

CONFORMED COPY

GEF GRANT NUMBER TF058314 -MOR

Global Environment Facility Trust Fund Grant Agreement

(Integrated Solar Thermal Combined Cycle Power Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

and

OFFICE NATIONAL DE L'ELECTRICITE

Dated April 20, 2007

GEF TF GRANT NUMBER TF058314-MOR

**GLOBAL ENVIRONMENT FACILITY
TRUST FUND GRANT AGREEMENT**

AGREEMENT dated April 20, 2007, entered into between OFFICE NATIONAL DE L'ELECTRICITE ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement (the Project), has requested the World Bank to assist in the financing of Part A of the Project;

(B) the Recipient intends to contract from the African Development Bank (the AfDB) a loan in an amount equivalent to two hundred thirty million United States Dollars (\$230,000,000) (the Second AfDB Cofinancing) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and AfDB;

(C) by an agreement dated August 29, 2005 between the Recipient and AfDB (the AfDB Loan Agreement), AfDB has agreed to make a loan to the Recipient in an amount equivalent to one hundred sixty million United States Dollars (\$160,000,000) (the First AfDB Cofinancing) to assist in financing the Project on the terms and conditions set forth in the AfDB Loan Agreement; and

WHEREAS the World Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree as follows:

ARTICLE I

Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants made by the World Bank out of Various Funds, dated July 20, 2006 ("Standard Conditions"), 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 Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

- (a) “Basic Legislation” means the Law (Dahir) No. 6-63-226 (14 Rabi'ah 1, 1383), dated August 13, 1963, as amended to the date of this Agreement, pursuant to which the Recipient has been established and is operating as an industrial and commercial public institution;
- (b) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;
- (c) “Consortium” means the contracting party with whom the Recipient has entered into the EPC/O&M Contract (as this term is hereinafter defined), and any successor thereto;
- (d) “EPC/O&M Contract” means the engineering, production and construction, and operation and maintenance contract to be executed on behalf of the Recipient and the Consortium for purposes of carrying out Part A of the Project, in form and substance satisfactory to the World Bank and under terms and conditions satisfactory to the World Bank, as such contract may be amended from time to time with the prior approval of the World Bank, and such term shall include all schedules, annexes and supplemental contracts to said contract;
- (e) “EMP” means the Environmental Management Plan dated May 25, 2006, duly adopted by the Recipient and satisfactory to the World Bank, that is set forth in the Environmental Assessment (as this term is hereinafter defined), consisting of an environmental mitigation plan, an environmental monitoring plan and related institutional strengthening measures in respect of the carrying out of the Project, as such Plan may be amended from time to time with the prior approval of the World Bank;
- (f) “Environmental Assessment” or “EA” means the environmental assessment report dated April 9, 2007, prepared by the Recipient and satisfactory to the World Bank, as the same may be amended from time to time by agreement between the Recipient and the World Bank, in accordance with certain institutional, mitigation and monitoring measures to offset or reduce adverse environmental impacts to acceptable levels, which Assessment includes the Environmental Management Plan;
- (g) “ISCC” means the Integrated Solar Combined Cycle Power Plant of Ain Beni Mathar to be developed under Part A of the Project;
- (h) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004;

- (i) “Project Affected Person” or “PAP” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood;
- (j) “Resettlement Action Plan” or “RAP” means the resettlement action plan dated June 1, 2006, prepared by the Recipient and satisfactory to the World Bank, including any subsequent resettlement action plan to be prepared by the Recipient pursuant to paragraph 2(c), Section I of Schedule 2 to this Agreement, in form and substance satisfactory to the World Bank, in accordance with the Resettlement Policy Framework (as this term is hereinafter defined), as such Plan may be amended from time to time with the prior approval of the World Bank; and
- (k) “Resettlement Policy Framework” or “RPF” means the resettlement policy framework dated July 17, 2006, duly adopted by the Recipient and satisfactory to the World Bank, setting forth certain rules, procedures and guidelines for: (i) the acquisition of land and/or assets from PAPs; (ii) resettlement and rehabilitation of PAPs and the compensation thereof, including the requirements for the preparation of RAPs and the eligibility criteria for granting assistance and rehabilitation to PAPs; and (iii) the monitoring and reporting arrangements in relation to subparagraphs (i) and (ii) hereinabove to ensure compliance with said Framework, as the same may be amended from time to time with the prior approval of the World Bank, which Framework includes the Resettlement Action Plan.

ARTICLE II

The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions, the EA, the EMP, the RPF and the relevant RAPs, and 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 Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE III

The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to forty three million two hundred thousand United States Dollars (\$43,200,000) (“Grant”) to assist in financing Part A of the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

ARTICLE IV

Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02(i) of the Standard Conditions consist of the following:
 - (a) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen that makes it improbable that the Recipient will be able to perform its obligations under this Agreement;
 - (b) the Basic Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Recipient’s ability to perform any of its obligations under this Agreement;
 - (c) the EPC/O&M Contract has been amended or terminated so as to affect materially and adversely the Recipient’s ability to carry out the Project; and
 - (d) (i) Subject to sub-paragraph (ii) of this paragraph: (A) the right to withdraw the proceeds of the First AfDB Cofinancing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the AfDB Loan Agreement; (B) the First AfDB Cofinancing has become due and payable prior to its agreed maturity; or (C) the Second AfDB Cofinancing has failed to become effective. (ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) the suspension, cancellation, termination or prematuring of the First AfDB Cofinancing was not caused by the failure of the Recipient to perform any of its obligations under the AfDB Loan Agreement, or, failure of the Second AfDB Cofinancing to become effective does not affect the Recipient’s ability to

carry out the Project, as the case may be; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.

