telex: Facsimile:
      MINFIN 212-537-76-40-81

6.03. For purposes of Section 10.01 of the General Conditions:

   (a) the Bank’s address is:

      International Bank for Reconstruction and Development
      1818 H Street, N.W.
      Washington, D.C. 20433
      United States of America; and
(b) the Bank's Electronic Address is:

Telex:  Facsimile:
248423(MCI) or  1-202-477-6391
64145(MCI)

AGREED as of the Signature Date.

KINGDOM OF MOROCCO

By

[Signature]

Authorized Representative

Name: Mohamed Benhadid
Title: Minister of Economy, Finance, and Administrative Reform
Date: March 1983

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Jesko Hartschulz
Title: Country Director
Date: March 83
SCHEDULE 1

Program Description

The objective of the Program is to improve the institutional and service delivery performance of Participating Municipalities.

The Program consists of the following activities:

1. Developing and Implementing a Performance-based Grants Transfer system on Participating Municipalities

Incentivizing Participating Municipalities to improve their performance through the development and implementing of a performance-based grants transfer system.

2. Strengthening the Institutional Framework for Inter-municipal Cooperation

Strengthening inter-municipal cooperation to optimize and coordinate investments and resources management and to improve service delivery through, *inter alia*: (a) the development of a national scheme for inter-municipal cooperation; (b) the strengthening of the regulatory and organizational framework for ECIs sustainability, including the adoption/implementation of a new contractual framework for the financing of competencies transferred to ECIs and the implementation of the newly adopted organigrams; and (c) the development of an on-demand technical assistance program to assist Participating Municipalities interested to collaborate under an ECI model, and support the ECIs as needed.

3. Enhancing the Organization and Human Capacities of Participating Municipalities

Carrying out a program of activities aimed at strengthening the Participating Municipalities capacity and information and organization systems through, *inter alia*: (a) the development and implementation of a comprehensive capacity building program; (b) the provision of technical assistance to implement the Borrower’s legal and regulatory decentralization framework; (c) the digitalization and simplification of selected administrative processes and services to citizens and firms; and (d) the development and implementation of a training curriculum for employees and officials of Participating Municipalities.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. The Borrower shall vest the overall responsibility for the coordination, monitoring and evaluation of the Project in its Ministry of Interior (“MI”), and to this end, shall, through the MI:

   (a) within its DGCI, maintain, throughout Project implementation, the PMU with composition and resources acceptable to the Bank and defined in the Program Operational Manual, to be responsible for day-to-day management, monitoring and evaluation of the Program;

   (b) (i) ensure that the Program is carried out in accordance with the requirements set forth in a manual acceptable to the Bank (“Project Operational Manual” or “POM”); and (ii) not assign, amend, abrogate, or waive the POM or any of its provisions, except with the prior written approval of the Bank. In case of any conflict between the terms of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail;

   (c) maintain, throughout Program implementation, a Steering Committee, composed of representatives of the entities and institutions participating in the implementation, monitoring and evaluation of the Program, responsible for strategic oversight and guidance under the Program, all under terms and conditions acceptable to the Bank and described in the POM; and

   (d) ensure, throughout Program implementation, the coordination with other agencies/entities participating in the implementation of the Program, including the Participating Municipalities (including their ECIs, as applicable).

2. The Borrower, through MI, shall carry out the verification of the achievement of DLRs which are set forth in the table in Section IV.A.2 of this Schedule through the IGAT (for DLIs#1, 2, 5, 6, 7 and 8) or, as applicable, any other independent verification entity acceptable to the Bank, as further described in the verification protocol included in the POM.

B. Program Action Plan

The Borrower, through the MI, shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan and in a manner satisfactory to the Bank.
Section II. Excluded Activities

The Borrower shall ensure that the Program excludes any activities which:

A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost USD75,000,000 equivalent or more per contract; (2) goods, estimated to cost USD50,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost USD50,000,000 equivalent or more per contract; or (4) consulting services, estimated to cost USD20,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

The Borrower, through MI, shall furnish to the Bank each Program Report not later than sixty (60) days after the end of each calendar semester, covering the calendar semester.

