Project Agreement

(Micro, Small and Medium Enterprise Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CAISSE CENTRALE DE GARANTIE

Dated July 27, 2012
PROJECT AGREEMENT

Agreement dated July 27, 2012, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and CAISSE CENTRALE DE GARANTIE ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between the Kingdom of Morocco ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Director General.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
Cable: INTBAFRAD 248423(MCI) or 1-202-477-6391
Telex: 64145(MCI)
Facsimile: 212-537-715-715

3.03. The Project Implementing Entity’s Address is:

Caisse Centrale de Garantie
Centre d’Affaires, Boulevard Ar Ryad
Hay Ryad - Rabat, B.P 2031
Kingdom of Morocco

Facsimile: 212-537-715-715

AGREED at Rabat, Kingdom of Morocco, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By __________________________
Authorized Representative

Name: Salim Gray
Title: Country Director

CAISSE CENTRALE DE GARANTIE

By __________________________
Authorized Representative

Name: Hicham Lamiri Serhimi
Title: Director General
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out the Project through its PIU and ESSU in accordance with the Project Operations Manual, this Agreement and the ESMF and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operations Manual, this Agreement and ESMF, without prior approval of the Bank.

2. To assist the Project Implementing Entity in its performance of the fiduciary functions, the Project Implementing Entity shall maintain the PIU and ESSU in a form and with functions, staffing and resources satisfactory to the Bank.

B. Subsidiary Agreement

The Project Implementing Entity shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. EFIs

Unless otherwise agreed by the Bank and the Borrower, EFIs shall meet the prudential standards defined by the Borrower's Central Bank.

E. PCGs and Sub-loans

1. The Project Implementing Entity shall provide PCGs to EFIs for Sub-loans to Eligible MSMEs in accordance with the eligibility criteria and provisions set forth in the Project Operations Manual, which shall include, but not be limited to, the following:

(a) the Eligible MSMEs shall be micro, small and medium enterprises with a turnover of less than 175,000,000 Moroccan Dirham;
(b) the Eligible MSMEs shall have an ownership, management and financial structure consistent with the laws and regulations of the Borrower; and

(c) Sub-projects are located and carried out within the Project Area.

2. To this end, the Project Implementing Entity shall issue a PCG Instrument to each EFI and shall monitor compliance by each EFI with the terms and conditions of each PCG Instrument.

3. Each PCG Instrument shall be issued on terms and conditions set forth in the Project Operations Manual and criteria and procedures approved by the Bank which shall include that the Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Borrower and the Bank, including the right to terminate the PCG Instrument, upon the EFI's failure to perform any of its obligations under the PCG Instrument or its EFI Framework Agreement.

4. The Project Implementing Entity shall ensure that:

(a) the obligations under the PCG Instrument are carried out with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower and the Project Operations Manual;

(b) resources required for the purpose are provided promptly as needed;

(c) policies and procedures are maintained adequate to enable it to monitor Sub-loans in accordance with the Project Operations Manual;

(d) EFIs maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank;

(e) EFIs enable the Borrower, the Bank and the Project Implementing Entity to inspect the Sub-project, its operation and any relevant records and documents and prepare and furnish to the Project Implementing Entity all such information as the Borrower or the Bank or the Project Implementing Entity shall reasonably request relating to the foregoing; and
prior to paying PCG Claims, that Sub-projects are in compliance with the Projects Operations Manual and the EMSF.

5. The Project Implementing Entity shall exercise its rights under each PCG Instrument in such manner as to protect the interests of the Borrower, the Bank and the Project Implementing Entity and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any PCG Instrument or any of its provisions.

6. The Project Implementing Entity shall screen Sub-projects in accordance with the selection and eligibility criteria set forth in the Project Operations Manual and ESMF and shall not issue PCGs for Sub-projects that are excluded from financing as further set forth in Section H.2. below and the Project Operations Manual and ESMF.

7. PCGs issued by the Project Implementing Entity before the Effective Date shall only be eligible for support under the Project if such PCGs, and the Sub-loans and Sub-projects in support of which such PCGs were issued, comply in form and substance with the provisions and criteria of this Agreement, the Project Operations Manual and the ESMF.

F. PCG Account

The Project Implementing Entity shall ensure that the PCG Account at the PCG Account Bank is maintained and operated on terms and conditions acceptable to the Bank, including appropriate protection against set-off, seizure or attachment. The PCG Account shall be managed in accordance with the provisions of the Annex to this Agreement and the Project Operations Manual and deposits into and payments out of the PCG Account shall be made in accordance with the provisions of this Agreement and the Project Operations Manual. The Project Implementing Entity shall monitor the use of funds in the PCG Account, in accordance with the Project Operations Manual.

G. Periodic Budgets and Midterm Review

1. The Project Implementing Entity shall furnish to the Bank, through the Borrower, Periodic Budgets of such scope and details as the Bank shall have reasonably requested.

2. The Project Implementing Entity shall:

(a) carry out jointly with the Borrower and the Bank no later than thirty (30) months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators
referred to in Section II.A.1 (a) of this Schedule. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) progress on implementation of Periodic Budgets; (iv) progress on disbursement; (v) progress on implementation of measures set forth in the ESMF and compliance with such measures; (vi) implementation arrangements; (vii) the need to make any adjustments to the Project; and (viii) in the event that it looks likely that any balance of the Committed Amount will remain in the PCG Account at the Closing Date, discuss and evaluate the options set forth in Section I.G.2(a) of Schedule 2 to the Loan Agreement, including the need for adequate oversight arrangements.

