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LOAN NUMBER 7351 - MOR

# Loan Agreement

(Rural Water Supply and Sanitation Project)

between

OFFICE NATIONAL DE L'EAU POTABLE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated January 9, 2006

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**LOAN NUMBER 7351 - MOR**

**LOAN AGREEMENT**

AGREEMENT, dated January 9, 2006 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and OFFICE NATIONAL DE L'EAU POTABLE (the Borrower).

WHEREAS (A) the Kingdom of Morocco (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), have requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith between the Guarantor and the Bank (the Guarantee Agreement), the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the loan provided for in Article II of this Agreement (the Loan); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

*"Section 5.08. Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is

excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “Basic Legislation” means the Guarantor’s Law (“Dahir”) No. 1.72.103, dated April 19, 1972, as amended and completed by the Guarantor’s Law (“Dahir”) No. 31.00, dated September 7, 2000, pursuant to which the Borrower has been established and is operating as an industrial and commercial public corporation;

(b) “Criteria” means the criteria for the selection and implementation of Sub-projects (as this term is hereinafter defined), set forth in paragraphs 5, 6 and 7 of Schedule 5 to this Agreement;

(c) “EMF” means the Borrower’s Environmental Management Framework dated September 16, 2005, which assesses the environmental impacts and sets out the environmental mitigation and protection measures in respect of the carrying out of the Project, including the procedures applying to the selection, implementation and monitoring of Sub-projects (as this term is hereinafter defined), as well as the administrative and monitoring arrangements to ensure the implementation of said measures, as such Framework may be amended from time to time with the prior approval of the Bank;

(d) “Financial Monitoring Report” and the acronym “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

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

(f) “MAD” means Moroccan Dirham, the lawful currency of the Guarantor;

(g) “Pre-financing Mechanism” means a mechanism operated by the Borrower for the financing of Sub-projects under Part B of the Project, whereby the Borrower provides a credit using the Loan proceeds, in an amount not exceeding 2,500 MAD (as this term is hereinafter defined), on terms and conditions satisfactory to the Bank, to a water user seeking an individual household connection to a village

(“douar”) water distribution system, said credit constituting a portion of said user’s contribution to the construction cost of said system;

(h) “Procurement Plan” means the Borrower’s procurement plan, dated November 11, 2005 covering the initial twelve (12) month period (or longer) 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 twelve (12) month periods (or longer) of Project implementation;

(i) “Project Area” means the Guarantor’s provinces of Essaouira, Safi, El Jadida, Taza and Taounate, or such other provinces as agreed between the Borrower and the Bank;

(j) “Resettlement Policy Framework” means the Borrower’s framework, dated September 16, 2005, satisfactory to the Bank, for the carrying out of land acquisition activities under Parts A and B of the Project, which Framework sets out the procedures to be followed in the carrying out of said activities, referred to in to paragraph 4 of Schedule 5 to this Agreement, as such Framework may be amended from time to time with the prior approval of the Bank; and

(k) “Sub-project” means any specific investment, acceptable to the Bank, to be made under Parts A and B of the Project, in accordance with paragraphs 5, 6 and 7 of Schedule 5 to 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 this Agreement, an amount equal to forty nine million five hundred thousand Euros (€49,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Loan, the front-end fee referred to in Section 2.04 of this Agreement, and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04(c) of the General Conditions.

Section 2.03. The Closing Date shall be December 31, 2012, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. 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 such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and

outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04(c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 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 administrative, economic, engineering, financial, public utility, water management and sanitation, and technical practices, and environmental and social standards, 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 Environmental Management Framework Plan, the Resettlement Policy Framework and the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and 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 guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (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 designed to ensure the continued achievement of the Project objectives; 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 its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each Fiscal Year (or such other period agreed between the Borrower and 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 (6) months after the end of each such Year (or such other period agreed between the Borrower and the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Year (or such other period agreed between the Borrower and 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 (1) 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 such other period agreed between the Borrower and the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's obligations set out in paragraph 8 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 forty five (45) 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.

