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IMPLEMENTATION AGREEMENT

BETWEEN

THE KINGDOM OF MOROCCO

AND

THE UNITED STATES OF AMERICA

FOR

...

LOW INCOME SHELTER PROGRAM

DATED AS OF: APRIL 19, 1983

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IMPLEMENTATION AGREEMENT

Implementation Agreement (the "Agreement"), dated as of _____, between the Kingdom of Morocco (the "Borrower"), acting through the Ministry of Finance (MOF) and the Ministry of Housing and Regional Development (MHAT), and the United States of America, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

THE AGREEMENT

Section 1.01. Background and Purpose. Reference is made to a series of related agreements, dated as stated therein, whereunder Borrower agrees to borrow a sum as specified in Article III from a private U.S. lender ("Investor"), A.I.D. shall agree to guaranty the Borrower's repayment obligations to the Investor, and the Borrower agrees to reimburse A.I.D. for any losses that A.I.D. may incur by virtue of the A.I.D. guaranty to the Investor. These agreements are called, respectively, the "Loan Agreement", the "Contract of Guaranty", the "Morocco Guaranty Agreement", and the "Paying and Transfer Agency Agreement". The purposes, respectively, of this Implementation Agreement (the "Agreement") and the agreements listed above are to state the understandings between the Borrower and A.I.D. with regard to the project described below (the "Program") and to facilitate the financing of the Program.

Section 1.02. Definitions. The terms used herein shall have the same meaning as in the Loan Agreement, the Paying and Transfer Agency Agreement, the Contract of Guaranty, and the Morocco Guaranty Agreement, unless otherwise defined herein. The following terms are defined as follows:

A.I.D.	Agency for International Development.
BCP	Banque Centrale Populaire.
Eligible Beneficiary	As defined in Section 6.04.
Eligible Expenditures	As defined in Section 5.02.
GOM	The Government of the Kingdom of Morocco.
MOF	The Ministry of Finance.
MHAT	The Ministry of Housing and Regional Development.
Note	A Promissory Note executed by the Borrower, guaranteed by A.I.D., and registered by the Paying Agent in the Note Register in accordance with the terms of the Paying and Transfer Agency Agreements.
Noteholder	A Party holding a Note.

Parties	Signatories to this Agreement.
PMB	"Petit et Moyen Bidonvilles" (small and medium sized slums).
Program	A joint A.I.D. and GOM effort to provide a range of PMB Upgrading and Urban Shelter Projects to increase the availability of low cost shelter and related services to low-income families.
Subprogram	Each of the three major Program components, including Technical Support, PMB Upgrading, and Urban Core Housing.
Project	A site specific construction activity either for the PMB Upgrading or the Urban Core Housing Projects, or specific support as part of the Technical Support.

ARTICLE II

THE PROGRAM

Section 2.01. Description of the Program. The Program is a joint A.I.D.-Kingdom of Morocco effort designed to assist in the development and implementation of the GOM's PMB and urban core housing programs, including social and economic infrastructure, and to strengthen the GOM's capacity to provide affordable shelter for low income families. The Program will consist of the following subprograms, as further described in Annex A attached hereto.

- A. Upgrading of Small and Medium Sized Bidonvilles (PMB Upgrading): Bidonvilles of between approximately 500 and 5,000 inhabitants (or as otherwise mutually agreed upon in writing) located throughout Morocco may be upgraded. Projects will provide basic infrastructure and community facilities as appropriate and where appropriate will provide for legalized land tenure and support for dislocated families in the context of the implementation of the Projects.
- B. Urban Core Housing: Project will provide minimum core housing units including related infrastructure and community facilities affordable to low income families in selected cities of Morocco.
- C. Technical Support: Support will be provided to strengthen the capacity of the implementing agencies in the development and implementation of this Program and other possible shelter programs. Support may include but is not limited to surveys and studies, training, equipment, architectural and engineering services, and financing for the recruitment of personnel to assist in development and implementation of Projects.

Within the limits of the description of the Program in this Section, details of the Program as set forth in Annex A may be changed by written agreement pursuant to the procedure set forth in Section 7.01.

ARTICLE III

FINANCING

Section 3.01. A.I.D. Resources for the Program.

- A. The A.I.D. Guaranteed Loan. To assist the Borrower in meeting the costs of carrying out the Program, the Borrower will borrow up to Seventeen Million United States Dollars (\$17,000,000), (the "Loan"), from the Investor. A.I.D. will guaranty to the Investor the repayment of the Loan and all outstanding interest thereon by Borrower; provided that, except as A.I.D. may otherwise agree in writing, such Loan is contracted no later than September 30, 1984. The selection of the Investor and the terms and conditions of the Loan Agreement are subject to approval by A.I.D.
- B. Additional A.I.D. Resources. To further strengthen the capacity of implementing agencies, A.I.D. has made grant funding available under a separate agreement with MHAT and, within the limitations of its budget, would consider providing additional funding for this purpose.

Section 3.02. Borrower Resources for the Program.

- A. The specific resources provided by the Borrower or that the Borrower will cause to be provided for the Program will be approximately the equivalent of Five Million Six Hundred Thousand United States Dollars (\$5,600,000), including costs borne on an "in-kind" basis and the cost of land adjusted for inflation.
- B. Borrower will provide or cause to be provided financing necessary to complete the PMB Upgrading and Urban Core Housing Projects since no more than 70% of these Program costs will be eligible for reimbursement to the Borrower, as provided in Sections 5.02 (B) and (C). The Borrower, communes and local authorities and beneficiaries will provide at least the equivalent of approximately \$3,900,000 for PMB Upgrading Projects and \$1,700,000 for Urban Core Housing Project.
- C. Notwithstanding any of the above, the Borrower agrees to provide or cause to be provided for the Program all funds, in addition to the Loan, and all other resources required to carry out the Program effectively and in a timely manner. Such funds and resources shall be applied to housing construction, infrastructure, water, sewer, and electrical services to Project sites. The Borrowers shall assure continued maintenance of such services in accordance with the requirements of Moroccan law.

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Section 3.03. Final Disbursement Date.

