

CONFORMED COPY

LOAN NUMBER 3036 MOR

(Agricultural Research and Extension Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 22, 1989

LOAN NUMBER 3036 MOR

LOAN AGREEMENT

AGREEMENT, dated September 22, 1989, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out by National Institute for Agricultural Research (INRA), as defined in Section 1.02 (a) of this Agreement, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to INRA part of the proceeds of the Loan as provided in this Agreement;

(C) the Borrower intends to contract from external sources (the Cofinanciers) loans and grants (the Cofinance) in an

aggregate amount equivalent to \$15,600,000 to assist in financing part of the Project on the terms and conditions set forth in agreements (the Cofinancing Agreements) to be entered into between the Borrower and each of the Cofinanciers; 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 and in the Project Agreement of even date herewith between the Bank and INRA;

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 last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "MARA" means the Borrower's Ministry of Agriculture and Land Reform (Ministere de l'Agriculture et de la Reforme Agraire);

(b) "DVRA" means the Directorate of Extension and Land Reform (Direction de la Vulgarisation et de la Reforme Agraire) within MARA;

(c) "Agricultural Extension and Training Division" means the division within DVRA, referred to in Part B.2 of Schedule 6 to this Agreement, responsible for extension;

(d) "DPA" means any of the Provincial Directorates for Agriculture (Direction Provinciale de l'Agriculture) within MARA; and "DPAs" means, collectively, all of such Provincial Directorates for Agriculture;

(e) "INRA" means the National Institute for Agricultural Research (Institut National de la Recherche Agricole), a public enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-81-204 dated April 8, 1981, as the same may be amended from time to time;

(f) "CRRAs" means any of the regional agricultural research centers (Centre Regional de Recherche Agronomique) of INRA; and "CRRAs" means, collectively, all of said regional agricultural research centers;

(g) "ORMVA" means any of the following regional agricultural development authorities (Office Regional de Mise en Valeur Agricole) operating under the supervisory authority of MARA in irrigated perimeters: (i) the Regional Agricultural Development Authority of Haouz, established and operating pursuant to the Borrower's Decree No. 831-66 dated October 22, 1966; (ii) the Regional Agricultural Development Authority of Souss-Massa, established and operating pursuant to the Borrower's Decree No. 2-70-157 dated October 8, 1970; and (iii) the Regional Agricultural Development Authority of Tadla, established and operating pursuant to the Borrower's Decree No. 828-66 dated October 22, 1966; and "ORMVAs" means, collectively, all of said regional agricultural development authorities;

(h) "CMV" means any of the centers (Centre de Mise en Valeur) within an ORMVA responsible for extension services; and "CMVs" means, collectively, all of said centers;

(i) "CT" means any of the extension centers (Centre de Travaux) operating under the supervisory authority of MARA pursuant to the Borrower's Law (Dahir) No. 1-56-3220, dated January 31, 1957, as the same may be amended from time to time;

(j) "Project Agreement" means the agreement between the Bank and INRA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

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

(l) "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;

(m) "Basic Legislation" means the Borrower's Law referred to in paragraph (e) of this Section; the Borrower's Law (Dahir) No. 1-59-271 dated April 14, 1960, as amended by the Borrower's Law No. 1-61-402, dated June 30, 1962, pertaining to the Borrower's financial control of its public enterprises, including INRA; and any other law or regulation of the Borrower affecting the establishment or operations of INRA; all as the same may be amended from time to time;

(n) "Agricultural Research Implementation Program" means the program referred to in Section 2.01 (b) of the Project Agreement; and

(o) "Agricultural Extension Implementation Program" means the program referred to in Section 3.02 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, an amount in various currencies equivalent to twenty-eight million dollars (\$28,000,000).