Section IV. Withdrawal of Loan Proceeds

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) pay the Front-end Fee; (b) pay each Interest Rate Cap or Interest Rate Collar premium; and (c) finance Program Expenditures (inclusive of Taxes), on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Loan Allocated (expressed in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: Timely communication to Participating Municipalities of the indicative Performance Grants (PG) allocation and timely transfer of PGs on the basis of an objective allocation formula</td>
<td>DLR#1.1: Annual allocation of PGs made publicly available no later than mid-December 2019 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2020 (or such later date as agreed with the Bank).</td>
<td>DLR#1.1: 3,624,000</td>
</tr>
<tr>
<td>DLR#1.2: Annual allocation of PGs made publicly available no later than mid-September 2020 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2021 (or such later date as agreed with the Bank).</td>
<td>DLR#1.2: 3,624,000</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>DLR#1.3: Annual allocation of PGs made publicly available no later than mid-September 2021 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2022 (or such later date as agreed with the Bank).</td>
<td>DLR#1.3: 3,624,000</td>
<td></td>
</tr>
<tr>
<td>DLR#1.4: Annual allocation of PGs made publicly available no later than mid-September 2022 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2023 (or such later date as agreed with the Bank).</td>
<td>DLR#1.4: 3,624,000</td>
<td></td>
</tr>
<tr>
<td>DLR#1.5: Annual allocation of PGs made publicly available no later than mid-September 2023 (or such later date as agreed with the Bank) and transferred to Participating Municipalities no later than end of March of 2024 (or such later date as agreed with the Bank).</td>
<td>DLR#1.5: 3,624,000</td>
<td></td>
</tr>
<tr>
<td>DLI #2: Cumulative amount of PGs transferred to Participating Municipalities</td>
<td>DLI#2: MAD5,500 million of PGs transferred to Participating Municipalities, from a baseline of 0</td>
<td>DLI#2: 36,240,000</td>
</tr>
</tbody>
</table>

\[ D = (PG)/T*A \]
<table>
<thead>
<tr>
<th>(3) DLI#3: Percentage of Participating Municipalities that have met the Minimum Mandatory Conditions</th>
<th>DLR#3.1: 50% in 2019, from a baseline of 4%</th>
<th>DLR#3.1: 6,160,800 D=(PM)/T*A</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#3.2: 60% in 2020</td>
<td>DLR#3.2: 6,160,800 D=(PM)/T*A</td>
<td></td>
</tr>
<tr>
<td>DLR#3.3: 70% in 2021</td>
<td>DLR#3.3: 6,160,800 D=(PM)/T*A</td>
<td></td>
</tr>
<tr>
<td>DLR#3.4: 80% in 2022</td>
<td>DLR#3.4: 6,160,800 D=(PM)/T*A</td>
<td></td>
</tr>
<tr>
<td>DLR#3.5: 90% in 2023</td>
<td>DLR#3.5: 6,160,800 D=(PM)/T*A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(4) DLI#4: Percentage of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100</th>
<th>DLR#4.1: 50% in 2020, from a baseline of 10%</th>
<th>DLR#4.1: 20,385,000 D=(PM)/T*A</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#4.2: 60% in 2021</td>
<td>DLR#4.2: 20,385,000 D=(PM)/T*A</td>
<td></td>
</tr>
<tr>
<td>DLR#4.3: 70% in 2022</td>
<td>DLR#4.3: 20,385,000 D=(PM)/T*A</td>
<td></td>
</tr>
<tr>
<td>DLR#4.4: 80% in 2023</td>
<td>DLR#4.4: 19,705,500 D=(PM)/T*A</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(5) DLI#5: Elaboration of a national inter-municipal cooperation scheme</th>
<th>DLR#5.1: Adoption of the framework circular (Circulaire de Cadrage or relevant act) for the development of the national inter-municipal cooperation scheme</th>
<th>DLR#5.1: 4,530,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#5.2: Adoption of the Order/Circular (Arrêté/Circulaire or relevant act) on the national inter-municipal cooperation scheme covering at least the ten largest agglomerations listed in the POM</td>
<td>DLR#5.2: 9,060,000</td>
<td></td>
</tr>
</tbody>
</table>