- A. The Final Disbursement Date is the date specified in the Loan Agreement for the final disbursement, or such other date as the Parties may agree to in writing.
- B. After the Final Disbursement Date, except as A.I.D. may otherwise agree in writing, A.I.D. will not guaranty additional borrowings under the Loan Agreement.

ARTICLE IV

PAYING AND TRANSFER AGENCY AGREEMENT

Section 4.01. Paying and Transfer Agency Agreement. As a condition to participating in the A.I.D. Housing Guaranty Program and receiving the A.I.D. Guaranty for the Loan, the Borrower shall enter into a standard Paying and Transfer Agency Agreement with The Riggs National Bank of Washington, D.C. (the "Paying Agent") at the time of signing the Loan Agreement. The cost for the services of the Paying Agent shall be borne by the Borrower. The Paying Agent shall distribute the Borrower's repayments on the Notes, transmit periodic A.I.D. fee payments, transfer Notes to new Noteholders, and otherwise provide the necessary servicing of such Notes.

Section 4.02. Payment of A.I.D. Fees. The Borrower shall pay to A.I.D. the following fees:

- A. Disbursement Fee. The Borrower shall pay to A.I.D. a fixed disbursement fee equal to one percent (1%) of each Loan as defined in the Loan Agreement approved by A.I.D. for the Program. Such fee shall be paid to A.I.D. upon the first disbursement of the A.I.D. - Guarantied Loan. This fee shall be non-refundable, notwithstanding the failure of the Borrower to subsequently receive additional disbursements of the full amount of the Loan. The fee is payable by electronic fund transfer to the Federal Reserve Bank of New York by specifying "credit to the U.S. Treasury, New York City, A.I.D. Agency Location Code 72000001, A.I.D. project number 608-HG-002, in payment of the A.I.D. Fee". The fee may be deducted from the amount disbursed upon instruction to the Investor by the Borrower in the "Request for Borrowing" as required by the Loan Agreement.
- B. Guaranty Fee. In addition, the Borrower shall pay to A.I.D. a Guaranty Fee calculated at the rate of one-half of one percent (1/2%) per annum of the aggregate unpaid principal amount of all A.I.D.-guarantied Notes issued and outstanding under the Loan Agreement. This Fee shall accrue from the date each guarantied Note is issued under the Loan Agreement, and shall be payable to A.I.D. on the same due dates as provided on the Notes until each Note is fully repaid.

Section 4.03. Payments by Borrower to Investor and A.I.D. In order to facilitate principal and interest repayments due the Investor and the payment of the A.I.D. Guaranty Fee to A.I.D., the Borrower agrees to remit all such sums to the Paying Agent, at the address specified herein, or as otherwise provided in the Paying and Transfer Agency Agreement. Other fees due the Investor, such as the Investor's commitment fee, shall be paid as agreed between the Investor and Borrower. It is understood that the Paying Agent shall apply such remittances in accordance with the Loan Agreement, the Paying and Transfer Agency Agreement and this Agreement.

Section 4.04. Late Payment Charge. In the event of late payment of amounts due A.I.D. under Section 4.02, or any sums due A.I.D. by way of reimbursement under Section 4.05, a Late Payment Charge will accrue on the unpaid installment. This Late Payment Charge on the unpaid installment will accrue to A.I.D. on a semi-annual basis at the interest rate of the Loan and will be calculated from the date it was due to the date it was received by A.I.D. The Late Payment Charge will be computed as if each year consisted of three hundred sixty-five (365) days.

Section 4.05. Reimbursement and Subrogation.

- A. The Borrower agrees that if A.I.D. makes any payment on its behalf to the Investor pursuant to the Contract of Guaranty, whether or not the Investor has applied to A.I.D. for such payment and whether or not an Event of Default has occurred under the terms of the Loan Agreement, the Borrower will reimburse A.I.D. for such payment.
- B. In the event the Borrower defaults under the terms of the Loan Agreement and A.I.D. makes payment to the Investor on behalf of the Borrower pursuant to the Contract of Guaranty, A.I.D., by operation of this Agreement and any existing applicable common law rights as may exist, shall become subrogated to all the rights of the Investor against the Borrower.

ARTICLE V

DISBURSEMENTS

Section 5.01. General Basis for Disbursement. Advances, progress payments and retentions:

- A. Reference is made to the Loan Agreement which sets forth certain conditions to be met before the Investor is obligated to make disbursements. Except as A.I.D. may otherwise agree, all of the conditions precedent to disbursement in the Loan Agreement must be met to Investor's and A.I.D.'s satisfaction. In addition, A.I.D. requires that certain conditions precedent relating to the Program be met as specified below.
- B. All documents requiring A.I.D. approval as a condition for a disbursement being guaranteed shall be delivered to A.I.D. far enough in advance of disbursement to permit proper review, but in no event less than twenty (20) calendar days prior to a disbursement.

C. Disbursements may be made upon mutually acceptable terms to the Parties as follows:

1. Advances:

Upon the written request of the Borrower and after review and approval of Delivery Plans according to Section 6.02, A.I.D. will consider disbursement for advances for Eligible Expenditures as provided in Section 5.02, up to thirty percent (30%) of the Loan allocation for Technical Support, and up to thirty percent (30%) of the Loan allocation for PMB Upgrading Projects and up to thirty percent (30%) of the Loan allocation for Urban Core Housing Projects. Additional advances may be made after review and approval by A.I.D. of updated Delivery Plans and upon the liquidation of any outstanding advances. Notwithstanding any of the above, total advances may not at any time exceed Four Million United States Dollars (\$4,000,000) except as A.I.D. and the borrower may otherwise agree.

2. Progress Payments:

A.I.D. shall approve disbursements for progress payments for Eligible Expenditures as set forth in Section 5.02 on work completed after proper certification by the Borrower.

