

LOAN NUMBER 2825 MOR

Project Agreement

(National Water Supply Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

NATIONAL WATER SUPPLY AUTHORITY

Dated July 27, 1987

LOAN NUMBER 2825 MOR

PROJECT AGREEMENT

AGREEMENT, dated July 27, 1987, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL WATER SUPPLY AUTHORITY (ONEP).

WHEREAS (A) by the Loan Agreement of even date herewith between Kingdom of Morocco (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to sixty million dollars (\$60,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that ONEP agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and ONEP, part of the proceeds of the loan provided for under the Loan Agreement will be made available to ONEP on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS ONEP, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the term "ONEP Action Plan" means the action

plan for the carrying out of Part B of the Project set forth or referred to in the Schedule to this Agreement.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) ONEP declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Bank and ONEP shall otherwise agree, ONEP shall carry out Part B of the Project in accordance with the ONEP Action Plan.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to the Loan Agreement.

Section 2.03. ONEP shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

Section 2.04. ONEP shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, ONEP shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) ONEP shall, at the request of the Bank, exchange views with the Bank with regard to progress of Part B of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) ONEP shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Loan, or the performance by ONEP of its obligations under this Agreement and under the Subsidiary Loan Agreement.

## ARTICLE III

### Management and Operations of ONEP

Section 3.01. ONEP shall: (a) 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; and (b) at all times take all action required to maintain and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

Section 3.02. Without limitation upon the provisions

of Section 3.01 of this Agreement:

(a) ONEP shall: (i) maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with indicators satisfactory to the Bank, the carrying on of its operations; and (ii) prepare and, not later than October 31 of each year, furnish to the Bank a report, in form and substance satisfactory to the Bank, setting forth the conclusions and recommendations indicated by the monitoring and evaluation activities performed pursuant to sub-paragraph (i) of this paragraph. To ensure the proper carrying out of such activities, ONEP shall prepare and, not later than July 1, 1988, furnish to the Bank for the Bank's approval, standards against which to evaluate the carrying on of ONEP's operations, and thereafter apply such standards as shall have been approved by the Bank in carrying out such evaluation activities.

(b) ONEP shall: (i) prepare and, not later than October 31 of each of its fiscal years, furnish to the Bank a corporate development plan for the next following three fiscal years, agreed between the Borrower and ONEP and satisfactory to the Bank, setting forth: (A) ONEP's organizational, managerial, operational and financial policies and objectives, including operational and financial targets, for such period; (B) a program of actions, including an investment program for the next following five fiscal years, designed to implement such policies and achieve such objectives and targets; and (C) the resources to enable ONEP to carry out said actions; and (ii) carry out such corporate development plan during the next following fiscal year with due diligence and efficiency and in conformity with sound administrative, financial economic, engineering and public utility practices.

Section 3.03. ONEP shall at all times operate and maintain its plant, 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 3.04. ONEP 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.

Section 3.05. ONEP shall not sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business, or which would otherwise materially and adversely affect its ability to carry out its obligations under this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) ONEP shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) ONEP shall:

(i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 accounts and financial statements as well as the audit thereof and said records, as the Bank shall from time to time reasonably request.

Section 4.02. (a) Except as the Bank shall otherwise agree, ONEP shall produce funds from internal sources equivalent to: not less than 15%, for each of its fiscal years 1987, 1988, 1989 and 1990; not less than 20%, for its fiscal year 1991; and not less than 30%, for its fiscal year 1992 and each of its fiscal years thereafter; of the annual average of ONEP's capital expenditures incurred, or expected to be incurred, for that year, the previous fiscal year and the next following fiscal year.

(b) Before October 31 in each of its fiscal years, ONEP shall, on the basis of forecasts prepared by ONEP 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 a copy of such review upon its completion.