(b) prepare and furnish to the Borrower, for incorporation and forwarding by the Borrower to the Bank, at least six (6) months before such review, a report, in scope and detail satisfactory to the Bank, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review, jointly with the Borrower and the Bank, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, including future use of Loan funds, based on the conclusions and recommendations of said report and the Borrower and Bank’s views on the matter.

H. Safeguards

1. The Project Implementing Entity, through its ESSU, shall ensure that the Project is carried out in accordance with the ESMF, and that Sub-projects are screened and carried out in accordance with the provisions of the Project Operations Manual and the ESMF. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the ESMF, without prior approval of the Bank. The Project Implementing Entity shall ensure that adequate information on the implementation of the ESMF is included in the Project Reports referred to in Section II.A. of this Schedule.
The Project Implementing Entity shall not issue PCGs for Sub-projects that are excluded from financing as further set forth in the Project Operations Manual and ESMF, which exclusions include, but are not limited to:

(a) any Sub-projects falling within the items listed as excluded in the Project Operations Manual (including sectors listed as excluded sectors therein, the ESMF, and in the Exclusion List;

(b) any Sub-projects affecting international waterways, natural habitats, disputed areas or indigenous peoples or involving the conversion or degradation of forest areas or the construction and rehabilitation of dams;

(c) any Sub-projects involving the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas; or

(d) any Sub-projects likely to have significant adverse environmental impacts that are sensitive, potentially irreversible, diverse, or unprecedented, that would be classified as ‘Category A’ in accordance with the Bank’s policies and procedures.

The Project Implementing Entity’s ESSU shall provide training on environmental and social screening and compliance to EFIs requesting such training, in a manner and content satisfactory to the Bank.

The Project Implementing Entity shall, if required under the provisions of the Project Operations Manual and ESMF, review PCG Claims for compliance with the ESMF in accordance with the requirements and procedures set forth in the ESMF and Project Operations Manual.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later than thirty (30) days after the end of the period covered by such report for forwarding by the Borrower to the Bank.

2. The Project Implementing Entity shall provide to the Borrower not later than 5 months after the Closing Date, for incorporation in the report referred to in
Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity and shall include an audit of the PCG Account. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

3. The Project Implementing Entity shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

4. The Project Implementing Entity shall ensure that each EFI has its financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the EFI. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) made available to the Project Implementing Entity, the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
ANNEX

PCG ACCOUNT

Part A: General

1. The PCG Account shall be in the form of an account at the PCG Account Bank, established and managed for the purposes of the Project. The currency shall be Moroccan Dirham. The PCG Account shall at all times be held separate from all other accounts and assets of the Project Implementing Entity and on terms and conditions acceptable to the Bank, including appropriate protection against set-off, seizure or attachment. Interest or gains, if any, earned on amounts advanced to the PCG Account shall be used by the Project Implementing Entity in accordance with the Subsidiary Agreement for activities that support the Project.

2. The Project Implementing Entity shall provide the Bank with such evidence as it may from time to time reasonably request to demonstrate the adequacy of the arrangements of the PCG Account.

3. The equivalent of the proceeds of the Loan allocated to Category I in the table in Section III.B of Schedule 2 to the Loan Agreement and deposited into the PCG Account (Committed Amount) shall be used exclusively to pay PCG Claims properly made and documented in accordance with the relevant PCG Instrument, EFI Framework Agreement, the Project Operations Manual and this Annex.

4. The Project Implementing Entity shall: (a) have the PCG Account for each fiscal year audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank, on terms and conditions satisfactory to the Bank; (b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (c) furnish to the Bank such other information concerning the PCG Account and the audit thereof as the Bank shall have reasonably requested.

5. The provisions of this Annex 2 shall survive the Closing Date of the Loan Agreement and shall not be limited by Section 9.05 of the General Conditions.

6. If the Bank shall have determined at any time that any disbursement out of the PCG Account: (a) was made for other than making a payment against a PCG Claim validly documented in accordance with the Project Operations Manual and the requirements of this Part B; or (b) was not justified by the evidence furnished to the PCG Account Bank, the Project Implementing Entity shall, promptly upon notice from the Bank: (i) provide such additional evidence as the Bank may request; or (ii) refund to the PCG Account an amount equal to the amount of such payment or the portion thereof not so eligible or justified.
Part B: Operation of the PCG Account Following Project Closing

1. In the event that any balance of the Committed Amount remains in the PCG Account as of the Closing Date and the Borrower and the Bank are unable to reach agreement in writing before the Closing Date in accordance with the provisions set forth in Section I.G.2(a) of Schedule 2 to the Loan Agreement, then the Project Implementing Entity shall refund the balance remaining in the PCG Account as of the Closing Date to the Borrower to be refunded to the Bank.

2. The provisions set forth in Section I.G.3 of Schedule 2 to the Loan Agreement shall apply to any and all Loan proceeds remaining in the PCG Account after the Closing Date.