3. Retentions:

Except as A.I.D. may otherwise agree, not more than seventy percent (70%) of the estimated costs approved by A.I.D. pursuant to Section 5.03 for any of the PMB Upgrading or Urban Core Housing Projects may be disbursed as advance and/or progress payments, and not more than Seven Million United States Dollars (\$7,000,000) shall be disbursed as advances and/or progress payments, for PMB Upgrading Projects and not more than Three Million United States Dollars (\$3,000,000) shall be disbursed as advances and/or progress payments for Urban Core Housing Projects. Whenever a total of Seven Million United States Dollars (\$7,000,000) shall have been disbursed for the PMB Upgrading Projects, no further disbursement shall be made for that Subprogram until all the condition precedent for the Final Disbursement shall have been met as set forth in Section 5.07, and whenever a total of Three Million United States Dollars (\$3,000,000) shall have been disbursed for Urban Core Housing Projects, no further disbursement shall be made for that Subprogram until all the conditions precedent for the Final Disbursement shall have been met as set forth in Section 5.07.

(b). As may be mutually agreed, the retentions set forth above and in Section 5.07 may be reduced after review of the Program Delivery Plan.

Section 5.02. Eligible Expenditures for Each Subprogram. Eligible expenditures shall include reasonable, actual Borrower's fees associated with the Loan, any fees set forth in this Agreement, and the following:

- A. Technical Support: Eligible Expenditures shall include costs approved by AID for reasonable and actual expenditures to hire staff and consultants for studies to design, finance, and implement the PMB Upgrading and Urban Core Housing Subprograms. Expenses shall also include approved costs for studies and surveys for the development of these and similar programs and for the development of housing policy; costs for the design and development of rural housing programs and of projects to upgrade large bidonvilles; costs of training; participation in and support of seminars and conferences relevant to low income housing and upgrading; costs of equipment and material to improve the management capabilities of implementing agencies; costs of public information and community participation in low income housing projects; the costs of developing savings programs for low income families; and any other such costs as the GOM and A.I.D. may agree to in writing. Eligible Expenditures paid for this Subprogram will be one hundred percent (100%) reimbursable. Expenses incurred after September 30, 1981 with respect to this Subprogram shall be eligible for reimbursement.
- B. PMB Upgrading: Eligible Expenditures shall include reasonable and actual expenditures for the design and construction of new or improved surface water drainage, potable water distribution, electrical distribution, and other urban infrastructure systems, the purchase of municipal equipment to be used to maintain Projects, the provision of community facilities, the provision of compensation for dislocated families and/or the construction of core housing units and such other costs as A.I.D. and the Government of Morocco may agree to in writing. Eligible Expenditures for this Subprogram shall be reimbursable up to seventy percent (70%). Expenses incurred after September 30, 1981 shall be eligible for reimbursement.
- C. Urban Core Housing Project: Eligible Expenditures shall include the reasonable and actual expenditures for the design and construction of units described for such Urban Core dwelling units and the related infrastructure and facilities thereto, and such other costs as A.I.D. and the Borrower may agree to in writing. Eligible expenditures for this Subprogram shall be reimbursable up to seventy percent (70%). Expenses incurred after September 30, 1981 shall be eligible for reimbursement.

Section 5.03. Allocation of Funds.

- A. The following sums shall be allocated to the three Subprograms within the Program:
 1. Technical Support and Studies Subprogram: The approximate sum of Four Million United States Dollars (\$4,000,000) shall be allocated from the Loan for this Project.

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2. PMB Upgrading Subprogram: The approximate sum of Nine Million United States Dollars (\$9,000,000) shall be allocated from the Loan for this Project.
3. Urban Core Housing Subprogram: The approximate sum of Four Million United States Dollars (\$4,000,000) shall be allocated from the Loan for this Project.

B. Revision of the Allocation of Funds. The sums allocated above for the various Subprograms represent the best estimates of Subprogram needs. These sums may be adjusted between each Subprogram by mutual agreement of the Parties. Further, these sums may be mutually adjusted as a revision to Annex A according to the procedures as provided in Section 7.01, so long as: (1) the total amount of the Loan to be disbursed for the Program is not exceeded, and (2) no single category is increased or decreased by more than a factor of twenty percent (20%).

✓ Section 5.04. Condition Precedent to Investor Selection. Promptly after the execution of this Agreement, and prior to Borrower's commencement of its investor selection activities, the Borrower, with the assistance of A.I.D. shall prepare a Program Delivery Plan in form and substance acceptable to both parties, as set forth in Section 6.02 of this Agreement.

✓ Section 5.05. Conditions Precedent to A.I.D.'s Guaranty of First Disbursements. Prior to A.I.D.'s guaranty of additional disbursements under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. a legal opinion of the Secretary General of the Government of Morocco with respect to those matters set forth in the Loan Agreement concerning the validity of the Loan Agreement; and the Morocco Guaranty Agreement, and that such Agreements have been duly authorized, executed and delivered by the Government, and constitute a legal, valid and binding obligation of the Kingdom of Morocco.
- B. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- C. a Request for Disbursement and Certificate in the form of Annex B, duly completed and signed, including any schedules indicating the application of the funds requested;
- ✓ D. an updated Program Delivery Plan prepared in accordance with Section 6.02;
- ✓ E. a plan for the management and implementation of the Program;
- ✓ F. the terms of reference, scopes of work and related budget for the Technical Support Subprogram;
- ✓ G. the terms of reference and timing for a cost recovery study for the Program;

H. ✓ If part of the first disbursement is to be used for construction activities, the Borrower shall provide A.I.D. with the following:

- ✓(1) evidence that the cost recovery studies have been completed;
- ✓(2) an updated Program Delivery Plan showing the projected construction activity for this disbursement;
- ✓(3) description of the coordinating mechanisms as set forth in Section 6.05;
- ✓(4) evidence of legal steps initiated to secure title to all land and all rights of way necessary for the Project activities;
- ✓(5) a Project description pursuant to Section 6.03, for any Project to be financed by this disbursement;
- ✓(6) unless A.I.D. otherwise agrees, evidence of separate written agreements with the Banque Centrale Populaire (BCP), and/or such other financial institutions as may be necessary, which shall define the responsibilities of the BCP and such other financial institutions to make and service loans to Eligible Beneficiaries under the Program.

