

CONFORMED COPY

LOAN NUMBER 7564-MA

Loan Agreement

(Office National de l'Electricité (ONE) Support Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

OFFICE NATIONAL DE L'ELECTRICITE

Dated June 23, 2008

LOAN AGREEMENT

Agreement dated June 23, 2008, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and OFFICE NATIONAL DE L’ELECTRICITE (“Borrower”). The Bank and the Borrower hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II - LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of ninety two million one hundred thousand Euro (€92,100,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are June 1 and December 1 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following: namely that the Basic Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Director General.

6.02. The Borrower's Address is:

Office National de l'Électricité
65 rue Othman Ben Affan
20000 Casablanca
Kingdom of Morocco

Facsimile:

(212) 22-66-80-18

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Françoise Clottes

Authorized Representative

OFFICE NATIONAL DE L'ELECTRICITE

By /s/ Younes Maamar

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to contribute to increase the efficiency and reliability of electricity supply to electricity consumers.

The Project consists of the following parts:

Part I: Electricity Transmission and Distribution Network in the Project Area

1. Construction of about 390 km of 400kV electricity transmission lines and about 75 km of 225kV electricity transmission lines.
2. Construction of a 400/225kV substation at Chemmaia.
3. Expansion of: (i) the 400/225kV substation at Mediouna; and (ii) the 225/60kV substation at Tensift II.
4. Construction of: (i) a 225/22kV substation at Dar Bouazza; (ii) a 60/22kV substation at Dar Ouled Zidouh; and (iii) a 60/22kV substation at Tamansourt.

Part II: Compact Fluorescent Lamps

Acquisition of about five (5) million compact fluorescent lamps to be sold to the Borrower's customers under spread out payment terms.

Part III: Energy Trading Desk

Supporting the energy trading desk of the Borrower through the provision of equipment and software.

Part IV: Wind Data Base

Supporting the development of a wind data base through the provision of measuring equipment.

Part V: Technical Assistance

1. Supporting the improvement of the contractual framework in the electricity sector through the provision of technical advisory services.
2. Carrying out an electricity tariff study.

3. Strengthening the technical capacities of the procurement unit of the Borrower through the carrying out of a study.
4. Carrying out a study for leveraging rural electrification investments made by the Borrower.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Value Enhancement Performance Unit of the Borrower shall be responsible for the overall coordination of Project implementation. To that end, the Borrower shall maintain its Value Enhancement Performance Unit with qualified staff and adequate resources.

B. Anti-Corruption

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

C. Safeguards

1. The Borrower shall: (i) take all necessary measures to implement the Project in accordance with the ESIAF (including each EMP that pertains to the applicable transmission line), the RPF and the RAPs, and shall not amend, suspend, abrogate, repeal or waive any provision of the ESIAF, the EMPs, the RPF and the RAPs, without prior approval of the Bank; and (ii) ensure that adequate information on the implementation of the ESIAF, the EMPs, the RPF and the RAPs is suitably included in the Project Reports referred to in Section II.A of this Schedule.

2. The Borrower shall ensure that all measures identified and described in the ESIAF, the EMPs and the RPF are taken in a timely manner.

3. The Borrower shall:

(a) prior to commencing civil works for any activity under Part I of the Project and when required under the ESIAF and the EMPs, carry out specific public consultation in form and in substance satisfactory to the Bank; and

(b) ensure the lay-out, construction and management of the relevant transmission line are consistent with the recommendations of the ESIAF and thereafter carry out the applicable EMP.

4. Prior to commencement of civil works for any activity under Part I of the Project involving involuntary resettlement or involuntary acquisition of land, the Borrower shall

prepare and implement appropriate RAP or RAPs, as the case may be, for compensation, or resettlement, in accordance with the RPF, such RAP or RAPs to be in form and substance satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. In addition, the Borrower shall have its financial statements reflecting its general operations and its financial condition (the "General Financial Statements") prepared in accordance with consistently applied accounting standards acceptable to the Bank, and audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of the Financial Statements and the General Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements and the audited General Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the

requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Method of Procurement of Goods and Works

Goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

C. Method of Procurement of Consultants' Services

Consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, works and consultants' services for the Project	91,869,750	100%
(2) Front-end Fee	230,250	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>92,100,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €12,300,000 equivalent may be made for payments made prior to this date but on or after July 1, 2007, for Eligible Expenditures under Category (1).

2. The Closing Date is March 31, 2014.

Section V. Other Undertaking: Debt: Equity Ratio

(a) Except as the Bank shall otherwise agree, the Borrower shall take, in consultation with the Guarantor, all actions necessary to ensure that its Cumulative Debt to equity shall be lower than 5 by closing of fiscal year 2010, and lower than 4.5 by closing of the following fiscal years.

(b) For purposes of this Section:

(i) The term "debt" means: (A) any long term indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred; or (B) any short term indebtedness of the Borrower, namely all accounts payable and

other indebtedness maturing by its terms less than one year after the date on which it is originally incurred.

- (ii) The term "Cumulative Debt" means the sum of: (A) any long term indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred; and (B) any short term indebtedness of the Borrower, namely all accounts payable and other indebtedness maturing by its terms less than one year after the date on which it is originally incurred.
- (iii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iv) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
- (v) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

SCHEDULE 3

Amortization Schedule

1. 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”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 1 and December 1 Beginning December 1, 2013 through June 1, 2033	2.50%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Basic Legislation” means the Law (Dahir) No. 6-63-226 (14 Rabiaah 1, 1383), dated August 13, 1963, as amended to the date of this Agreement, pursuant to which the Borrower has been established and is operating as an industrial and commercial public institution.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “EMP” means an Environmental Management Plan, satisfactory to the Bank and adopted by the Borrower on March 18, 2008, describing the mitigation, monitoring and institutional measures to be implemented in order to eliminate, offset or reduce any adverse environmental and social aspects in respect of the activities under Part I of the Project.
6. “ESIAF” means the Environmental and Social Impact Assessment Framework, satisfactory to the Bank and adopted by the Borrower on March 18, 2008, setting forth procedures for the environmental and social screening of the activities under Part I of the Project, including the mitigating measures prescribed in the EMPs as well as the specific public consultation measures to be carried out prior to commencing civil works.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
8. “Guarantor” means the Kingdom of Morocco.
9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

10. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 8, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
11. “Project Area” means the Guarantor’s provinces of Casablanca, Settat, El jadida, Safi, Chichaoua, Marrakech, Essaouira, Taroudant, Agadir and Beni Mellal, or such other provinces as agreed between the Borrower and the Bank.
12. “RAP” means a Resettlement Action Plan, satisfactory to the Bank, to be prepared and adopted by the Borrower, describing the details for land acquisition, resettlement and rehabilitation in respect of the activities under Part I of the Project, as applicable.
13. “RPF” means the Resettlement Policy Framework satisfactory to the Bank and adopted by the Borrower on February 2, 2008, outlining the modalities for land acquisition, resettlement and rehabilitation in respect of the activities under Part I of the Project, as well as details for the preparation of the RAPs.