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 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 the Project, open and maintain in Dirhams a special account in the Borrower's General Treasury on terms and conditions satisfactory to the Bank. 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 June 30, 1995, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower 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 ($\frac{3}{4}$ 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(a) the Borrower shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) without any limitation upon any of its other obligations under the Loan Agreement, the Borrower shall (i) cause INRA to perform in accordance with the provisions of the Project Agreement all the obligations of INRA therein set forth, (ii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable INRA to perform such obligations, and (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and

(c) for the purpose of carrying out Part A of the Project, the Borrower shall make available to INRA the proceeds of the Loan allocated from time to time to Category (1) on a grant basis.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall take all measures necessary to ensure that Part B of the Project shall be carried out in accordance with the agricultural extension implementation program set forth in Schedule 6 to this Agreement.

Section 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement:

(a) in order to enable INRA to comply with the requirements set forth in Part D of the Schedule to the Project Agreement, the Borrower shall: (i) prepare, in accordance with guidelines satisfactory to the Bank, a schedule of adjustments to the structure and levels of salaries paid to INRA's scientific staff, designed to ensure that the employment benefits provided to such staff shall at all times be equivalent to those benefits provided to

faculty members employed by the Borrower's universities who are engaged in research activities; and (ii) take all measures necessary to ensure that said schedule of adjustments shall be presented to the appropriate authorities not later than December 31, 1989 for approval and, upon approval, promptly introduced; and

(b) in order to ensure the efficient financial operations of INRA, the Borrower shall: (i) develop, on the basis of guidelines satisfactory to the Bank, and introduce, budgeting, financial and accounting policies and procedures to be applied by INRA; and (ii) without limitation on the provisions of sub-paragraph (i) of this paragraph, assign to each of the CRRAs in Meknes, Settat and Marrakech, not later than December 31, 1989, suitably qualified accounting agents to be responsible, inter alia, for issuing payment orders by such CRRA.

Section 3.04. 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 3.05. The Bank and the Borrower hereby agree that 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 Part A of the Project shall be carried out by INRA pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section and those 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, 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 and accounts and 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 or cause to be maintained, 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 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 4.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall take all measures necessary to ensure that:

(a) the Borrower's proposed investment program for its research and extension sub-sector for each fiscal year shall be prepared and furnished to the Bank not later than November 30 of the previous year for the Bank's review and comments;

(b) the Bank shall be afforded a reasonable opportunity to exchange views with the Borrower on said investment program; and

(c) thereafter, on the basis of said exchange of views, said investment program shall be carried out with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural research and extension practices.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) INRA shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that INRA will be able to perform its obligations under the Project Agreement.

(c) The Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of INRA to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of INRA.

(e) The Cofinancing Agreements shall have failed to become effective by June 30, 1990, 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.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or loan 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 of the agreement providing therefor, or

(B) any such 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 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 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 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;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the budgeting, financial and accounting policies and procedures for INRA, referred to in Section 3.03 (b) of this Agreement, have been introduced in accordance with the provisions thereof.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by INRA, and is legally binding upon INRA in accordance with its terms.

Section 6.03. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Rabat
Kingdom of Morocco

Telex:

32715 M
31936 M

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:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

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.

KINGDOM OF MOROCCO

By /s/ Ali Bengelloun
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

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) For Part A of the Project:		
(a) Civil works	1,800,000	86%
(b) Equipment and vehicles	3,600,000	100% of foreign expenditures and 80% of local expenditures for items procured locally

(c)	Materials, fuel, spare parts, farm inputs, services for demonstrations and trials, and travel allowances	3,200,000	80% during calendar years 1989 and 1990; 70% during calendar years 1991 and 1992; and 50% thereafter
(d)	Fellowships, study tours, training and consultants' services	400,000	100%
		Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(2)	For Part B of the Project:		
(a)	Civil works	2,200,000	86%
(b)	Equipment and vehicles	5,400,000	100% of foreign expenditures and 80% of local expenditures for items procured locally
(c)	Materials, fuel, spare parts, farm inputs, services for demonstrations and trials, and travel allowances	7,600,000	80% during calendar years 1989 and 1990; 70% during calendar years 1991 and 1992; and 50% thereafter
(d)	Fellowships, study tours, training and consultants' services	800,000	100%
(3)	Unallocated	3,000,000	
	TOTAL	28,000,000	

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 Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,500,000, may be made on account of payments made for expenditures before that date but after July 1, 1988; and

(b) expenditures under Category (2) until the Bank shall have received the following plans and programs acceptable to the

Bank covering calendar year 1990: the staffing plan referred to in Part B.3 (d) of Schedule 6 to this Agreement, the extension program referred to in Part C.2 of said Schedule and the training program referred to in Part D.2 of said Schedule.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in carrying out a program to strengthen the organization and management of research and extension services within the Borrower's territory and to upgrade and expand the provision of such services.