- 4.02. The Additional Events of Acceleration are that the events specified in Section 4.01 of this Agreement occur.

ARTICLE V

Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:
- (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized in accordance with the Basic Legislation;
 - (b) the Recipient has employed an engineering expert responsible for supervising the construction of the ISCC plant, on the basis of terms of reference satisfactory to the World Bank; and
 - (c) the EPC/O&M Contract has been duly executed by the Recipient and the Consortium.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing, on behalf of the Recipient, that this Agreement has been duly authorized by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

ARTICLE VI

Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Director General of the Recipient.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

(212) 22-66-80-18

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

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.

OFFICE NATIONAL DE L'ELECTRICITE

By /s/ / Youness Maamar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the
Global Environment Facility

By / s / Ferid Belhaj

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient in increasing its power generation capacity, reducing greenhouse gas emissions and promoting renewable energy sources in the Kingdom of Morocco through the development of an integrated solar combined cycle power plant in Ain Beni Mathar.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the World Bank may agree upon from time to time to achieve such objective.

Part A: Design, Construction and Operation of an Integrated Solar Combined Cycle Power Plant

Design, construction and operation of an ISCC power plant with a capacity of about 472 MWe, comprising gas turbines, a steam turbine, a parabolic trough solar field with a capacity of about 20 MWe and ancillary plant operation facilities, including proper operation and maintenance of said plant.

Part B: Transmission Lines, Substation, Other Infrastructure, Environmental Mitigation and Technical Assistance

1. Construction of: (a) two (2) transmission lines; (b) one substation; (c) an access road of approximately six (6) kilometers to link the ISCC power plant to the main road from Oujda to Bouarfa, including two (2) bridges to be built over the Charef and Tabouda oueds; (d) a gas spur of about 13km from the Maghreb-Europe gas pipeline; and (e) boreholes.
2. (a) Acquisition of about 160 hectares of land for the construction and operation of the ISCC power plant; (b) acquisition of about 18 hectares of land for the construction of the gas spur of about 13km from the Maghreb-Europe gas pipeline; and (c) acquisition of about 25 hectares of land for the construction of an access road of approximately six (6) kilometers to link the ISCC power plant to the main road from Oujda to Bouarfa, including two (2) bridges to be built over the Charef and Tabouda oueds.
3. Carrying out of social and environmental mitigation, monitoring and evaluation measures for the implementation of the Project.
4. Provision of technical assistance services to supervise the construction of the ISCC power plant.

SCHEDULE 2

Project Execution

Section I. Environmental and social safeguard measures

1. In carrying out the Project, the Recipient shall ensure that:
 - (a) all land acquisition required for the purposes of carrying out any works under the Project, and activities related to the resettlement, rehabilitation and compensation of PAPs in connection with such works, will be completed prior to the carrying out of such works and in accordance with the provisions set forth in the EA, EMP, the RPF and the relevant RAPs in a manner satisfactory to the World Bank; and
 - (b) the RPF and related safeguard policies shall uniformly apply to all components of the Project that result in involuntary resettlement and/or land acquisition, regardless of the source of financing.
2.
 - (a) the Environmental Assessment, the EMP, the RPF and the RAPs shall not be amended, revised, or abrogated without the prior approval of the World Bank;
 - (b) prior to the carrying out of any Project activities not identified, assessed, nor included in the Environmental Assessment or EMP, such activities shall be subject to an environmental assessment, under terms of reference and in form and substance satisfactory to the World Bank; and
 - (c) land acquisition activities under the Project which have not been identified, assessed, nor included in a RAP or RPF shall be subject to an environmental and social assessment under terms of reference and in form and substance satisfactory to the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project (including compliance with the EA, the EMP, the RPF and the RAPs) and, commencing on June 29, 2007, prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Recipient's Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement Guidelines.** All goods and works required for Part A of the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I (excluding paragraph 1.16) of the Procurement Guidelines and the provisions of this Section III.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines.

B. Particular Methods of Procurement of Goods and Works

International Competitive Bidding. The EPC/O&M Contract shall be awarded on the basis of International Competitive Bidding.

C. Review by the World Bank of Procurement Decisions

Except as the World Bank shall otherwise determine by notice to the Recipient, the EPC/O&M Contract to be awarded on the basis of International Competitive Bidding shall be subject to Prior Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures consisting of goods, works, including installation works and services for the EPC/O&M Contract as set forth in the table in paragraph 2 below.
2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocation of the amount of the Grant allocated to said Category, and the percentage of expenditures to be financed for Eligible Expenditures in said Category:

Category	Amount of the Grant Allocated (Expressed in USD)	Percentage of expenditures to be Financed (Inclusive of Taxes)
1. Goods, works, including installation works and services for the EPC/O&M Contract	43,200,000	100%
TOTAL AMOUNT	43,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) for payments made prior to the date of this Agreement; and (b) for any expenditures under the Grant unless the Recipient shall have first submitted to the World Bank, evidence, satisfactory to the World Bank, confirming that Project Affected Persons under Parts A, B(1)(d) and B(2)(b) of the Project have been properly compensated in accordance with the RPF and the RAPs, as the case may be.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2012.

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