

Loan Number 2826 MOR

Loan Agreement

(Greater Casablanca Sewerage Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 27, 1987

LOAN NUMBER 2826 MOR

LOAN AGREEMENT

AGREEMENT, dated July 27, 1987, 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 the Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de Casablanca (hereinafter called RAD) with the Borrower's assistance and as part of such assistance, the Borrower will make available to RAD part of the proceeds of the Loan as hereinafter provided;

(C) Part B of the Project will be carried out with the Borrower's assistance within their respective areas of operation by Regie Autonome de Distribution d'Eau et d'Electricite de Fes (hereinafter called RADEEF), Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de la Province de Marrakech (hereinafter called RADEEMA), Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de Meknes, (hereinafter called RADEEM), Regie Autonome Intercommunale de Distribution d'Electricite et d'Eau de la Province de Tanger (hereinafter called RAID), Regie Autonome Intercommunale de Distribution d'Electricite et d'Eau de Rabat-Sale (hereinafter called RED), Regie Autonome Multiservices d'Agadir (hereinafter called

RAMSA), Regie Autonome de Distribution d'Eau et d'Electricite de Nador (hereinafter called RADEEN) and Regie Autonome de Distribution d'Eau et d'Electricite de Settat (hereinafter called RADEEC), (RADEEF, RADEEMA, RADEEM, RAID, RED, RAMSA, RADEEN and RADEEC hereinafter collectively called the Regies and individually sometimes called a Regie); and as part of such assistance, the Borrower will make available to each of the Regies part of the proceeds of the Loan as hereinafter provided; 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 RAD;

NOW THEREFORE the parties hereto hereby are 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) "Basic Legislation" means the following legislation of the Borrower: (i) in the case of the Regies, Decret No. 2-64-394 dated September 29, 1964, pertaining to the establishment and operation of local statutory authorities, Dahir No. 1-59-271 dated April 14, 1960, as amended by Dahir No. 1-61-402 dated June 30, 1962 pertaining to the Borrower's financial control of its agencies, public institutions and statutory corporations, its agencies, Dahir No. 1-60-121 dated March 23, 1962, as amended by Dahir No. 1-63-199 dated November 13, 1963, relating to municipal taxes and Dahir setting forth Law No. 1-76-583 of September 30, 1976, pertaining to local government organization; and (ii) in the case RAD, all of the foregoing and, in addition, Dahir No. 1-61-218 dated October 21, 1961, pertaining to the establishment and operation of RAD, Decret No. 2-61-396 dated July 10, 1962, giving effect to the provisions of Dahir No. 1-61-218, Decision of the Constitutional Chamber of the Supreme Court of the Borrower No. 196 dated May 16, 1986, relating to RAD's provision of sewerage services and Dahir No. 388-66 dated June 24, 1966, pertaining to the finances and accounts of RAD, together with any other laws, decrees or decisions of the Borrower affecting the establishments and operations of the Regies and RAD.

(b) "Cahier des Charges" means the Cahier des Charges of RAD as approved by Arrete No. 537-87 dated April 1, 1987 of the Borrower's Minister of the Interior, as the same may be modified from time to time;

(c) "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;

(d) "DH" or "Dirham" means the currency of the Borrower;

(e) "FEC" means FONDS d'EQUIPEMENT COMMUNAL, an agency of the Borrower, established under Dahir No. 159-169 dated June 13, 1959 and operating pursuant to Decret No. 2-60-012 dated January 15, 1960;

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

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

(h) "Subsidiary Loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to RAD for Part A of the Project or to a Regie for Part B of the Project, pursuant to Section 3.01 (c) or Section 3.01 (d) of this Agreement, as the case may be; and

(i) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower, on the one hand, and RAD and each of the Regies, respectively, on the other, pursuant to Section 3.01 (c) and Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements; and "Subsidiary Loan Agreement" means any one of the Subsidiary Loan Agreements.

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 sixty million dollars (\$60,000,000).

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 dollars a special account in the central bank of the Borrower 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 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 per cent ($3/4$ 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 in 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 February 1 and August 1 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to time objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part B of the Project through the Regies, 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 said Part of the Project.

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

(c) For the purpose of carrying out part A of the Project, the Borrower shall relend to RAD the proceeds of the Loan allocated from time to time to Category (1) under a subsidiary loan agreement to be entered into between the Borrower and RAD, under terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Schedule 5 to this Agreement.

(d) For the purpose of carrying out Part B of the Project, the Borrower shall relend to each of the Regies

the proceeds of the Loan allocated from time to time to Category (2) under a subsidiary loan agreement to be entered into between the Borrower and the Regie concerned, under terms and conditions which shall have been approved by the Bank and which shall include, without limitation, those set forth in Schedule 5 to this Agreement.