| (6) DLI#6: Establishment of a sustainable operating framework for ECLs | DLR#6.1: Adoption of the order(s) (Arrêté(s) or relevant act(s)) establishing the categories of ECLs representing in total a minimum of 6.5 million | DLR#6.1: 6,795,000 |
inhabitants pursuant to *Circulaire* No. D-536 dated April 8, 2019

<table>
<thead>
<tr>
<th>DLR#6.2: Adoption of the circular (<em>Circulaire</em> or relevant act) establishing the contractual framework for the financing of competences transferred to ECIs (including model agreement by type of competency and method for calculating transferred expenses)</th>
<th>DLR#6.2: 6,795,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#6.3: 50% of the total number of positions provided for by the organization charts of ECIs representing in total a minimum of 6.5 million inhabitants have been filled</td>
<td>DLR#6.3: 6,795,000</td>
</tr>
<tr>
<td>DLR#6.4: 15 competencies have been covered by financing agreements in ECIs representing in total a minimum of 500,000 inhabitants</td>
<td>DLR#6.4: 6,795,000</td>
</tr>
</tbody>
</table>

(7) DLR#7: Digitalization of procedures and administrative services

<table>
<thead>
<tr>
<th>DLR#7.1: The integrated revenue management system has been implemented in at least 50% of the Participating Municipalities</th>
<th>DLR#7.1: 6,342,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#7.2: The digital platform for issuing building permits and commercial licenses is operational and publicly accessible in at least 50% of the Participating Municipalities</td>
<td>DLR#7.2: 6,342,000</td>
</tr>
<tr>
<td>DLR#7.3: The integrated revenue management system has been implemented in at least 70% of the Participating Municipalities</td>
<td>DLR#7.3: 6,342,000</td>
</tr>
<tr>
<td>DLR#7.4: 6,342,000</td>
<td></td>
</tr>
<tr>
<td>DLR#7.4: The back-office system for the civil registry has been developed and is operational in at least 50% of the Participating Municipalities</td>
<td></td>
</tr>
<tr>
<td>DLR#7.5: The citizen services digital portal is operational and publicly available in at least 50% of the Participating Municipalities</td>
<td></td>
</tr>
</tbody>
</table>

| DLR#7.5: 6,342,000 |

| (8) DLI#8: Percentage of Participating Municipalities benefiting from the capacity building activities requested in their Annual Capacity Building Plans (ACBP) |
| DLR#8.1: A capacity building program has been established (including on-demand trainings and technical assistance services) and a consolidated ACPB has been developed following an inventory of the identified needs in training and technical assistance, in 2019. |
| DLR#8.2: A medium-term capacity building strategy for the Participating Municipalities (as defined in the POM) has been adopted by the DGCL, in 2020. |
| DLR#8.3: 50% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2020. |
| DLR#8.4: 60% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2021. |
| DLR#8.5: 70% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2022. |
| DLR#8.6: 80% of the Participating Municipalities have achieved at least 70% of their ACPB, in 2023. |

| DLR#8.1: 4,077,000 |
| DLR#8.2: 2,265,000 |
| DLR#8.3: 4,077,000 |
| DLR#8.4: 4,077,000 |
| DLR#8.5: 4,077,000 |
| DLR#8.6: 4,077,000 |
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   
   (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed EUR13,590,000 may be made on the basis of DLRs achieved prior to this date but on or after January 1, 2019; or/and
   
