

CONFORMED COPY

LOAN NUMBER 3665 MOR

Loan Agreement

(Fifth Water Supply Project - ONEP)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

THE NATIONAL WATER SUPPLY AUTHORITY

Dated December 3, 1993

LOAN NUMBER 3665 MOR

LOAN AGREEMENT

AGREEMENT, dated December 3, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and THE NATIONAL WATER SUPPLY AUTHORITY (hereinafter referred to variously as the Borrower or ONEP).

WHEREAS: (A) 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) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee certain obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) the Borrower and/or the Guarantor intend to contract from other external sources of funds (the Cofinanciers) one or more loans (the Cofinanciers' Loans) in an aggregate amount equivalent to \$84,000,000 to assist in financing the Project on the terms and conditions set forth in agreements (the Cofinanciers' Loan Agreements) to be entered into between the Borrower and/or the Guarantor and the Cofinanciers; and

(D) the Bank has agreed to make a loan to the Guarantor to

assist in the financing of activities related to the Project, upon the terms and conditions set forth in a loan agreement of even date herewith between the Guarantor and the Bank (the Kingdom Loan Agreement) and six related Project Agreements of even date herewith between the Bank and the Participating Utilities (as defined in Section 1.02 (g) of this Agreement); 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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 the Guarantor's Dahir No. 1-72-103 dated April 3, 1972, pursuant to which the Borrower was established and is operating, as the same may be amended from time to time.

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

(c) "Fiscal Year" means the twelve month period commencing on January 1 and ending on December 31.

(d) "ONEP Performance Contract" means the agreement (contrat programme) dated November 13, 1992 between the Guarantor and the Borrower setting forth undertakings designed to enable the Borrower to achieve certain investment, financial and operational targets during the Fiscal Years 1993 through 1995, as the same shall be updated each Fiscal Year in accordance with the provisions of Section 3 of Schedule 5 to this Agreement.

(e) "Investment, Financial and Operational Targets" means the investment, financial and operational targets set forth in the ONEP Performance Contract to be achieved during the Fiscal Years 1993 through 1995, as the same shall be updated from time to time in accordance with the provisions of Schedule 5 to this Agreement.

(f) "Kingdom Loan Agreement" means the loan agreement of even date herewith between the Guarantor and the Bank for a Fifth Water Supply Project - Kingdom (Loan No. 3664 MOR).

(g) "Participating Utilities Project Agreements" means the project agreements of even date herewith between the Bank and the Water and Electricity Distribution Authority of Casablanca (RAD), the Water and Electricity Distribution Authority of Fes (RADEEF), the Water and Electricity Distribution Authority of Rabat-Sal 1 (RED), the Water and Electricity Distribution Authority of Meknes

(RADEEM), the Water and Electricity Distribution Authority of Marrakech (RADEEMA), and the Water and Electricity Distribution Authority of Kenitra (RAK), for a Fifth Water Supply Project - Kingdom (Loan No. 3664 MOR); and "Participating Utilities" means, collectively, the Water and Electricity Distribution Authority of Casablanca, the Water and Electricity Distribution Authority of Fes, the Water and Electricity Distribution Authority of Rabat-Sale, the Water and Electricity Distribution Authority of Meknes, the Water and Electricity Distribution Authority of Marrakech, and the Water and Electricity Distribution Authority of Kenitra.

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, various currencies that shall have an aggregate value equivalent to the amount of thirty two million dollars (\$32,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 shall, for the purposes of Part C of the Project, open and maintain a special deposit account in a currency and a financial institution, both acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 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 percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down

after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) 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 Part C of the Project with due diligence and efficiency and in conformity with appropriate financial, technical and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part C of 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.

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 public utility 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 public utility 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 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 produce, for each Fiscal Year after Fiscal Year 1993, funds from internal sources equivalent to not less than 30% of the annual average of the Borrower's capital expenditures incurred, or expected to be incurred, for that Fiscal Year, the previous Fiscal Year and the next following Fiscal Year.

(b) Before September 30 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 Fiscal Year and the next following Fiscal Year and shall furnish to the Bank a copy 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 Fiscal Year covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, recommendation for 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 "funds from internal sources" means the difference between:

- (A) the sum of revenues from all sources related to operations, consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and
- (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:

- (A) revenues from all sources other than those related to operations; and
- (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Fiscal Year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next Fiscal Year.

- (v) 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, including accounts payable, customer advances, taxes and payments in lieu of taxes, and dividends.
- (vi) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
- (vii) 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 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall reach, for each Fiscal Year, a ratio of total working expenses to total operating revenues not higher than 50%, for Fiscal Year 1995; and 47% for Fiscal Year 1998.