I. any other supplementary information with regard to the documents noted in this Section.

Section 5.06. Conditions Precedent to A.I.D.'s Guaranty of Additional Disbursements, Except for the Final Disbursement. Prior to A.I.D.'s guaranty of additional disbursements under the Loan, except for the Final Disbursement, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. all documents required by the Loan Agreement to satisfy the conditions precedent contained therein;
- B. a Request for Disbursement and Certificate in the form of Annex B; duly signed and completed containing schedules which indicate the application of funds;
- C. an updated Program delivery Plan as stated in section 6.02 indicating the Project activities to be financed from the disbursement;
- D. evidence of progress of the Program as a whole and each of the Projects in accordance with Section 6.09;
- E. a Project description pursuant to Section 6.03 for each Subproject to be financed by such disbursement; and
- F. any other supplementary information with regard to the document noted in this Section.

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Section 5.07. Conditions Precedent to A.I.D. Guaranty of the Final Disbursement Under the Loan. Prior to A.I.D.'s guaranty of the final disbursement, which shall not be less than Two Million United States Dollars (\$2,000,000) for the PMB Upgrading Subprogram and One Million United States Dollars (\$1,000,000) for the Urban Core Housing Subprogram, the Borrower shall deliver in form and substance satisfactory to A.I.D., except as the Parties may otherwise agree in writing:

- A. all documents required by the terms of the Loan Agreement to satisfy conditions precedent for the final disbursement;
- B. a request for Disbursement and Certificate in the form of Annex B, duly completed and signed, and any Schedules indicating the application of funds from the final disbursement;
- C. evidence that all advances for each Subprogram have been liquidated, with evidence that each Subproject activity has been completed in accordance with the Program Delivery Plan to the satisfaction of A.I.D.;
- D. evidence, acceptable to A.I.D., that the Special Covenants set forth in this Agreement have been met; and
- E. any other documents or evidence as A.I.D. may reasonably request.

Section 5.08. Terminal Date for Conditions Precedent.

- A. If all of the conditions precedent specified in Sections 5.05, 5.06 and 5.07 have not been met as of the dates specified in the Loan Agreement for the disbursements, or such later dates as A.I.D. may agree to in writing, A.I.D., at its option, may terminate its own obligations under this Agreement by written notice to the Borrower.
- B. In case of termination pursuant to subparagraph A above, A.I.D. shall have no further obligation to guaranty the Notes issued by the Borrower to the Investor, except whenever such Notes are issued pursuant to that section of the Contract of Guaranty, providing for the assignment and replacement of Notes. A.I.D. may require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal on such Notes with accrued interest and the Guaranty Fee to the date such payment is made, as well as any Late Payment Charge which may have accrued.

Section 5.09. Exchange Rate. The rate of exchange used for the purpose of preparing a Request for Disbursement and Certificate shall be the official rate of exchange in Morocco on a date to be chosen by Borrower within forty-five (45) days prior to the submission of the Request for Disbursement and Certificate, and this date shall be specified therein.

ARTICLE VI

SPECIAL COVENANTS

Section 6.01. Use of Loan Proceeds. The Borrower shall use the proceeds of the Loan, including any currencies exchanged for the United States Dollars received, for the sole purpose of financing the Project in the manner prescribed in this Agreement.

Section 6.02. Program Delivery Plan. Promptly after the execution of this Agreement, the Borrower, with the assistance of A.I.D. shall prepare a Project Delivery Plan as described in Annex A.

Section 6.03. Project Description. The Borrower shall submit to A.I.D. Project Descriptions as outlined in Annex A, which shall summarize each project for which a Loan disbursement is requested. Except as otherwise mutually agreed in writing, the Borrower shall not include a Project within the Program financed by the Loan until A.I.D. has provided written approval therefor. Projects may not be substantively changed without A.I.D. approval of revisions to the Project Description.

Section 6.04. Standards, Affordability and Eligibility. U.S. Legislation governing A.I.D. requires that the benefits of the Program be affordable by households earning less than the median income in the applicable area. Such households are referred to in this Agreement as "Eligible Beneficiaries". It is mutually agreed that the median urban income in the Kingdom of Morocco is that which is retained in the sector analysis of the World Bank as approved by the Government of Morocco. The Borrower will manage the Project so that the benefits flow to the Eligible Beneficiaries. Costs will be kept at a level to insure that the benefits of these activities are affordable to the Eligible Beneficiaries. The median income figure may be revised from time to time by mutual agreement of the Parties to this Agreement through Project Implementation Letters which would reflect such changes. The procedures for selecting the actual beneficiaries from among Eligible Beneficiaries shall be described in the Master Project Delivery Plan. It is also mutually agreed that in addition to meeting the criteria for Eligible Beneficiaries, costs will be kept to the minimum acceptable so as to provide shelter for as many households as possible.

Section 6.05. Coordination and Program Budget.

- A. Coordination. Because of the number of different entities involved in the planning and execution of the Program, local coordinating mechanisms shall be established in advance of disbursement for specific PMB Upgrading or Urban Core Housing Projects.
- B. The expenses of the Program shall be budgeted and spent in accordance with GOM financial regulations currently in effect. The above referenced coordinating mechanisms shall assure coordination of these matters among the various involved ministries and other applicable entities. The above notwithstanding, Borrower will budget or cause to be budgeted all funds necessary to carry out the Program effectively and in a timely manner.

Section 6.06. Project Implementation. The responsibility for implementing the Program for the Borrower is held by MHAT and its regional offices in conjunction with other concerned Ministries. The responsibility for implementing this Program for A.I.D. is delegated to the RHUDO/Tunis. The Borrower shall communicate with the local USAID Mission and the RHUDO/Tunis concerning any issues of implementation.

Section 6.07. Primary Infrastructure. The Borrower will assume full responsibility for assuring the operation and maintenance of any infrastructure financed under this Program, as well as continued funding and supervision of such infrastructure established under this Project.

Section 6.08. Community Services. It is mutually understood that PMB Upgrading and Urban Core Housing Projects will depend in part on continued services such as schools and health facilities. The Borrower agrees to assure the maintenance and supervision of the services and facilities established to support this Program.