(e) The Borrower shall: (i) exercise its rights under each of the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof; and (ii) cause each of the Regies to perform in accordance with the provisions of its Subsidiary Loan Agreement all the obligations of the Regie therein set forth and shall take all action necessary or appropriate to enable the Regie to perform such obligations, and shall not take or permit to be taken any such action which would prevent or interfere with such performance.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

Section 3.03. (a) The Borrower shall take all measures necessary to ensure that the Regies shall: (i) not later than November 1, 1987, or such later date as the Bank may agree, employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank, to assist the Regies in carrying out the studies included in Part B of the Project; (ii) furnish to the Borrower's Ministry of the Interior and to the Bank bi-monthly reports prepared by said consultants on the progress of said studies; and (iii) have said studies completed and copies thereof, together with the recommendations based thereon furnished to the Borrower and the Bank not later than June 30, 1990, or such later date as the Bank may agree.

(b) The Borrower shall implement not later than January 1, 1991, or such later date as the Bank may agree, such of said recommendations as shall have been agreed upon between the Borrower and the Bank.

Section 3.04. 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 RAD pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial and Other 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 the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall take all measures necessary to ensure that budgetary allocations shall be made for each fiscal year in the relevant budget or budgets of the municipalities in whose jurisdictions the Regies operate in amounts sufficient to ensure the servicing of the debt incurred by the Regies to finance the studies included in Part B of the Project.

Section 4.03. (a) The Borrower shall take all measures necessary to ensure that:

- (i) the balance of all sewerage bills due and payable as at December 31, 1987 by its public agencies to RAD shall be paid to RAD not later than April 30, 1988;

- (ii) each of its public agencies shall pay its sewerage bills, other than the bills referred to in subparagraph (i) of this paragraph, within 90 days after the date of each such bill; and
- (iii) budgetary allocations shall be made for each fiscal year in the relevant budget or budgets of its public agencies in amounts sufficient to ensure the fulfillment of the obligations set forth in subparagraphs (i) and (ii) of this paragraph.

(b) For purposes of this Section:

- (i) the term "public agencies" means the political or administrative sub-divisions 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 "sewerage bills" means, in respect of each of the public agencies, the amounts periodically billed by RAD to such agency for the provision of sewerage and related services to such agency.

Section 4.04. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement, the Borrower shall take all measures necessary to enable RAD, promptly as required, to adjust the structure of levels of its rates in order to comply with its obligations set forth in Section 4.0 of the Project Agreement.

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) RAD shall have failed to perform any of its obligations under the Project Agreement or RAD or any of the Regies shall have failed to perform any of its obligations under its Subsidiary Loan 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 RAD will be able to perform its obligations under the Project Agreement or that RAD or any of the Regies will be able to perform any of its obligations under its Subsidiary Loan Agreement.

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

(d) The Cahier des Charges shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RAD to perform any of its obligations under the Project Agreement or under its Subsidiary Loan Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of RAD or of any of the Regies or for the suspension of the operations of RAD or of any of the Regies.

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; and

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreement between the Borrower and RAD has been executed on behalf of the Borrower and RAD.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by RAD and is legally binding upon RAD in accordance with its terms; and

(b) that the Subsidiary Loan Agreement between the Borrower and RAD has been duly authorized or ratified by the Borrower and RAD and is legally binding upon the Borrower and RAD 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

Cable Address: Telex:

MINISTERE FINANCES 31936M
Rabat

For the Bank:

International Bank for
Reconstruction and Development
18118 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex:

INTBAFRAD 440098 (ITT),
Washington, D.C. 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
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

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) replacement rehabilita- tion, inspec- tion and clean- ing of sewerage networks	11,410,000	60%
(b) works other than those related to in Category (1) (a)	13,420,000	35%
(c) Pipes and other goods	12,970,000	100% of foreign expenditures and 35% of local ex-

		penditures
(d) Consultants' services and training	7,200,000	65%
(2) Consultants' services under Part B of the Project for:		
(a) RAMSA	1,090,000	100%
(b) RADEEF	1,550,000	100%
(c) RADEEMA	910,000	100%
(d) RADEEM	910,000	100%
(e) RADEEN	550,000	100%
(f) RED	2,820,000	100%
(g) RADEEC	550,000	100%
(h) RAID	1,180,000	100%
TOTAL	60,000,000	

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; and

(b) expenditures, in respect of studies to be carried out by a Regie under Part B of the Project, to be financed out of the proceeds of the Loan allocated to Category (2), unless and until evidence (including one or more legal opinions) satisfactory to the Bank shall have been furnished to the Bank, establishing that:

- (i) a Subsidiary Loan Agreement has been executed on behalf of, and is legally binding upon, the Borrower and the Regie, in accordance with its terms;
- (ii) the Regie has concluded with FEC a financing agreement, on terms and conditions satisfactory to the Bank, providing for a loan from FEC to such Regie to assist in the financing of such studies; and
- (iii) the municipality or municipalities within whose jurisdiction the Regie operates, has or have made with the Regie, arrangements, satisfactory to the Bank, whereby the Regie has been duly authorized

and has undertaken to carry out for the account of said municipality or municipalities such studies.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) preventing further deterioration of the existing sewerage systems in the Greater Casablanca area through an extensive rehabilitation program; (ii) meeting the increasing domestic and industrial demand for sewerage and storm drainage; (iii) identifying the least cost alternative for the treatment, disposal and possible reutilization of waste water and reducing the impact of waste water discharge on the environment; (iv) providing for effective operation and maintenance of sewerage facilities and standardization in the quality of design and implementation of sewerage extension works; and (v) promoting the development of appropriate institutional, financial and technical structures to manage sewerage services in urban centers.

