

CONFORMED COPY

LOAN NUMBER 4128 MOR

Loan Agreement

(Railway Restructuring Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

OFFICE NATIONAL DES CHEMINS DE FER

Dated April 30, 1997

LOAN NUMBER 4128 MOR

LOAN AGREEMENT

AGREEMENT, dated April 30, 1997, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the OFFICE NATIONAL DES CHEMINS DE FER (the Borrower).

WHEREAS: (A) the Kingdom of Morocco (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) the Bank has received a letter dated September 25, 1996, from the Guarantor describing a program of actions, objectives and policies (hereinafter called the Program) designed to increase the efficiency of the railway subsector and reduce the Guarantor's financial contributions to said subsector through, inter alia, the restructuring of the Borrower, and declaring the Guarantor's commitment to the execution of the Program;

(C) the Borrower intends to contract from the European Investment Bank and the African Development Bank (collectively the Cofinanciers) loans (the Cofinanciers Loans) in an aggregate amount equivalent to one hundred ninety-four million dollars (\$194,000,000) to assist in financing part of the cost, respectively, of Parts A.2 and A.3 of the Project on the terms and conditions set forth in loan agreements (the Cofinanciers Loan Agreements) to be entered into between the Borrower and each of the Cofinanciers;

(D) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Basic Legislation" means, collectively, the Guarantor's Law (Dahir) No. 1-63-225 dated August 6, 1963, as modified by the Guarantor's Law (Dahir) No. 1-70-18 dated July 25, 1970 and the Guarantor's Law (Dahir) No. 1-73-202 dated January 2, 1974, and the Cahier des charges approved by the Guarantor's Royal Decree No. 23-67 dated April 25, 1967, according to which the Borrower has been established and is operating as an industrial and commercial public institution (établissement public à caractère industriel et commercial);

(b) "Category" means a category of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and the term "Categories" means more than one Category collectively;

(c) "Dirham" means the lawful currency of the Guarantor;

(d) "Dollar Loan Tranche" means the amount specified in Section 2.01 (a) of this Agreement;

(e) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period starts on January 1 and ends on December 31 in each calendar year;

(f) "Loan Tranche" means either the Dollar Loan Tranche or the Spanish Peseta

Loan Tranche (as hereinafter defined);

(g) "Performance Contract" means the Performance Contract (Contrat-Plan) dated September 16, 1996, between the Guarantor and the Borrower setting forth reciprocal undertakings during the calendar years 1996 through 2000, designed to enable the Borrower to enhance its operational autonomy, develop its marketing capabilities, and implement cost containment measures;

(h) "Performance Indicators" means the agreed performance indicators set forth in a letter of even date herewith to be utilized under the Project to measure the degree to which the Project objectives are being achieved;

(i) "Spanish Peseta" and "ESP" each means the lawful currency of the Kingdom of Spain;

(j) "Spanish Peseta Loan Tranche" means the amount specified in Section 2.01 (b) of this Agreement; and

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement:

(a) an amount equal to forty-two million five hundred thousand Dollars (\$42,500,000); and

(b) an amount equal to five billion four hundred forty-three million Spanish Pesetas (ESP5,443,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in a financial institution on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of a Loan Tranche not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of each Loan Tranche withdrawn and outstanding from time to time at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06

of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Guarantor and the Borrower of the LIBOR Base Rate and the LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of each Loan Tranche in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate accounting, administrative, engineering, environmental, railways and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower shall, at all times: (i) carry out the Performance Contract with due diligence and efficiency and take all action necessary to achieve the targets and objectives therein set forth; and (ii) duly perform its obligations under the Performance Contract and, except as the Bank may otherwise agree, not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving said Performance Contract or any provision thereof.

Section 3.05. Without limitation to the provisions of Section 9.07 of the General Conditions, the Borrower shall, commencing on September 30, 1997 and not later than March 31 and September 30 in each Fiscal Year and until Project completion, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank and the Borrower shall reasonably establish, describing the progress achieved in the implementation of the Project during the preceding semester.

Section 3.06. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Performance Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 15, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by February 15, 1999, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.07. The Borrower shall cooperate fully with the Guarantor in the formulation of a plan for its transformation into a joint-stock company taking into consideration a detailed review of the Borrower's pension system, including its actuarial and financial evaluation, and a statement of all assets and liabilities to be transferred, and shall take all measures within its power to ensure that, on its transformation into a joint-stock company, all of its liabilities pursuant to this Agreement are forthwith transferred to the joint-stock company.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and railways practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and railways practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) 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, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain: (i) for each of Fiscal Years 1997, 1998, 1999 and 2000, a ratio of total working expenses to total operating revenues not higher than eighty percent (80%); and (ii) for each Fiscal Year after Fiscal Year ending on December 31, 2000, a ratio of total working expenses to total operating revenues not higher than seventy-five percent (75%).