Section 6.09. Formal Program Review. During the implementation of the Program, and at the request of A.I.D. at least semi-annually, the Parties shall conduct a Program Review. The progress towards completion of each Project will be compared against the then current Project Description and Program Delivery Plan during each Program Review. In the event that progress on any Project is not being achieved in a manner that is mutually satisfactory, it is agreed that A.I.D. may decline to permit further disbursement for any Project until such time as there is mutual satisfaction as to progress made on such pending issues.

Section 6.10. Land Acquisition and Land Tenure.

- A. Land Acquisition. Borrower will secure and make available all land needs for development of the Program and will assure clear title for lands needed for Project purposes.
- B. Land Tenure. Security of land tenure shall be provided to Project Beneficiaries for existing lots in the PMB and for new lots in the Urban Core Housing Projects by the Borrower and shall transfer title, either leasehold or freehold, to such land to Eligible Beneficiaries by means of sale or lease contracts acceptable to A.I.D.

Section 6.11. Displacement and Relocation Policy. Where residents must be displaced for the purposes of upgrading PMB Projects the Borrower will encourage the voluntary transfer of residents and will provide suitable compensation and/or relocation to available Urban Core Housing. Borrower will maintain a policy of minimal displacement of Bidonville residents for purposes of PMP Upgrading Projects. Such policies will be described in the Program Delivery Plan, Section 6.02.

Section 6.12. Employment Generation. The Borrower shall demonstrate to A.I.D.'s satisfaction that all contractors, subcontractors, and other organizations undertaking or having responsibility for undertaking construction work under the Program have made provision to accord priority to residents of the specific Subproject areas for employment in such construction work for which the residents are qualified.

Section 6.13. Contracting and Consultants

A. The Program Delivery Plan will describe contracting procedures and estimated contract amounts for the Program. Contracting for the Program will be carried out in accordance with such procedures. Contracts that exceed 10% of the original estimate provided in the Project Delivery Plan must be approved by AID before award.

B. AID shall have the right to approve contracts for recruitment of foreign experts and advisors under the Technical Support Subprogram.

Section 6.14. Cost Recovery. The Borrower agrees to be committed to a policy of effective cost recovery for the Program. In order to meet the Program goal of effective cost recovery, Borrower will first undertake the study referred to in Section 5.05(G) of cost recovery issues and shall complete such study within the time frame to be mutually agreed upon by the Parties, and shall thereafter prepare a cost recovery plan for the entire Program acceptable to A.I.D. prior to the connection of urban services for the PMB Upgrading or the sale of Urban Core Housing Units.

Section 6.15. Site Selection Criteria. The Program Delivery Plan shall list the sites selected or describe Borrower's site selection criteria including physical, environmental, and socio-economic criteria. Borrower agrees to follow such criteria in site selection and A.I.D. shall have the right to approve the selection of each Project site until such time as more "programmatic" procedures and selection criteria have been agreed upon.

ARTICLE VII

GENERAL COVENANTS

Section 7.01. Project Implementation Letters. To assist the Borrower in the Implementation of the Project, A.I.D. may from time to time issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also jointly agree to Project Implementation Letters to confirm and record their mutual understanding on aspects of the Implementation of this Agreement. Project Implementation Letters signed unilaterally by A.I.D. will not be used formally to amend the text of the Implementation Agreement. However, they may be used to record: the revision of details of the Project as set forth in Annex A, pursuant to Section 2.01; revisions of the other Annexes or Schedules attached to this Agreement; waivers of rights by Parties for whose benefits such rights exist or exceptions which are permissible under the terms of the Agreement.

Section 7.02. Program Evaluation. The Parties agree to establish an evaluation program as an integral part of the Program. Except as the Parties otherwise agree in writing, A.I.D. shall be responsible for conducting the evaluation program in close consultation with the Borrower in accordance with A.I.D.'s Evaluation and Monitoring Guidelines, and the Borrower shall be responsible for providing such data concerning the Project as A.I.D. may request. During the implementation of the Project and at one or more points thereafter, the program will include:

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- A. an evaluation of progress toward attainment of the objectives of the Program;
- B. the identification and evaluation of problem areas or constraints which may inhibit such attainment;
- C. an assessment of how such information may be used to help overcome such problems in this or other Programs;
- D. an assessment of the weaknesses and the strengths of the Program; and,
- E. an evaluation of the overall developmental impact of the Program to the degree feasible.

Section 7.03. Consultation. The Parties will cooperate to assure that the purpose of this Agreement is accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged in the Program, and any other matters relating to the Program.

Section 7.04. Execution of the Program The Borrower shall:

- A. carry out the Program or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, required to be approved by A.I.D. pursuant to this Agreement, and
- B. provide qualified and experienced management; and train such staff as may be appropriate for the maintenance and operation of the Program, and cause the Program to be operated and maintained in such manner as to assure the continuing achievement of the purposes of the Program.

Section 7.05. Reports, Books and Records, Audit and Inspection.

- A. The Borrower shall furnish reports and information to A.I.D. as follows:
 - 1. Program Financial Status Reports showing the status of financing of the Program to be submitted with and referenced to each update of the Program Delivery Plan until the Program is completed and the Loan is fully disbursed to the Borrower.
 - 2. during the Program and until the Loan is fully disbursed and repaid, such other reports and information relating to the Program, the Loan and this Agreement as A.I.D. may reasonably request.

- B. The Borrower shall maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Program, the Loan, and this Agreement, adequate to show without limitation, the receipt and use of funds, the re-lending of such funds, and the use of goods and services acquired under the Loan. Such books and records shall also establish the nature and extent of solicitations of prospective suppliers of goods and services, the bases of awards of contracts and orders, and the overall progress of the Program toward completion. These books and records shall be maintained (1) with respect to the Program for three (3) years after the date of Project completion, and (2) with respect to the Loan, for three (3) years after the Loan has been fully repaid by the Borrower.
- C. Until the Loan is fully repaid, the Borrower shall arrange to have such books and records audited annually by Ministry of Finance auditors in accordance with generally accepted auditing standards. Such audit shall provide segregated accounting and comments for the Loan and shall be submitted annually to A.I.D.
- D. The Borrower shall provide authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Program, books, records and other documents relating to the Program, to the Loan, and to this Agreement.