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: RAD

1. Replacement of Sewers and Pumping Stations

Replacement of about 60 kilometers of primary, secondary and tertiary sewers and three pumping stations located in Mohammedia, Ain Sebaa and the eastern industrial zone of Casablanca, respectively.

2. Rehabilitation of Sewerage Networks

- (a) Rehabilitation and repair of about one kilometer of two major collectors in the Casablanca city center.
- (b) Inspection, cleaning and mapping of about 1,000 kilometers of sewerage networks in Greater Casablanca.
- (c) Rehabilitation of about 200 kilometers of secondary and tertiary sewers.

3. Construction of Sewerage Networks

Construction of about 410 kilometers of sewers and overflow structures.

4. Provision of Equipment

Provision to RAD's sewerage department of operation and maintenance equipment, training equipment, vehicles and machinery required in the carrying on of its operations.

5. Technical Assistance

- (a) Development and implementation of a technical assistance and training program to assist RAD in developing its sewerage management capabilities.
- (b) Carrying out of sewerage feasibility studies,

including preparation of detailed design and bidding documents, to reassess the treatment and disposal of waste water in the Greater Casablanca area.

Part B: Regies

Carrying out of sewerage feasibility studies and master plans, including preparation of detailed design and bidding documents, and institutional, training and financial studies for Agadir, Fes, Marrakech, Meknes, Rabat, Tangier, Settat and Nador.

* * * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
On each February 1 and August 1	
beginning February 1, 1994	
2,145,000	
through February 1, 2007	
On August 1, 2007	
2,085,000	

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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2);

(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 \$2,500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. 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 5

Subsidiary Loan Agreements: Principal Terms

For purposes of Sections 3.01 (c) and 3.01 (d) of this Agreement, the Borrower shall conclude Subsidiary Loan Agreements with RAD and with each of the Regies under the principal terms set forth or referred to below.

- A. The principal amount of the Subsidiary Loan shall be repaid to the Borrower over a period not exceeding 20 years from the date of this Agreement, inclusive of a grace period not exceeding 6 years.
- B. The principal amount of the Subsidiary Loan repayable to the Borrower shall be the equivalent in Dirhams (determined as of the date or respective dates of repayment by RAD, or the Regie, as the case may be) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of goods and services to be financed under such subsidiary Loan out of the proceeds of the Loan allocated from time to time to Category (1) or Category (2), as the case may be.

C. RAD or the Regie, as the case may be, shall pay to the Borrower interest on the principal amount of its subsidiary Loan withdrawn and outstanding from time to time at the rate applicable from time to time to the Loan pursuant to Section 2.05 of this Agreement, and all other amounts or charges paid or payable by the Borrower on the proceeds of the Loan made available to RAD, or the Regie, as the case may be, pursuant to its Subsidiary Loan Agreement.

SCHEDULE 6

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for the supply of pipes to be financed under Category (1) (c) shall be grouped in bid packages estimated to cost the equivalent of \$2,000,000 or more each, and contracts for the supply of operations and maintenance equipment to be financed under Category (1) (c) shall be grouped in bid packages estimated to cost the equivalent of \$500,000 or more each.

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. Works for the rehabilitation of primary, secondary and tertiary sewers, up to an aggregate amount not to exceed equivalent of \$2,600,000, and to be financed under Category (1) (a) may be carried out by RAD in accordance with procedures satisfactory to the Bank.

2. Works for the rehabilitation of secondary and tertiary sewers, estimated to cost less than the equivalent of \$500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$4,730,000, and to be financed under Category (1) (a) may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Works and pipelaying to be financed under Category (1) (b) may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

2. Review of invitation to bid and of proposed awards and final contracts:

(a) With respect to (i) each contract for replacement of sewers and pumping stations to be financed under Category (1) (a), (ii) each contract for the rehabilitation of sewers to be awarded in accordance with the procedures referred to in Part A.1 of this Section I and to be financed under Category (1) (a), (iii) each contract for works and pipelaying estimated to cost the equivalent of \$1,000,000 or more and to be financed under Category (1) (b), (iv) each contract for inspection and cleaning of sewerage networks to be financed under Category (1) (a) and (v) each contract for the supply of pipes and or operations and maintenance equipment to be financed under Category (1) (c), 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, such 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 4 to the Loan 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.

3. The figure of 20% 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 August 1981.