(b) Before September 30 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) of this Section 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) of this Section for the Borrower's Fiscal Years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, recommendation for adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The terms "total working expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding depreciation, interest and other charges on debt.
- (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 unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each Fiscal Year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

(b) For the 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 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.

- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) 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.
- (vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.
- (vii) 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) The Borrower shall for each Fiscal Year, commencing with the 1995 Fiscal Year maintain its water supply receivables at a level which shall not exceed its average three months' billings.

(b) Before September 30 in each Fiscal Year, the Borrower shall, on the basis of forecasts prepared by it and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and shall furnish to the Bank a copy 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 Fiscal Year covered by such review, the Borrower shall promptly take all necessary measures in order to meet such requirements.

(d) For purposes of this Section the following terms have the following meanings:

- (i) "water supply receivables" means the aggregate amount of all water bills outstanding at the end of the Fiscal Year under review;
- (ii) "water bills" means the amounts periodically billed by the Borrower for the supply of water and the provision of related services by the Borrower; and
- (iii) "average three months' billing" shall be calculated by dividing the aggregate amount of all water bills issued by the Borrower during the Fiscal Year under review by four.

Section 5.06. The provisions of Section 4.03 of the Project Agreement between the Bank and the Borrower dated July 27, 1987 (Loan No. 2825 MOR - National Water Supply Rehabilitation Project) are hereby amended to read as set forth in Section 5.04 of this Agreement.

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) The Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of the Borrower or its ability to perform any of its obligations under this Agreement.

(b) The Guarantor shall have failed to perform any of its obligations under the Kingdom Loan Agreement.

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

(d) The proceeds of the financing provided under the Cofinanciers' Loan Agreements shall not have become available to the Borrower before July 1, 1997; 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.

(e) (i) Subject to sub-paragraph (ii) of this paragraph:

- (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
- (B) any such loan or grant shall have become due and payable prior to the agreed maturity thereof.

(ii) Sub-paragraph (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 such 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 (a) of Section 6.01 of this Agreement shall occur.

(b) Any event specified in paragraph (b) or (c) of Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

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

ARTICLE VII

Effective Date; Termination

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that all conditions precedent to the effectiveness of the Kingdom Loan Agreement and of the Participating Utilities Project Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 7.02. 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 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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For the Borrower:

Office National de l'Eau Potable
6 bis rue Patrice Lumumba
Rabat
Maroc

Telex:

31982 M

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/ Caio Koch-Weser
Regional Vice President
Middle East and North Africa

THE NATIONAL WATER SUPPLY AUTHORITY

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 Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works and supply and installa- tion of pipe- lines	5,000,000	60%
(2) Supply and installation of material and equipment	8,000,000	75%
(3) Goods	11,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4) Consultants' services and training	4,000,000	100%

(5) Unallocated	4,000,000
	<hr/>
TOTAL	32,000,000
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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 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 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, except that withdrawals, in an aggregate amount not to exceed \$1,800,000, may be made on account of payments made for expenditures before that date but after May 6, 1993.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in strengthening the institutional capabilities of the Borrower and improving the delivery of potable water in urban and rural areas.

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: Borrower

Ministry of Public Works - Hydraulics Administration.

(1) Carrying out of hydrogeological studies and the drilling of boreholes to expand the urban and rural water supply; provision of equipment to measure hydrological and hydrogeological data and to test water quality and of computer hardware and software, as required to study and evaluate the Borrower's water resources; and development and carrying out of training programs to strengthen the technical skills of staff of the Hydraulics Administration of the Borrower's Ministry of Public Works.

Ministry of Public Works - National Meteorology Directorate.

(2) Extension and development of the network of measurement of meteorological data through the construction of automatic meteorological stations, of aerologic stations, of meteorological sectors for rainfalls and of equipment for the reception of satellite data. Installation of computer systems for the analysis and the treatment of meteorologic scope implementation of training programs to strengthen the technical capabilities of the National Meteorology Directorate to improve the assistance the National Meteorology Directorate can give to the socio-economic sectors.

Ministry of Public Health

(3) Carrying out of a program to sensitize the Borrower's populations living in endemic areas on public health issues and water-borne diseases and to evaluate and improve the quality of potable water in rural areas; provision of equipment, supplies and vehicles required therefor; and construction and/or equipment of epidemiological diagnoses of laboratories.

Ministry of Interior

(4) Carrying out of a program to rehabilitate water supply facilities and install, operate and maintain pumps in rural areas, including the provision of equipment, vehicles, workshop vehicles and training required therefor.