Section 7.06. Completeness of Information. The Borrower confirms that:

- A. the facts and circumstances of which it has informed A.I.D. or caused A.I.D. to be informed, in the course of reaching this Agreement are accurate and complete, and include all facts and circumstances that might materially affect the Program, the Loan, and the discharge of the Borrower's responsibilities under this Agreement, and
- B. the Borrower shall inform A.I.D. in timely fashion of any subsequent change of fact or circumstance that might materially affect, or that it is reasonable to believe might so affect, the Program, the Loan, or the discharge of responsibilities under this Agreement.

Section 7.07. Publicity. The Borrower shall give appropriate publicity to the Loan and to the Program as a program to which the United States has contributed.

ARTICLE VIII

RIGHTS OF A.I.D.

Section 8.01. Suspension and Acceleration.

- A. In the event that the Borrower materially breaches (i) this Agreement, the Paying and Transfer Agency Agreement, or any escrow agreement, or Morocco breaches the Morocco Guaranty Agreement, (and such breach is not a breach under the Loan Agreement) and such breach

is not rectified within a period of ninety (90) calendar days from the delivery of notice by A.I.D. with respect thereto, or (ii) the Loan Agreement and such breach is not rectified before it becomes an Event of Default under the Loan Agreement, then A.I.D. may take any or all of the following actions:

1. Decline to execute an A.I.D. Guaranty Ledger on any additional Notes for disbursements under the Loan Agreement or the Contract of Guaranty, except when such Notes are issued pursuant to the provisions for assignment or replacement of Notes under the Contract of Guaranty, and or
 2. Require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal of the Notes with accrued interest and any Guaranty Fee due to the date such payment is made, as well as any Late Payment Charge which may have accrued.
- B. In the event that the guaranty of further Notes is contrary to U.S. legislation governing A.I.D., then A.I.D. may exercise the remedy specified in paragraph (A)(1) above.
- C. In the event the Borrower fails to pay when due any interest or installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies, then A.I.D., after notice to the Borrower, may exercise the remedy specified in paragraph (A)(1) above.

Section 6.02. Non-Waiver of Remedies. The marking of any Note by A.I.D., the payment by A.I.D. to the Investor of any amounts pursuant to the Contract of Guaranty, the delay or failure of A.I.D. to make any claim for payment, or the delay or failure of A.I.D. to give its written approval to an acceleration of such Notes by the Investor shall not operate as a waiver by A.I.D. of any rights accruing to A.I.D. under this Agreement, the Loan Agreement, the Contract of Guaranty, or the Morocco Guaranty Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement shall be in writing or by telegram or cable, shall refer to the Morocco A.I.D. Housing Project Number 608-HG-002, and shall be deemed duly given or sent when delivered to such Party at the following address:

To Borrower:

Mail Address:

Ministere de l'Habitat et de l'Aménagement
du Territoire
Quartier Administratif
Rabat, Morocco

Attention:

Cable Address:

Ministere de l'Habitat et de l'Amenagement du
Territoire
Rabat-Chellah, Morocco

Telex Nos.: 32744M

To A.I.D.:

Mail Address:

A.I.D. Office of Housing and Urban Development
Regional Office, Near East
USAID/Tunisia
144 Avenue de la Liberte
American Embassy
Tunis, Tunisia

Cable Address:

RHUUO
American Embassy
Tunis, Tunisia

Telex No.: AMB TUN 13379

Copy to:

Mail Address:

United States A.I.D.
Mission to Morocco
137, Avenue Allal Ben Abdallah
B.P. 120
Rabat, Morocco

Cable Address:

Director, USAID
AmEmbassy Rabat

Telex No: 31005M

To Paying and Transfer Agent:

Mail Address:

The Riggs National Bank
Corporate Trust Administration
P.O. Box 2651
Washington, D. C. 20013
Attention: Corporate Trust Administration
A.I.D. Housing Guaranty Project 608-HG-002

Cable Address:

RIGGS BANK WASH

Telex Nos.

ITT: 44-01-03: Answer Back - RIGGS BK
RCA: 28-83-63: Answer Back - RIGGS UR

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All communications shall be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice to each Party.

Section 9.02. Term of Agreement. The term of this Agreement shall be from the date hereof until the payment of all sums due under this Agreement and the Loan Agreement. All the terms contained herein shall survive until such termination.

Section 9.03. Headings. The headings for the Sections of this Agreement are for convenience of reference only and are not a part of this Agreement.

Section 9.04. Amendments or Modifications. This Agreement may be changed only by a written instrument executed by the Parties hereto.

Section 9.05. Integration. This Agreement supersedes all prior agreements and understandings oral or written if any, between the Parties hereto which relate to the subject matter hereof. The agreements described in Section 1.01, are incorporated by reference into this Agreement.

Section 9.06. Governing Law. This Agreement shall be construed in accordance with the law of the United States of America applicable to contracts and commercial transactions of the United States Government.

Section 9.07. Language of Agreement. This Agreement is prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English version shall control.

Section 9.08. Severability Clause. In the event any provision of this Agreement is determined to contravene any law or public policy of the United States or of Morocco, such provision shall be deemed null and void, and the remaining provisions hereof shall continue and remain in full force and effect and shall be construed to implement, to the maximum extent possible, the intent of the Parties hereto.

Section 9.09. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its fully authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

KINGDOM OF MOROCCO
MINISTRY OF HOUSING AND REGIONAL
DEVELOPMENT

UNITED STATES OF AMERICA

BY: _____

BY: [Signature]

NAME: _____

NAME: _____

TITLE: _____

TITLE: Ambassador of the
United States of America



Le ministre de l'Habitat
et de l'Aménagement du Territoire

[Signature]
M. EL KHLOU

BEST AVAILABLE DOCUMENT

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Program Description

1. Program Objectives

A \$22.5 million Program has been designed to assist the GOM in implementing shelter Projects to increase the availability of low cost shelter and related services for below median income households. The Program to which AID is providing funding will encourage the GOM to design and implement cost-recovery mechanisms to generate resources to replicate future low income projects.