Section 4.03. (a) Except as the Bank shall otherwise agree, the Borrower shall, for each of its Fiscal Years throughout the duration of the Project, meet a self financing ratio of its average yearly investment program equivalent to at least 15%, or any other

percentage agreed between the Borrower and the Bank, such ratio to be calculated on the basis of a methodology agreed between the Borrower and the Bank.

(b) In the event that the Borrower does not meet the self financing ratio of its average yearly investment program equivalent to at least 15%, or any other percentage agreed between the Borrower and the Bank pursuant to the preceding sub-paragraph (a), the Borrower, after consultation with the Bank, shall take all necessary measures agreed upon with the Guarantor to meet said ratio.

Section 4.04. The Borrower shall:

(a) prior to the commissioning of Sub-projects under Part A of the Project, put in place appropriate devices and take adequate measures to enable the recording and analysis, at the levels of, respectively, production, abstraction and distribution, of the volumes of water produced or abstracted from trunk mains and subsequently sold to standpipes operators or distribution systems at the village (“douar”) level; and

(b) undertake all necessary measures to: (i) not later than June 30, 2008, upgrade its billing and collection system so as to ensure proper billing, collection and management of accounts receivable in relation to each Sub-project completed under Part A of the Project; and (ii) not later than December 31, 2008, extend, upon the initiation of each Sub-project carried out under Part A of the Project, its cost accounting system to encompass cost accounting reporting pertaining to the management and operation of each said Sub-project.

## **ARTICLE V**

### **Management and Operations of the Borrower**

Section 5.01. The Borrower shall:

(a) carry on its operations and conduct its affairs in accordance with sound administrative, economic, engineering, financial, public utility, water management and sanitation, and technical practices, and environmental and social standards under the supervision of qualified and experienced management, who is assisted by competent staff in adequate numbers;

(b) at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices; and

(c) take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

**ARTICLE VI**

**Remedies of the Bank**

Section 6.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that the Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

**ARTICLE VII**

**Termination**

Section 7.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VIII**

**Representative of the Borrower; Addresses**

Section 8.01. The Director General of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:	Telex:	Fascimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	202-477-6391

For the Borrower:

Office National de l'Eau Potable  
Station de Traitement  
Avenue Mohamed Belhassan  
El Ouazzani B.P. Rabat Chellah  
10002 Rabat  
Kingdom of Morocco

Telex:

31982 M

Facsimile:

212-37-75-91-06

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, Kingdom of Morocco, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

/s/ Ferid Belhaj

Authorized Representative

OFFICE NATIONAL DE L'EAU POTABLE

By

/s/ Ali Fassi-Fihri

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

	<u>Category</u>	<u>Amount of the Loan Allocated (expressed in Euros)</u>	<u>% of Expenditures To be Financed</u>
(1)	Works	36,376,250	80%
(2)	Goods	1,000,000	100%
(3)	Consultants services	3,000,000	100%
(4)	Pre-financing Mechanism	5,000,000	100%
(5)	Front-end Fee	123,750	
(6)	Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09(c) of this Agreement
(7)	Unallocated	4,000,000	
	<b>TOTAL</b>	<u><u>49,500,000</u></u>	

2. For the purposes of this Schedule, the term “works” means expenditures in connection with civil works, the provision and installation of pipes, treatment plants, power lines and connections, remote operating systems (“systemes de télégestion”) and equipment for the installation of pumping stations.

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 two million Euros (€2,000,000), may be made in respect of Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after November 1, 2005.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) expenditures under contracts for works costing less than \$5,000,000 equivalent per contract; (b) expenditures under contracts for services of individual consultants costing less than \$50,000 equivalent per contract; (c) expenditures under contracts for services of consulting firms under contracts costing less than \$200,000 equivalent per contract; (d) expenditures under contracts for goods costing less than \$2,500,000 equivalent per contract; and (e) the Pre-financing Mechanism, 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 assist the Borrower in supporting the Guarantor's program in the Project Area aiming at increasing sustainable access to potable water supply in rural areas, while promoting improved wastewater management and hygiene practices.