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: Agricultural Research

1. Strengthening, in accordance with the provisions of the Agricultural Research Implementation Program, of the management, staff and research capabilities of INRA in order to improve the development and delivery of its research services and the coordination of such services with extension activities.

2. Development and carrying out, in accordance with the provisions of the Agricultural Research Implementation Program, of agricultural research programs based on crop and livestock specific research.

3. Development and carrying out, in accordance with the provisions of the Agricultural Research Implementation Program, of training programs to improve the technical skills of INRA staff involved in the carrying out of agricultural research activities.

4. Provision of: research and technical staff, computer equipment, agricultural and laboratory equipment, office equipment, research equipment and materials, vehicles, farm inputs, scientific publications, printing equipment and spare parts.

5. Construction of laboratories, warehouses and office facilities; rehabilitation of 13 research farms, including construction of wells, irrigation facilities and housing facilities therefor; extension of the CRRAs in Marrakech and Meknes, including construction and/or rehabilitation of laboratory, office and warehouse facilities therefor; and extension of INRA's Rabat library.

Part B: Agricultural Extension

1. Strengthening, in accordance with the provisions of the Agricultural Extension Implementation Program, of the organization, management, staff, and technical, monitoring and evaluation capabilities of MARA to improve the development and delivery of agricultural extension services and the coordination of such services with INRA's research activities.

2. Development and carrying out, in accordance with the provisions of the Agricultural Extension Implementation Program, of agricultural extension programs adapted to the environmental and socio-economic conditions of the areas in which such programs are carried out.

3. Development and carrying out, in accordance with the provisions of the Agricultural Extension Implementation Program, of training programs to improve the technical skills of staff of MARA, the ORMVAs and the CTs involved in the provision of extension services.

4. Provision of technical staff, vehicles, demonstration and

audio-visual equipment, data processing equipment, office equipment, farm inputs, materials and spare parts, all as required for the provision of extension services under Part B of the Project.

5. Construction and equipping of an extension training center, construction and equipping of office, meeting and workshop facilities to be utilized for extension activities and construction and rehabilitation of housing facilities, to be utilized by staff involved in extension activities.

* * * * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
August 15, 1994	515,000
February 15, 1995	535,000
August 15, 1995	555,000
February 15, 1996	575,000
August 15, 1996	595,000
February 15, 1997	620,000
August 15, 1997	645,000
February 15, 1998	670,000
August 15, 1998	695,000
February 15, 1999	720,000
August 15, 1999	750,000
February 15, 2000	775,000
August 15, 2000	805,000
February 15, 2001	835,000
August 15, 2001	870,000
February 15, 2002	905,000
August 15, 2002	935,000
February 15, 2003	975,000
August 15, 2003	1,010,000
February 15, 2004	1,050,000
August 15, 2004	1,090,000
February 15, 2005	1,130,000
August 15, 2005	1,175,000
February 15, 2006	1,220,000
August 15, 2006	1,265,000
February 15, 2007	1,315,000
August 15, 2007	1,365,000
February 15, 2008	1,415,000
August 15, 2008	1,470,000
February 15, 2009	1,520,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on 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 eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods 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 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in 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

1. Vehicles estimated to cost not more than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,000,000, laboratory equipment estimated to cost not more than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,800,000, and civil works and agricultural and office equipment (other than computer and audio-visual equipment), regardless of the cost thereof, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. Motorbikes, up to an aggregate amount not to exceed the equivalent of \$1,100,000, spare parts for vehicles estimated to cost less than the equivalent of 100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$2,600,000, and other goods estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed the equivalent of \$6,200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Fuel may be procured in accordance with the normal procurement practices of the purchaser thereof.