This Program consists of three Projects including: (1) technical support including studies, contracts for services and other activities to strengthen the Program and the capacity of implementing agencies; (2) the provision for upgrading of essential infrastructure and community facilities in small and medium sized bidonvilles, (PMB Upgrading), and (3) an urban core housing construction project, including on-site infrastructure and community facilities.

2. Program Inputs

The U.S. contribution, to this Program will be a \$17 million Housing Guaranty Loan and certain grant funded activities authorized separately. Later U.S. contributions, if any, will depend upon the Borrower's progress to A.I.D.'s satisfaction, toward this Program's goals and objectives.

The HG loan will be used to finance Urban Core Housing related infrastructure and upgrading of infrastructure in low income neighborhoods. The GOM, communes, and Project Beneficiaries will finance a total of Five Million Six Hundred Thousand United States Dollars (5,600,000) in support of the Program activities to be financed by A.I.D.

The HG loan will also finance related Technical Support.

3. Program Components

The initial HG loan of Seventeen Million United States Dollars (\$17,000,000) will finance the following components of the GOM shelter program.

A. Technical Support:

A substantial Program of Technical Support totalling Four Million United States Dollars (\$4,000,000) will be provided:

- (a) Technical Support: Support will be provided to strengthen the capacity of the implementing agencies in the development and implementation of this Program and possible future programs including rural housing and upgrading of large bidonvilles. Support may include but is not limited to surveys and studies, training, equipment, architectural and engineering services, and contracts for the services of personnel to assist in development and implementation of Project.

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(b) the following studies will be included in order to carry out the Program.

- (1) Bidonville Socio-Economic Surveys: In each of the bidonvilles agreed upon for PMB Upgrading Projects, MHAT will conduct surveys to determine population characteristics, demand and need for services in an effort to maximize the positive impact of the Project on Beneficiaries.
- (2) Urban Core Housing Demand: In each of the cities agreed upon for Urban Core Housing Projects MHAT may undertake studies to determine the effective demand for core housing units affordable to households earning less than the median urban income.
- (3) Cost Recovery: To optimize cost recovery mechanisms and to rationalize subsidies in the shelter sector by the GOM, MHAT will undertake a study to formulate the policy issues and analyze the interrelationships between cost recovery and strategy, sector subsidization and rent control regulations, interest rate policies, public utility rates and their impact on this Program and its individual Projects. The services of the resident housing policy advisor to the MHAT, who is presently in Morocco, funded under the Project Agreement 608-0156, may be used for this and other studies.

(B) Petit et Moyen Bidonville (PMB Upgrading)

Project financing will be utilized to upgrade approximately ten (10) bidonvilles throughout the country. The Project will focus on low income neighborhoods of between five hundred (500) to five thousand (5,000) inhabitants approximately, unless otherwise agreed to by the Borrower and A.I.D.; the Projects will include roads, water and sewerage systems and electricity. Land tenure will be legalized and community facilities will be provided as appropriate. Project financing will, whenever appropriate, also be used to support persons displaced by the PMB Upgrading Project referred to above. Displacement for each Project, however, will be limited to maximum percentages of existing units to be agreed upon with A.I.D. prior to approval of site selection. It is estimated that Nine Million United States Dollars (\$9,000,000) will be allocated to this component of the Program; approximately twenty-seven thousand (27,000) persons will benefit from this phase of the Program. The GOM will provide an additional Three Million Nine Hundred Thousand United States Dollars (\$3,900,000) in Project financing.

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(C) Urban Core Housing Project

Project financing will be provided to construct seven hundred and fifty (750) minimal housing solutions and related resources in response to a major gap in the MHAT programs serving the low income population areas as agreed to by the Borrower and A.I.D. It is estimated that Four Million United States Dollars (\$4,000,000) will be allocated from the Loan to this component of the Program. The GOM and Beneficiaries will provide an additional One Million Seven Hundred Thousand United States Dollars (\$1,700,000). It is estimated that approximately five thousand two hundred and fifty (5,250) persons will benefit from this phase of the Program.

4. The Program Delivery Plan:

Such Plan shall indicate the expected cost estimates and cash flow schedules for the Program. The Plan shall include a chart to indicate expected progress on the respective projects. It shall contain a description of procedures established by the Borrower for site selection, beneficiary selection, contracting for work and selection of consultants, cost recovery methods, interest rate policies, or any resale regulations, as well as a description of the legal requirements and procedures to be followed to operate and maintain the infrastructure once such facilities have been constructed. The Plan should specify the general standards for design and construction of any infrastructure improvements, including but not limited to, waste treatment, potable water supply, sewerage disposal, electrical supply, and social infrastructure improvements, such as schools. With respect to PMU Upgrading the Plan shall indicate the standard procedures for displacement and relocation policies and criteria for upgrading. The Plan shall contain publicity plans pursuant to Section 7.07. The Borrower agrees to inform A.I.D. of substantial changes in procedures, criteria or other data which would affect the accuracy of the Plan during the implementation of the Program. Updated Program Delivery Plans will show complete revised cash flow schedules and progress charts and will indicate any changes to the descriptions and procedures first submitted in the Program Delivery Plan.

5. Project Descriptions: The Borrower shall submit to A.I.D. Project Descriptions which shall summarize each project for which a Loan disbursement is requested. Except as otherwise mutually agreed in writing, the Borrower shall not include a Project within the Program financed by the Loan until A.I.D. has provided approval therefor. Projects may not be substantively changed without A.I.D. approval of revisions to the Project Description. These descriptions should include the following:

(A) Technical - (a) site selection of a particular Subproject financed by the particular disbursement showing that the residents of the selected site are Eligible - Beneficiaries as defined in the Implementation Agreement; (b) copies of standard documents or model agreements used between MHAT and the actual implementing entities, including builders, terms for acquisition of building materials and installation of infrastructure, and timetables for preparation and review of general site plan and specifications; (c) procedures for site supervision and, site inspection; (d) a detailed cash flow chart showing cash needs and procedures and timetables for liquidation of advances, coordinating with each phase of construction or each stage of the development of a particular site; (e) plans for conversion of construction financing to long-term financing as monthly payments by Eligible Beneficiaries until subscription contracts commence; and (f) the prototypes for the Urban Core Housing subprojects will be submitted for A.I.D. approval.

