

CONFORMED COPY

LOAN NUMBER 4747 - MOR

Loan Agreement

(Rural Roads Project)

between

KINGDOM OF MOROCCO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 8, 2005

LOAN NUMBER 4747 -MOR

LOAN AGREEMENT

AGREEMENT, dated April 8, 2005, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter ("Lettre de cadrage et de choix stratégiques") dated June 7, 2004, from the Borrower describing a program of objectives, actions and modalities (the Program) designed to promote road access by the majority of rural populations by the year 2015, and declaring the Borrower's commitment to the execution of the said Program;

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) with the modification set forth below (the General Conditions) constitute an integral part of this Agreement.

The text in Section 5.01 which reads "(a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories: or (b)" is deleted in its entirety.

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) "CNER" means the National Center for Road Studies and Research (Centre National d'Etudes et de Recherches Routières) within MPWT (as this term is hereinafter defined);

(b) “Dirhams” and “MAD” mean the lawful currency of the Kingdom of Morocco;

(c) “DPE” means the provincial offices of MPWT (as this term is hereinafter defined) (Directions Provinciales de l’Equipement);

(d) “DRCR” means the Borrower’s Directorate of Roads and Road Traffic (Direction des Routes et de la Circulation Routière) within MPWT (as this term is hereinafter defined);

(e) “DRE” means the regional offices of MPWT (as this term is hereinafter defined) (Directions Régionales de l’Equipement);

(f) “EMP” means the Project Environmental Management Plan, satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on April 30, 2004, included in the Project Implementation Plan (as this term is hereinafter defined), as the same may be amended from time to time with the Bank’s prior agreement;

(g) “Environmental Assessment Procedures” means the Borrower’s environmental assessment procedures dated April 30, 2004, satisfactory to the Bank, furnished by the Borrower to the Bank and defined in the Project Implementation Plan (as this term is hereinafter defined), as such Procedures may be updated from time to time by agreement between the Borrower and the Bank, for the implementation of the Project in accordance with appropriate environmental standards and guidelines, including, inter alia, the procedures governing the preparation of environmental assessments for construction activities to be carried out under Part A of the Project;

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(i) “Fiscal Year” means the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(j) “Land Acquisition and Resettlement Policy Framework” means the land acquisition and resettlement policy framework, satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on April 30, 2004, as the same may be amended from time to time with the Bank’s prior agreement, included in the Project Implementation Plan, and setting forth, inter alia, the requirements applying to land acquisition in connection with construction activities to be carried out under Part A of the Project;

(k) “Midterm Review” means the midterm review to be carried out pursuant to Part D of Schedule 5 to this Agreement;

(l) “MPWT” means the Borrower’s Ministry of Public Works and Transport (Ministère de l’Équipement et du Transport) or any successor thereto;

(m) “Procurement Plan” means the Borrower’s procurement plan, dated May 7, 2004, included in the Project Implementation Plan (as this term is hereinafter defined), covering the initial 12 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 12 month periods of Project implementation;

(n) “Project Area” means the area covered by the Project in the Borrower’s regions of Tanger-Tetouan, Taza-Al-Hoceima-Taounate, Fez-Boulmane, Meknes-Tafilalt, Tadla-Azilal, Doukkala-Abda, Rabat-Sale-Zemmour-Zaër, Casablanca, Oriental, Marrakech-Tensift-El Haouz, Chaouia-Ourdigha, Gharb-Chrarda-Beni Hsen, Souss-Massa-Draâ and the Borrower’s province of Guelmin;

(o) “Project Implementation Plan” means the project implementation plan prepared by the Borrower and submitted to the Bank, at all times satisfactory to the Bank, setting forth, inter alia: (i) the respective roles and responsibilities for the implementation of the Project; (ii) the accounting, financial reporting and auditing arrangements; (iii) the Procurement Plan; (iv) the monitoring and evaluation procedures including the selected indicators for Project performance; (v) the Environmental Assessment Procedures; (vi) the Land Acquisition and Resettlement Policy Framework; and (vii) the EMP; as said Plan may be updated periodically by agreement between the Borrower and the Bank;

(p) “PPRR” means a provincial priority rural roads program (Programme provincial des routes rurales prioritaires) prepared by DRCR to serve as a basis for consultation with provincial authorities and local municipalities (communes) in planning rural roads rehabilitation and construction;

(q) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement; and

(r) “Specific Provincial Agreement” means the agreement referred to in Part B.2 (d) of Schedule 5 to this Agreement, to be entered into between MPWT and each of the Borrower’s province or municipality (commune) within the Project Area, with a view to ensuring the maintenance and the contribution of right-of-way land for local rural roads provided for in the respective PPRR of said province or municipality.

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 equal to thirty one million Euros (EUR 31,000,000).