4. Services required for trials and demonstrations may be

procured under negotiated contracts or force account in accordance with procedures satisfactory 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 for works estimated to cost the equivalent of \$300,000 or more, and with respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, 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 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

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

Section II. Employment of Consultants

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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 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 DH15,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) 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

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories minus 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 be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

SCHEDULE 6

Extension Implementation Program

In order to ensure the proper implementation of Part B of the Project, the Borrower shall take the following actions in accordance with guidelines satisfactory to the Bank.

A. Organization and Management of Part B of the Project

1. Project Management. The overall responsibility for the implementation of Part B of the Project shall be vested in the Director of DVRA who shall be responsible, inter alia, for: (a) preparation of operational plans for said Part B; (b) coordination of the recruitment of staff and consultants; (c) coordination of the preparation of documents for the procurement of goods and works; (d) coordination of the training to be provided under said Part B; and (e) consolidation and furnishing to the Bank of the plans, schedules, reports and records and other information referred to in Sections 9.06 and 9.07 of the General Conditions for said Part B.

2. Coordination Unit. (a) In order to assist DVRA's Director in the performance of his functions under Part B of the Project, the Borrower shall maintain throughout the execution of said Part B, a coordination unit within DVRA to be responsible for review of all documents for the procurement of goods, works and consultants' services, and preparation and consolidation of the documents and information referred to in Part A.1 (e) of this Schedule.

(b) The Borrower shall staff said unit with one qualified engineer and one qualified technician throughout the execution of Part B of the Project.

3. Monitoring and Evaluation. (a) The Borrower shall develop and apply, not later than June 30, 1990, and at all times thereafter, policies and procedures satisfactory to the Bank, designed to: (i) enable each DPA and ORMVA properly to monitor and evaluate the carrying out by its CTs or CMVs, as the case may be, of extension activities under Part B of the Project; and (ii) enable DVRA to consolidate and analyze the results of said monitoring and evaluation activities. The results of the monitoring and evaluation activities referred to in (i) above, together with any changes proposed by the DPAs and ORMVAs to be introduced in extension activities, shall be communicated twice a year to DVRA. These results and proposed changes shall be analyzed by DVRA and the results of such analysis shall be communicated to the Bank for its comments. The Borrower, through DVRA, shall thereafter promptly introduce such changes in the extension activities of the CTs and CMVs as shall have been agreed between the Borrower and the Bank.

(b) In order to assist the Borrower in the development and application of the policies and procedures referred to in paragraph (a) of this Section, the Borrower shall employ consultants with qualifications, experience and terms of reference satisfactory to the Bank.

B. Organization of Extension Services under Part B of the Project

1. National Committee. In order to ensure the proper development of agricultural extension policies and programs throughout the Borrower's territory, the Borrower shall establish not later than December 31, 1989, and thereafter at all times maintain a committee composed inter alia, of representatives of MARA, the DPAs, the ORMVAs, INRA and farmers' organizations, to be responsible for developing the Borrower's agricultural extension policies and reviewing the carrying out of agricultural extension programs in light of said policies. Said committee shall meet at least once a year.

2. Agricultural Extension and Training Division. In order to strengthen MARA's capabilities in the development and coordination of agricultural extension activities, the Borrower shall at all times maintain a division within DVRA, with suitably qualified and experienced staff in adequate numbers, to be responsible for developing and supervising the carrying out of (a) agricultural extension programs throughout the Borrower's territory and audio-visual activities in support of such extension programs, and (b) training programs for staff involved in agricultural extension activities. A team of at least four subject matter specialists with adequate agricultural field experience shall be assigned to the Agricultural Extension and Training Division to assist and coordinate the teams of subject matter specialists referred to in paragraph 3 of this Part B.