(B) Financial - (a) evidence that the cost of the Subproject at a particular site is affordable to the Eligible Beneficiaries as defined in the Implementation Agreement; and (b) a cost recovery plan and strategy, such as recovery of capital costs and user charges.

6. Institutional Outputs

The Program seeks to strengthen and improve the MHAT's capacity to develop its housing programs from the planning and implementation standpoint on a self-sustaining basis.

7. Affordability and Eligible Beneficiaries

For the Urban Core Housing Program, the units financed will be affordable by families earning less than the median urban household income. This income will be that which is retained in the Sector Analysis of the World Bank as approved by the Government of Morocco. The maximum that will be required with regard to loan repayments is set at 25 percent of monthly income. Beneficiaries, however, wishing to make an extra effort may go to higher repayment levels than that required. Downpayments by Beneficiaries will be at least 10 percent.

For costs to be recovered from Beneficiaries of PMB Upgrading, affordability will be based on the surveys discussed in paragraph 3(b)(1) above.

8. Eligible Expenditures:

Eligible Expenditures shall include reasonable, actual Borrower's fees associated with the Loan, any fees set forth in this Agreement, and the following:

- A. Technical Support: Eligible Expenditures shall include reasonable and actual expenditures as approved by A.I.D. to hire staff and consultants for studies to design, finance, and implement the PMB Upgrading and Urban Core Housing Subprograms. Expenses shall also include approved costs in accordance with Section 6.13 for studies and surveys for the development of these and similar programs and for the development of housing policy; costs for the design and development of rural housing programs and of projects to upgrade large bidonvilles; costs of training, participation in and support of seminars and conferences relevant to low income housing and upgrading; costs of equipment and material to improve the management capabilities of implementing agencies; costs of public information and community participation in low income housing projects; the costs of developing savings programs for low income families; and any other such costs as the GOM and A.I.D. may agree to in writing. Eligible Expenditures paid for this Subprogram will be one hundred percent (100%) reimbursable. Expenses incurred after September 30, 1981 with respect to this Subprogram shall be eligible for reimbursement.
- B. PMB Upgrading: Eligible Expenditures shall include reasonable and actual expenditures for the design and construction of new or improved surface water drainage, potable water distribution; electrical distribution, and other urban infrastructure systems, the purchase of municipal equipment to be used to maintain Projects, the provision of community facilities, the provision of compensation for dislocated families and/or the construction of core housing units and such other costs as A.I.D. and the Borrower may agree to in writing. Eligible Expenditures for this Subprogram shall be reimbursable up to seventy percent (70%). Expenses incurred after September 30, 1981 shall be eligible for reimbursement.
- C. Urban Core Housing Project: Eligible Expenditures shall include the reasonable and actual expenditures for the design and construction of units described for such Urban Core dwelling units and the related infrastructure and facilities thereto, and such other costs as A.I.D. and the Borrower may agree to in writing. Eligible Expenditures for this Subprogram shall be reimbursable up to seventy percent (70%). Expenses incurred after September 30, 1981 shall be eligible for reimbursement.

9. Host Country Contribution

The HG loan provides financing for a part of the overall GOM shelter program. The HG loan will finance one hundred percent (100%) of Technical Support and Studies, and will only finance seventy percent (70%) of the Projects' Eligible Expenditures for the PMB Upgrading and urban Core Housing Projects as referenced in Section 5.02(B) and 5.02(C) of the Implementation Agreement, and the Host Country contribution including the GOM, communes, local authorities and Beneficiaries will be the thirty percent (30%) of the Eligible Expenditures for the PMB Upgrading and Urban Core Housing Projects, including costs borne on an "in-kind basis".

In addition on the thirty percent (30%) of direct Project costs for PMB Upgrading and Urban Core Housing units, the GOM will assure as needed the expenditures relative to off site basic infrastructure necessary for the projects.

10. Summary of Project Financing (\$Millions)

	<u>HG</u>	<u>GOM</u>	<u>Beneficiaries</u>	<u>Communes</u>	<u>Total</u>
PMB Program	9.0	2.6	.5	.8	12.9
Urban Core Housing Program	4.0	1.1	.6	-	5.7
Total	<u>13.0</u>	<u>3.7</u>	<u>1.1</u>	<u>.8</u>	<u>18.6</u>
Share (%)	<u>70</u>	<u>20</u>	<u>6</u>	<u>4</u>	<u>100</u>
Technical Support	4.0	-	-	-	4.0
Share (%)	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
Grand Total	<u>17.0</u>	<u>3.7</u>	<u>1.1</u>	<u>.8</u>	<u>22.6</u>

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THE KINGDOM OF MOROCCO

608-HG-002

REQUEST FOR DISBURSEMENT AND CERTIFICATE

The Ministry of Finance of the Kingdom of Morocco (Borrower) hereby certifies to the United States Agency for International Development (A.I.D.) under the Project Agreement dated as of (INSERT DATE) that:

1. \$U.S. _____ from the A.I.D.-Guaranteed Loan (HG) is requested for disbursement and Borrower's request for such disbursement is in accord with the terms of the Investor Loan Agreement and the Implementation Agreement.
2. Borrower is in full compliance with all the terms and conditions of the Investor Loan Agreement and the Implementation Agreement.
3. The Schedules attached hereto for purposes of justifying the requested disbursement have been completed accurately and fully reflect the facts existing as of the date of this Request and Certificate.
4. The rate of exchange, chosen in accordance with Section 5.09 of the Implementation Agreement, is U.S. \$1.00 = _____ dirhams as of _____ (DATE OF RATE QUOTED).

THE KINGDOM OF MOROCCO
THE MINISTRY OF FINANCE

BY: _____

TITLE: _____

DATE: _____

Attachments:
Schedule 1

DOC NO. 0546P