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 works, goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its general treasury (Trésorerie Générale du Royaume) 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 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010, 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Euros for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as

reasonably determined by the Bank and expressed as a percentage per annum.

- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.08. 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, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate technical, engineering, transport, environmental, social, administrative and financial 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 Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to

this Agreement, the Project Implementation Plan, the Environmental Assessment Procedures, the EMP and the Land Acquisition and Resettlement Policy Framework.

Section 3.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with terms of reference acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so

audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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) retain, until at least one year after the Bank has received the audit report for, or covering, 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;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's reporting obligations set out in the preceding Section 4.01 and Parts B.1, B.2 and D of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than sixty (60) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end

of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Termination

Section 5.01. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Privatization
Avenue Mohammed V
Rabat
Kingdom of Morocco

Cable address:

MINFIN

Facsimile:

212-37-67-75-30/31

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ferid Belhaj
Acting Regional Vice President
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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euros)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	27,000,000	85 %
(2) Goods and Equipment	40,000	100% of foreign expenditures and 85% of local expenditures for other items procured locally
(3) Consultants' and other services	1,300,000	70% of local expenditures for services of consultants domiciled within the territory of the Borrower and 75% of foreign expenditures for services of other consultants
(4) Front-end fee	310,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	<u>2,350,000</u>	
TOTAL	<u>31,000,000</u>	

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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding EUR 3,000,000 may be made in respect of Categories (1) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after July 1, 2004.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods and equipment costing less than \$100,000 equivalent per contract; (b) works costing less than \$2,500,000 equivalent per contract; (c) for services of individual consultants costing less than \$50,000 equivalent per contract; and (d) for services of consulting firms and road laboratories under contracts costing less than \$200,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase the level of road access by rural populations, especially in the Borrower's more disadvantaged provinces in the Project Area, through the implementation of national program of rural roads development and measures aiming at strengthening the Borrower's institutional capacity.

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:

A. Rural Roads Improvement

Carrying out a program of civil works aiming at improving rural roads accessibility through the rehabilitation and construction of about 625 km of rural roads within the Project Area, including small complementary infrastructure and the provision of consultants' services for the design and supervision of civil works.

B. Institutional Support

Provision of consultants' services to DRCCR to: (i) develop a monitoring and evaluation system to measure implementation progress of PPRRs and their impact on rural roads accessibility, while strengthening participation in the formulation of PPRRs, disseminating progress achieved under PPRRs and facilitating sectoral integration within the Project Area; (ii) identify local economic opportunities resulting from enhanced accessibility to rural roads; (iii) improve local rural roads management; and (iv) strengthen the capacity of the DRCCR, DPEs and DREs to undertake social and environmental assessments.

* * *

The Project is expected to be completed by December 31, 2009.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Euros)</u>
March 15, 2010	855,000
September 15, 2010	865,000
March 15, 2011	875,000
September 15, 2011	885,000
March 15, 2012	900,000
September 15, 2012	910,000
March 15, 2013	920,000
September 15, 2013	935,000
March 15, 2014	945,000
September 15, 2014	960,000
March 15, 2015	970,000
September 15, 2015	980,000
March 15, 2016	995,000
September 15, 2016	1,010,000
March 15, 2017	1,020,000
September 15, 2017	1,035,000
March 15, 2018	1,045,000
September 15, 2018	1,060,000
March 15, 2019	1,075,000
September 15, 2019	1,090,000
March 15, 2020	1,100,000
September 15, 2020	1,115,000
March 15, 2021	1,130,000
September 15, 2021	1,145,000
March 15, 2022	1,160,000
September 15, 2022	1,175,000
March 15, 2023	1,190,000
September 15, 2023	1,205,000
March 15, 2024	1,220,000
September 15, 2024	1,230,000

SCHEDULE 4

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

Section II. Particular Methods of Procurement of Goods and Works

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedure:

Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$2,500,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the provisions of paragraphs 3.1, 3.3, 3.4, 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedures:

(a) The two-envelope procedure shall be used for bids for works and goods provided that the two envelopes are opened in public at the same time.

(b) Prospective bidders shall be allowed a minimum of 30 days from the date of the invitation to bid to submit bids and invitation to bid shall so specify.

(c) The contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.1 and 3.5 of the Guidelines.

Section III. Particular Methods of Procurement of Consultants' and Road Laboratories' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. The contract for services under Part B(i) of the Project, which meets the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be entered into with CNER, in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

4. Least-cost Selection. Services for assignments to be performed by road laboratories under Part A of the Project, which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines, may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

Section IV. Review by the Bank of Procurement Decisions

A. Prior Review. Except as the Bank shall otherwise determine by notice to the Borrower, the following prior review procedures shall apply:

1. Goods and Works

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply to each contract for works estimated to cost the equivalent of \$2,500,000 or more procured on the basis of international competitive bidding, and to each contract for goods estimated to cost the equivalent of \$100,000 or more.