   (b) for any DLR under Categories (1) to (9), until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw an amount not to exceed EUR67,950,000 as an advance; provided, however, that if the DLRs in the opinion of the Bank, are not achieved (or only partially achieved) by the Closing Date, the Borrower shall refund such advance (or portion of such advance as determined by the Bank in accordance with the provisions of paragraph (3) of this Part B) to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLRs under Categories (1) to (9) has not been achieved, the Bank may, by notice to the Borrower (a) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or (b) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

4. The Closing Date is December 31, 2024.
The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>Beginning February 15, 2025</td>
<td>2.52%</td>
</tr>
<tr>
<td>through February 15, 2044</td>
<td></td>
</tr>
<tr>
<td>On August 15, 2044</td>
<td>1.72%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. "Annual Capacity Building Plans" or "ACBP" means each of the annual capacity building plan prepared/to be prepared by the Participating Municipalities.


3. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

4. "Co-financier" means Agence Francaise du Development or AFD.

5. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of 100 million Euro to be provided by the Co-financier to assist in financing the Program.

6. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.

7. "DGCL" means Direction Generale des Collectivites Locales, the Borrower’s Directorate General of Local Governments established within the ML.

8. "D=(PG)/T*A" means, for DLR#2, the following: Disbursement (D) is equal to MAD amount of PGs transferred to Participating Municipalities (PG), divided by targeted MAD amount in DLR (T), multiplied by total USD amount allocated to the DLR (A).

9. "D=(PM)/T*A" means, the following:
   (a) for DLR#3: Disbursement (D) is equal to percentage number of Participating Municipalities that have met the minimum mandatory conditions (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).
   (b) for DLR#4: Disbursement (D) is equal to percentage number of Participating Municipalities that have achieved a performance score above the agreed threshold of 60 points out of 100 (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).
   (c) for DLR#8: Disbursement (D) is equal to percentage number of Participating Municipalities benefitting from the capacity building activities requested in their annual capacity building plans (PM), divided by total percentage number of Participating Municipalities targeted under said DLR (T), multiplied by total amount allocated to said DLR (A).
10. "D=(NA)*89,784" means, for DLR#9, the following: for each new financial audit (NA) carried out on a Participating Municipality which has not been audited in the two years preceding the new audit, 89,784 may be made available for withdrawal by the Borrower.

11. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

12. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

13. "ECI" means *Etablissement de coopération intercommunale* pursuant to the Borrower's Organic Law No. 113-14 regarding the municipalities.


15. "IGAT" means the Borrower's *Inspection Générale de l' Administration Territoriale*.

16. "MAD" means Moroccan Dirham, the lawful currency of the Kingdom of Morocco.

17. "Minimum Mandatory Conditions" means the minimum conditions included in the Borrower's performance assessment framework and further described in the POM.

18. "Ministry of Interior" or "MI" means the Borrower's Ministry of Interior or any successor thereto.

19. "Participating Municipalities" means the Borrower's municipalities participating in the Program and located in the Program Area, as listed in the POM.

20. "Performance-based Grants" or "PG" means each performance-based grant.

21. "PMU" means the Project Management Unit referred to in Section I.A(a) of Schedule 2 to this Agreement.

22. "Program Area" means the Borrower's: (a) regions of Béni Mellal-Khénifra, Casablanca-Settat, Drâa-Tafilalet, Fès-Meknès, Marrakech-Safi, Oriental, Rabat-Salé-Kénitra, Souss-Massa and Tanger-Tétouan-Al Hoceima; (b) provinces of Guelmin, Tan-Tan and Sidi Ifni; and (c) municipality of Assa.

23. "Program Action Plan" means the Borrower's plan dated September 25, 2019 and referred to in Section I.B of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Bank.

24. "Program Operational Manual" or "POM" means the Borrower's manual referred to in Section I.A.1(b) of Schedule 2 to this Agreement setting forth the technical, administrative, environmental, social and fiduciary procedures applicable to the Program.
25. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

26. "Steering Committee" means the Comité de Pilotage, the committee referred to in Section I.A.1 (c) of Schedule 2 to this Agreement.