3. Regional and Local Organization. In order to improve the organization and management of extension services under Part B of the Project, the Borrower shall take all measures necessary to ensure that:

(a) At the regional level, a unit shall at all times be maintained within each DPA and ORMVA to be responsible, inter alia, for managing extension activities carried out within the area served by such DPA or ORMVA, as the case may be. Within each such unit, four sub-units shall be established and at all times maintained, each one to be responsible for one of the following activities: (i) extension services, including group and individual extension services, mass media and extension services specifically addressing the needs of female farmers; (ii) promotional assistance to agricultural organizations; (iii) training; and (iv) monitoring and evaluation. A suitably qualified and experienced chief shall at all times be assigned to each such unit. Teams of subject matter specialists shall be assigned to each DPA and ORMVA to assist field level staff in performing their tasks and shall report to the Director of such DPA or ORMVA, as the case may be. These specialists shall be responsible, inter alia, for identifying training needs of extension agents and participating in training activities, as well as coordinating extension activities with research activities of the CRRAs.

(b) At the field level, three units shall at all times be maintained within each CT and CMV, each unit to be responsible for one of the following activities: provision of extension services, promotional assistance to agricultural organizations and administration. The unit responsible for provision of extension services shall be organized into three sub-units, each one to be responsible for one of the following activities: group and individual extension, mass media and extension services specifically addressing the needs of female farmers. The following staff shall be assigned to each such extension unit: (i) a suitably qualified and experienced agricultural specialist who shall be responsible for the supervision of all extension agents assigned to such unit; (ii) suitably qualified extension agents; and (iii) when more than 10 extension agents are assigned to such unit, a suitably qualified assistant to such agricultural specialist.

(c) The number of extension agents to be assigned to each CT and CMV for group extension activities shall be determined on the basis of the criteria of assigning agents so as to reach about 20% of the farm families in rainfed areas receiving an average annual

rainfall of at least 400 millimeters and about 50% of such families in irrigated areas, and of assigning one agent to about 320 farm families in rainfed areas and one agent to about 160 farm families in irrigated areas. These arrangements may be varied taking into account the complexity of the farming system in the area served by such CT or CMV, as the case may be, environmental conditions in such area affecting the farming system, the extent of the farmers' needs for extension services, the distance of travel and the ease of communication.

(d) DVRA shall prepare and furnish to the Bank not later than November 30 of each year a staffing plan for the following year for all CTs and ORMVAs. The Bank shall be afforded a reasonable opportunity to exchange views with the Borrower on said plan and, thereafter, such plan as shall have been agreed between the Borrower and the Bank shall be promptly carried out.

C. Extension Programs

1. Extension activities shall involve the dissemination of technical information through the carrying out of field demonstrations for, and visits to, farmers and the use of audio-visual aids and mass media. Extension activities shall be prepared in collaboration with the CRRAs and shall be designed to address specific farming problems identified on the basis of exchanges of views with farmers.

2. The Borrower shall: (a) formulate, through DVRA, and furnish to the Bank not later than October 31 of each year for the Bank's review and comments, a proposed agricultural extension program to be carried out by the CTs and CMVs under Part B of the Project during the following calendar year; and (b) thereafter take all measures necessary to ensure the carrying out by the CTs and CMVs of such extension program as shall have been agreed between the Borrower and the Bank.

3. The Borrower shall, through DVRA: (a) formulate, in consultation with the DPAs and the ORMVAs, and furnish to the Bank not later than September 30, 1989, for the Bank's review and comments, a proposed program covering the period from 1990 through 1993 for the production of audio-visual materials for extension and training purposes; and (b) thereafter promptly implement such program as shall have been agreed between the Borrower and the Bank. In order to assist DVRA in the carrying out of such program, the Borrower shall employ not later than June 30, 1990, consultants with qualifications, experience and terms of reference satisfactory to the Bank.

D. Training

1. DVRA shall plan and organize all training activities to be carried out under Part B of the Project.

2. The Borrower shall through DVRA: (a) prepare and furnish to the Bank not later than September 30 of each year for the Bank's review and comments a training program for extension staff for the following calendar year; and (b) thereafter promptly carry out such training program as shall have been agreed between the Borrower and the Bank.

3. In order to assist DVRA in developing and carrying out said training programs, the Borrower shall employ consultants with qualifications, experience and terms of reference satisfactory to the Bank.