(b) Before October 31 in each Fiscal Year, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's Fiscal Years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total working expenses" means all expenses related to the operations of the Borrower, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding

depreciation, interest and other charges on debt, and other non-operating expenditures.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain: (i) for Fiscal Year 1997, a ratio of total labor expenses to total operating revenues not higher than forty-one percent (41%); (ii) for Fiscal Year 1998, a ratio of total labor expenses to total operating revenues not higher than thirty-nine percent (39%); (iii) for Fiscal Year 1999, a ratio of total labor expenses to total operating revenues not higher than thirty-seven percent (37%); (iv) for Fiscal Year 2000, a ratio of total labor expenses to total operating revenues not higher than thirty-six percent (36%); and (v) for each Fiscal Year after Fiscal Year ending on December 31, 2000, a ratio of total labor expenses to total operating revenues not higher than thirty-one percent (31%).

(b) Before October 31 in each Fiscal Year, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's Fiscal Years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total labor expenses" means all expenses related to salaries and wages paid by the Borrower to permanent and fixed-term staff employed by the Borrower plus the Borrower's share in social and retirement benefits, excluding the allowances to bridge the deficit of the Borrower's pension system, minus the labor expenses included in the internal production of fixed assets.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than thirty-five (35) to sixty-five (65).

(b) For purposes of this Section:

(i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(ii) 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, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.

(iii) 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.

(iv) 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.

Section 5.05. (a) Except as the Bank shall otherwise agree, the Borrower shall, for each Fiscal Year after Fiscal Year ending on December 31, 1997, maintain a ratio of current assets to current liabilities of not less than one and a half (1.5).

(b) Before October 31 in each Fiscal Year, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following Fiscal Year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's Fiscal Years covered by such review, the Borrower shall promptly take all necessary measures in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, and excluding service on debt becoming due by its terms within twelve (12) months.

(iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) 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.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement or under the Performance Contract;

(c) the Guarantor or the Borrower shall have failed to perform any of its respective obligations under the Performance Contract;

(d) the proceeds of the financing provided under the Cofinanciers Loan Agreements shall not have become available to the Borrower by December 31, 1998, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources

on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(e) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of a Cofinanciers Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Cofinanciers Loan Agreement, or

(B) a Cofinanciers Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the respective Cofinanciers Loan Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 6.01 of this Agreement shall occur;

(b) the event specified in paragraph (c) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Guarantor or to the Borrower, as the case may be; and

(c) the event specified in paragraph (e) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VII

Termination

Section 7.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The General Director of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For the Borrower:

Office National
des Chemins de Fer
8, Bis rue Abderrahmane el Ghafiki
Rabat-Agdal
Kingdom of Morocco

Telex:

31669
32711

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Daniel Ritchie

for Regional Vice President
Middle East and North Africa

OFFICE NATIONAL DES CHEMINS DE FER

By /s/ Mohamed Benaissa

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Dollar Loan Tranche Allocated | Amount of the Spanish Peseta Loan Tranche Allocated | % of Expenditures to be Financed |
|---------------------------------|--|--|--|
| (1) Civil Works expenditures | 24,500,000 | 3,137,720,000 | 100% of foreign expenditures and 70% of local |
| (2) Goods | 11,000,000 | 1,408,770,000 | 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally |

| | | | | |
|-----|-----------------------|------------|---------------|------|
| (3) | Consultants' Services | 1,000,000 | 128,070,000 | 100% |
| (4) | Unallocated | 6,000,000 | 768,440,000 | |
| | TOTAL | 42,500,000 | 5,443,000,000 | |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods, works or services supplied from the territory of any country other than that of the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods, works or services supplied from the territory of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (i) for goods and works, under contracts costing less than \$500,000 equivalent each; (ii) services of consulting firms, under contracts costing less than \$100,000 equivalent each; and (iii) services of individual consultants, under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to prepare and implement a restructuring program for the railway subsector aimed at improving the efficiency of such subsector and transforming the Borrower into a financially viable and commercially-oriented enterprise.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Rehabilitation and Modernization of the Railways Network

Carrying out of an investment program designed to rehabilitate and modernize selected sections of the Borrower's railway network, including in particular:

- the improvement of signaling and telecommunication systems, the track renewal of the Fès/Oujda, Rabat/Sidi Kacem and Casablanca/Marakkech sections, and the reinforcement of the rolling stock through the acquisition of one hundred (100) specialized wagons and about seven (7) electric locomotives and the rehabilitation of the passenger coaches;
- the renewal and reinforcement of electric traction facilities (catenary, substations) and the track doubling of the Kenitra/Sidi Slimane section; and
- the realignment, track renewal and platform doubling of the Sidi Kacem/Meknès section.