Part B: Participating Utilities

(1) Rehabilitation, extension and strengthening in the areas serviced by the Participating Utilities listed below, of water production and distribution systems, for the connection of houses to said systems, provision and/or repair of equipment and vehicles required therefor, and provision of equipment required for leak detection in said areas:

- (a) area serviced by RAD;
- (b) area serviced by RADEEF;
- (c) area serviced by RED;
- (d) area serviced by RADEEM;
- (e) area serviced by RADEEMA; and
- (f) area serviced by RAK.

(2) Carrying out of a program to strengthen the organization, management and operations of each of: (a) RAD, (b) RADEEF, (c) RED, (d) RADEEM, (e) RADEEMA, and (f) RAK, consisting, for said Participating Utility of: the development and utilization of appropriate management information systems, cost accounting systems and methodologies for the valuation of assets; the provision of computer hardware and software required therefor; and the carrying out of training programs to strengthen the skills of staff said Participating Utility.

Part C: ONEP

(1) Carrying out of a program to rehabilitate, extend and strengthen water production and distribution systems in cities and centers supplied by the Borrower.

(2) Carrying out of a program to strengthen the organization, management and operations of the Borrower, consisting of:

- (a) design and implementation of a program to computerize the Borrower's functions, including the provision of computer hardware and software required therefor;
- (b) the provision of laboratory equipment required to test water quality;
- (c) construction of a center for documentation relating to water supply;
- (d) preparation of a sewerage master plan; and
- (e) the development and carrying out of a training program to strengthen the technical skills of the Borrower's staff.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
August 1, 1999	600,000

February 1, 2000	620,000
August 1, 2000	645,000
February 1, 2001	665,000
August 1, 2001	690,000
February 1, 2002	720,000
August 1, 2002	745,000
February 1, 2003	770,000
August 1, 2003	800,000
February 1, 2004	830,000
August 1, 2004	860,000
February 1, 2005	895,000
August 1, 2005	925,000
February 1, 2006	960,000
August 1, 2006	995,000
February 1, 2007	1,035,000
August 1, 2007	1,070,000
February 1, 2008	1,110,000
August 1, 2008	1,155,000
February 1, 2009	1,195,000
August 1, 2009	1,240,000
February 1, 2010	1,285,000
August 1, 2010	1,335,000
February 1, 2011	1,385,000
August 1, 2011	1,435,000
February 1, 2012	1,490,000
August 1, 2012	1,545,000
February 1, 2013	1,600,000
August 1, 2013	1,660,000
February 1, 2014	1,740,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable and to maximize competition, contracts for the supply and installation of pipes and other equipment shall be grouped into bid packages estimated to cost the equivalent of \$2,000,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Kingdom of Morocco may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. Contracts for goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$800,000, and contracts for works estimated to cost the equivalent of \$2,500,000 or less per contract, up to an aggregate amount equivalent to \$8,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Local Shopping

2. Goods and repair services estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract to be awarded in accordance with the procedures set forth or referred to in Part A of

this Section I, and with respect to each contract to be awarded in accordance with the procedures set forth or referred to in Part C.1 of this Section I, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis 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, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Bank.

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, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

The Borrower shall:

1. maintain, or cause to be maintained, operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators satisfactory to the Bank, the carrying out of the Project, including the achievement of the Investment, Financial and Operational Targets;

2. prepare and furnish to the Guarantor and to the Bank, not

later than September 30 of each Fiscal Year, a report, of such scope and in such detail as the Guarantor and the Bank shall reasonably request, on the conclusions and recommendations indicated by the monitoring and evaluation activities performed pursuant to Section 1 of this Schedule 5 in respect of the preceding Fiscal Year, together with revisions proposed to be introduced into the Investment, Financial and Operational Targets, and a proposed updated Performance Contract, including proposed Investment, Financial and Operational Targets for such period, and any other measures proposed to further the progress in the carrying out of the Project;

3. afford the Bank and the Guarantor a reasonable opportunity to exchange views with the Borrower on said report, and thereafter, not later than December 31 of such Fiscal Year, conclude with the Guarantor such updated Performance Contract and introduce such revisions into its Investment, Financial and Operational Targets as shall have been agreed between the Borrower, the Guarantor and the Bank, and undertake any additional measures to further the progress in the carrying out of the Project as shall have been agreed between the Borrower and the Bank; and

4. carry out, by order of priority:

- (i) rehabilitation works at the Bou-Regreg treatment plant;
- (ii) rehabilitation works of the water production facilities of the Atlantic coast (Fouarat, Bou-Regreg, Ould Mellah, Sidi Daoudi and Thaleb);
- (iii) the training program;
- (iv) services for ONEP is computerization; and
- (v) acquisition of computer equipment.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$2,500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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; or

(b) 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.