#### Part A: Water Production and Conveyance

Implementation of a program of Sub-projects, consisting in the carrying out of works and the provision of technical assistance and goods, to deliver water supply to villages ("douar"), through the carrying out of works for the construction of lateral mains from existing or planned regional trunk lines ("piquages"), storage tanks and public standpipes and, in limited cases, water production facilities such as water treatment plants, pumping stations and water intake structures connected to existing dams.

#### Part B: Water Distribution and Wastewater Management

Implementation of a program of Sub-projects, consisting in the carrying out of works and the provision of technical assistance and goods, for the design, construction and supervision of village ("douar") water distribution systems granting individual household connections to users, including: (a) the establishment of mechanisms to mitigate the increase in wastewater flows resulting from said systems; and (b) the setting-up and operation of a Pre-financing Mechanism to facilitate individual household connections to said systems.

#### Part C: Institutional Strengthening and Project Implementation Support

Enhancing the Borrower's capacity in Project management and participatory approach to service provision, and promoting effective integration of hygiene and wastewater management in water supply services, through the provision of technical assistance and training.

\* \* \*

The Project is expected to be completed by June 30, 2012.



### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; and (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
February 1, 2012	3.13%
August 1, 2012	3.13%
February 1, 2013	3.13%
August 1, 2013	3.13%
February 1, 2014	3.13%
August 1, 2014	3.13%
February 1, 2015	3.13%
August 1, 2015	3.13%
February 1, 2016	3.13%
August 1, 2016	3.13%
February 1, 2017	3.13%
August 1, 2017	3.13%
February 1, 2018	3.13%
August 1, 2018	3.13%
February 1, 2019	3.13%
August 1, 2019	3.13%
February 1, 2020	3.13%
August 1, 2020	3.13%
February 1, 2021	3.13%
August 1, 2021	3.13%
February 1, 2022	3.13%
August 1, 2022	3.13%
February 1, 2023	3.13%
August 1, 2023	3.13%
February 1, 2024	3.13%
August 1, 2024	3.13%
February 1, 2025	3.13%
August 1, 2025	3.13%
February 1, 2026	3.13%
August 1, 2026	3.13%
February 1, 2027	3.13%
August 1, 2027	2.97%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## 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: 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 Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

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. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured by contractors in the territory of the Guarantor.

#### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost \$2,500,000 equivalent or less per contract and works estimated to cost \$5,000,000 equivalent or less per contract, may be procured under contracts awarded on the basis of National Competitive Bidding in accordance with procedures acceptable to the Bank. Said procedures shall ensure, *inter alia*, that:

(a) The bid document clearly explains the bid evaluation, award criteria and bidder qualification criteria;

(b) Technical, administrative and financial envelopes are publicly and simultaneously opened;

(c) Bids shall be evaluated on price and any other criteria disclosed in the bid documents and quantified in monetary terms and contracts are awarded to the qualified bidder with the lowest evaluated responsive bid;

(d) Prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to, and found acceptable, by the Bank;

(e) The requirement for bidders to have a local representative, established in the territory of the Guarantor, shall not apply; and

(f) The evaluation method for procurement of goods should be on a lot basis, rather than on an article basis.

2. Shopping. Works and goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Works for railway crossings and the connection of newly installed electrical lines to water production and conveyance facilities under Part A of the Project, which are specialized or of a proprietary nature, may be procured in accordance with the provisions of paragraph 3.6 of the Guidelines. All other goods and works may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.6 of the Guidelines.

### Section III. Particular Methods of Procurement of Consultants' 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-based Selection. 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. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 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.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. 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 single-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

## SCHEDULE 5

### Implementation Program

#### Project Coordination and Implementation

1. The Borrower, through its Central Directorate for Generalization for Potable Water Supply (“Direction Centrale de Généralisation de l’Approvisionnement en Eau Potable” (DEP), shall be responsible for overall Project oversight, supervision, monitoring and coordination. The Borrower shall ensure that DEP is, at all times, provided with adequate resources and staffed with suitably qualified personnel in adequate number, including, *inter alia*, a Project Coordinator, to carry out its operations.