Part B: Railway Restructuring Program

Preparation and implementation of a comprehensive restructuring program suitably designed to increase the efficiency of the railway operations, including primarily the transformation of the Borrower into a financially viable joint-stock company carrying out its operations in a commercially oriented fashion, the improvement of the railway management systems, and the adequate reform of the Borrower's pension system.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

Dollar Loan Tranche

| Date Payment Due | Payment of Principal of the Dollar Loan Tranche* |
|-------------------|---|
| May 15, 2002 | 895,000 |
| November 15, 2002 | 920,000 |
| May 15, 2003 | 950,000 |
| November 15, 2003 | 975,000 |
| May 15, 2004 | 1,005,000 |
| November 15, 2004 | 1,035,000 |
| May 15, 2005 | 1,065,000 |
| November 15, 2005 | 1,100,000 |
| May 15, 2006 | 1,130,000 |
| November 15, 2006 | 1,165,000 |
| May 15, 2007 | 1,200,000 |
| November 15, 2007 | 1,235,000 |
| May 15, 2008 | 1,275,000 |
| November 15, 2008 | 1,310,000 |
| May 15, 2009 | 1,350,000 |
| November 15, 2009 | 1,390,000 |
| May 15, 2010 | 1,435,000 |
| November 15, 2010 | 1,475,000 |
| May 15, 2011 | 1,520,000 |
| November 15, 2011 | 1,565,000 |
| May 15, 2012 | 1,615,000 |
| November 15, 2012 | 1,660,000 |
| May 15, 2013 | 1,710,000 |
| November 15, 2013 | 1,765,000 |
| May 15, 2014 | 1,815,000 |
| November 15, 2014 | 1,870,000 |
| May 15, 2015 | 1,925,000 |
| November 15, 2015 | 1,985,000 |
| May 15, 2016 | 2,045,000 |
| November 15, 2016 | 2,115,000 |

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions

Spanish Peseta Loan Tranche

| Date Payment Due | Payment of Principal of the Spanish Peseta Loan Tranche* |
|-------------------|---|
| May 15, 2002 | 102,100,000 |
| November 15, 2002 | 105,870,000 |
| May 15, 2003 | 109,785,000 |
| November 15, 2003 | 113,840,000 |
| May 15, 2004 | 118,045,000 |
| November 15, 2004 | 122,410,000 |
| May 15, 2005 | 126,930,000 |
| November 15, 2005 | 131,620,000 |
| May 15, 2006 | 136,485,000 |
| November 15, 2006 | 141,525,000 |
| May 15, 2007 | 146,755,000 |
| November 15, 2007 | 152,180,000 |
| May 15, 2008 | 157,800,000 |

| | |
|-------------------|-------------|
| November 15, 2008 | 163,635,000 |
| May 15, 2009 | 169,680,000 |
| November 15, 2009 | 175,950,000 |
| May 15, 2010 | 182,450,000 |
| November 15, 2010 | 189,190,000 |
| May 15, 2011 | 196,185,000 |
| November 15, 2011 | 203,430,000 |
| May 15, 2012 | 210,950,000 |
| November 15, 2012 | 218,745,000 |
| May 15, 2013 | 226,825,000 |
| November 15, 2013 | 235,205,000 |
| May 15, 2014 | 243,895,000 |
| November 15, 2014 | 252,910,000 |
| May 15, 2015 | 262,255,000 |
| November 15, 2015 | 271,945,000 |
| May 15, 2016 | 281,995,000 |
| November 15, 2016 | 292,410,000 |

* The figures in this column represent the amount in Spanish Pesetas to be repaid, except as provided in Section 4.04 (d) of the General Conditions

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for track renewal works under Part A.1 of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(c) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Guarantor.

Part C: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of

Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, proposals, evaluation reports and contracts shall not apply to: (i) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; and (ii) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (i) the letters of invitation and terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$30,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have

requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; and

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding

in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