(b) The following prior review procedures shall apply to each contract to be procured on the basis of direct contracting: (i) prior to the execution of the contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract for its approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the procedures set forth in paragraphs 2(h) and 3 of Appendix 1 to the Guidelines shall apply.

(c) The prior review procedures referred to in the preceding subparagraphs (a) and (b) shall apply to the first contract for works entered into by each DPE on the basis of national competitive bidding.

2. Consultants' Services Provided by Firms and Road Laboratories

(a) The prior review procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more.

(b) The following prior review procedures shall apply to the contract for consultants' services provided by CNER under Part B (i) of the Project to be procured on the basis of single source selection: (i) the terms of reference shall be furnished to the Bank for its prior review and approval; (ii) the contract shall be awarded only after the Bank's approval shall have been given; and (iii) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

(c) The prior review procedures referred to in the preceding subparagraphs (a) and (b) shall apply to the first contract for consultants' services entered into by each DPE under Part A of the Project.

(d) The terms of reference for each contract for consultant's services shall be subject to the Bank's prior approval.

(e) The first contract for consultants' services awarded on the basis of quality-and cost-based selection shall be subject to the Bank's prior approval.

3. Consultants' services provided by individuals

For each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

B. Post Review

1. With respect to each contract for goods, works or services (other than consultants' services) not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. With respect to each contract for consultants' services not governed by Part A of this Section, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

A. Project Coordination and Implementation

1. At the central level, responsibility for overall project coordination, progress monitoring and implementation shall be vested with DRCR. In implementing the Project, DRCR shall be guided at all times by the processes and procedures contained in the Project Implementation Plan.
2. At the regional and provincial levels, the Project shall be implemented in accordance with the processes and procedures contained in the Project Implementation Plan. Project coordination and implementation shall be ensured by, respectively, DREs and DPEs, which shall each designate qualified staff responsible for the financial, administrative and accounting management of the Project.
3. The Borrower shall, at all times, implement the EMP, the Environmental Assessment Procedures and the Land Acquisition and Resettlement Policy Framework in a manner satisfactory to the Bank, and shall not amend or waive any provision of said Plan, Procedures or Framework without the Bank's prior agreement.

B. Part A of the Project

1. The Borrower shall, not later than ninety (90) days following the twelve (12) months period commencing at the Effectiveness Date and, thereafter, for every subsequent twelve (12) month period until completion of the Project, provide the Bank, for its review and approval, with progress reports prepared in accordance with environmental indicators set forth in the Environmental Assessment Procedures and agreed upon between the Borrower and the Bank.
2. The Borrower shall, not later than December 31 of each Fiscal Year until completion of the Project, submit to the Bank for its review a report, in form and substance satisfactory to the Bank, including, inter alia: (a) the program of civil works for the construction of rural roads for the subsequent twelve (12) month period, including confirmation that the proposed program: (i) is technically and financially viable, (ii) includes the economic rate of return or cost effectiveness indicator and (iii) complies with the EMP, the Environmental Assessment Procedures and the Land Acquisition and Resettlement Policy Framework; (b) results on the use of the Environmental Assessment Procedures and the Land Acquisition and Resettlement Policy Framework, including, where appropriate, a copy of the applicable environmental assessment study and the land acquisition plan; (c) confirmation that (i) the rural roads retained for construction activities have been selected within prior approved PPRs and in accordance with the participatory process described in the Project Implementation Plan; and (ii) appropriate budgetary allocation has been provided to ensure the maintenance of said roads; and

(d) where applicable, for municipal or non-classified local rural roads, the Specific Provincial Agreement.

3. No civil work or construction activity shall be carried out unless the Bank shall have first received the information referred to in the preceding paragraph 2.

4. At the end of each Fiscal Year, the Borrower and the Bank shall review the performance results of the implementation of the program of civil works described in the report referred to in the preceding paragraph 2.

C. Part B of the Project

1. The Borrower shall submit to the Bank, not later than December 31, 2006, a study, on the basis of terms of reference agreed between the Borrower and the Bank, on the improvement of local rural roads management.

2. The Borrower shall cause DRCCR to strengthen its capacity in monitoring and evaluating the impact of the Borrower's overall rural roads program on accessibility to rural roads and, to this end, shall cause DRCCR, not later than June 30, 2005, to enter into an agreement with CNER, on the basis of terms of reference agreed between the Borrower and the Bank.

D. Mid-Term Review

The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by May 31, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods 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 the amount of MAD 35,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of MAD 15,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of EUR 7,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts 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 into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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.