2. The Borrower shall:

(a) ensure that:

- (i) its provincial and regional directorates are vested with the responsibility of overseeing topographic surveys, handling procurement, carrying out technical, environmental and social studies, community mobilization, hygiene education and construction and supervision of works under Sub-projects, including monitoring of environmental impact said Sub-projects; and
- (ii) its directorate of finance (“direction financière”) is vested with the responsibility of financial management of the Project; and

(b) cause each of said directorate to carry out its respective responsibilities consistent with this Agreement, all in a manner and substance satisfactory to the Bank.

3. For purposes of Part A of the Project:

(a) Representative of users at the village (“douar”) level, through villages committees (“comités de villages”), will: (i) participate in Sub-project designs; (ii) collect user contributions to construction cost of water production, conveyance and distribution infrastructure and waste water management infrastructure; and (iii) take part in the selection of the local operator (such as a water user association, a private operator or a cooperative) responsible for the operation and maintenance of the water distribution and collective wastewater management systems.

(b) The Borrower shall enter into a contractual arrangement with the relevant municipality (“commune rurale”) and the local operator selected by the villages

committees, each said arrangement to specify the respective role and responsibility of each party.

Environmental and Social Safeguards

4. In carrying out Parts A and B of the Project, the Borrower shall ensure that:

(a) all works and land acquisition activities are carried out in accordance with the EMF and the Resettlement Policy Framework, as the case may be, in a manner and substance satisfactory to the Bank; and

(b) the EMF and the Resettlement Policy Framework shall not be amended, revised, or abrogated without the prior approval of the Bank.

Criteria for the selection and implementation of Sub-projects

5. For purposes of Part A of the Project, the Borrower shall ensure that each Sub-project:

(a) does not exceed a construction cost per capita of two thousand (2,000) MAD and a discounted operation cost per cubic meter (m<sup>3</sup>) of five (5) MAD. In the event that the total cost of the proposed Sub-project exceeds either or both ceilings referred to herein, the Borrower shall provide adequate information to the Bank confirming that the technical approach, to be followed under said Sub-project, is the most cost-effective;

(b) has been selected following a participatory process involving the Guarantor's relevant provinces, municipalities ("communes rurales") and water users, on the basis of participatory diagnostic reports and minutes confirming the commitment of each concerned villages committee that at least 70% of villages ("douars") shall benefit from said Sub-project;

(c) is financially and technically sound and economically justified, based on prior studies acceptable to the Bank;

(d) has been subject to an adequate environmental and land acquisition screening and evaluation process in accordance with environmental, resettlement and social safeguards set forth in the EMF and the Resettlement Policy Framework;

(e) receives a financing of at least 15% from the relevant municipality or other public entity and at least five hundred (500) MAD per household concerned; and



(f) has been given a water withdrawal authorization by the relevant water basin agency in the event that additional water resources need to be exploited under the proposed Sub-project.

6. For purposes of Part B of the Project, the Borrower shall ensure that:

(a) prior to the carrying out of each Sub-project providing for the installation of household connections, adequate wastewater disposal facilities have been put in place; and

(b) each Sub-project has been subject to an adequate environmental and land acquisition screening and evaluation process in accordance with environmental, resettlement and social safeguards set forth in the EMF and the Resettlement Policy Framework.

7. No Sub-project involving involuntary resettlement of local population shall be carried out under the Project.

#### Mid-Term Review, Project Monitoring and Evaluation

8. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate project performance on an ongoing basis, in accordance with indicators agreed between the Borrower and the Bank;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to the preceding sub-paragraph (a), 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 September 30, 2009, or such later date as the Bank shall request, the report referred to in the preceding sub-paragraph (b), 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.