(c) If any such review shows that ONEP would not meet the requirements set forth in paragraph (a) of this Section for ONEP's fiscal years covered by the such review, ONEP 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 "funds from internal sources" means the difference between:
  - (A) the sum of revenues from all sources related to operations, including net non-operating income and any reduction in working capital other than cash but excluding consumers' deposits and consumers' and developers' contributions in aid of construction; 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, debt service requirements, taxes and payments in lieu of taxes, and dividends.
- (vi) 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.
- (vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to water supply operations, but excluding capital expenditures financed by consumers' deposits or consumers' and developers' contributions in aid of construction.
- (viii) Whenever it shall be necessary to value, in terms of Dirhams, 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 4.03. (a) Except as the Bank shall otherwise agree, ONEP shall not incur any debt, unless a reasonable forecast of the revenues and expenditures of ONEP shows

that the estimated net revenues of ONEP for each fiscal year during the term of the debt to be incurred shall be at least 1.3 times the estimated debt service requirements of ONEP in such year on all debt of ONEP, including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of ONEP 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 it shall be necessary to value, in terms of Dirhams, 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 4.04. (a) Except as the Bank may otherwise agree, ONEP shall:

- (i) promptly bill the Borrower's public agencies so as to enable said public agencies to fulfill the obligations set forth in Section 4.03 (a) (ii) of the Loan Agreement in accordance with the terms of said Sections;
  - (ii) take all measures necessary to ensure that:
    - (A) the balance of the bills due and payable by it as at December 31, 1986 to the Borrower's public agencies shall be paid in accordance with a schedule satisfactory to the Bank; and
    - (B) all bills, other than those referred to in (A) above, payable to the Borrower's public agencies, shall be paid promptly when due; and
  - (iii) furnish to the Bank quarterly reports, in form and substance satisfactory to the Bank, on the progress in carrying out the obligations set forth in this paragraph (a).
- (b) For purposes of this Section:
- (i) the term "Borrower's public agencies" means the political or administrative subdivisions of the Borrower, or entities owned or controlled by, or operating for the account or benefit of, the Borrower or any of its political or administrative subdivisions; and
  - (ii) the term "bills" means, in respect of each of the public agencies, the amounts periodically billed by said public agency to ONEP for the provision of goods or services by said public agency to ONEP.

Section 4.05. The provisions of Sections 4.03 and 4.05 of the Project Agreement between the Bank and ONEP dated September 28, 1981 (Third Water Supply Project) are hereby amended to read as set forth in Sections 4.02 and 4.03, respectively, of this Agreement.

#### ARTICLE V

Effective Date; Termination;  
Cancellation and Suspension

Section 5.01. This Agreement shall come into force

and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of ONEP thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify ONEP thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	440098 (ITT), 248423 (RCA) or 64145 (WUI)

For ONEP:

Office National de l'Eau Potable  
6 bis rue Patrice Lumumba  
Rabat  
Kingdom of Morocco

Cable address:	Telex:
ONEP-RABAT-CHELLAH Rabat, Morocco	31982 M

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ONEP may be taken or executed by the chief executive officer of ONEP or such other person or persons as the chief executive officer of ONEP shall designate in writing, and the chief executive officer of ONEP shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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/ Kemal Dervis  
Acting Regional Vice President  
Europe, Middle East and North Africa

NATIONAL WATER SUPPLY AUTHORITY

/s/ Mohamed Bargach  
Authorized Representative

SCHEDULE

ONEP Action Plan

In order to ensure the proper carrying out of Part B of the Project, ONEP shall, for purposes of Section 2.01 (b) of this Agreement, carry out, inter alia, the following actions.

- A. (1) In order to assist ONEP in developing and introducing the cost accounting and computer systems referred to in Part B (2) (b) of the Project, ONEP shall continue to employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.
- (2) The Borrower shall, with the assistance of such consultants, take all measures necessary to introduce and apply, not later than January 1, 1988 such cost accountings and computer systems, satisfactory to the Bank.
- B. Under Part B (2) (b) of the Project, ONEP shall introduce and apply not later than January 1, 1988 a general accounting system satisfactory to the Bank.
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