

CONFORMED COPY

LOAN NUMBER 4289-MOR

Loan Agreement

(Water Resources Management Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated October 5, 1998

LOAN NUMBER 4289-MOR

LOAN AGREEMENT

AGREEMENT, dated October 5, 1998, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; 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 Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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

(a) "AGR" means the Department of Rural Works (Administration du Génie Rural) within the Borrower's NADRPM (as hereinafter defined);

(b) "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; and the term "Categories" means more than one Category collectively;

(c) "DGH" means the Department of Hydraulics (Direction Générale de l'Hydraulique) within the Borrower's MOPW (as hereinafter defined);

(d) "Dirham" means the lawful currency of the Borrower;

(e) "Dollar Loan Tranche" means the amount specified in Section 2.01 (a) of this Agreement;

(f) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, starting July 1 and ending June 30 of the following calendar year;

(g) "French Franc" and "FRF" each means the lawful currency of the Republic of France;

(h) "French Franc Loan Tranche" means the amount specified in Section 2.01 (b) of this Agreement;

(i) "Loan Tranche" means either the Dollar Loan Tranche or the French Franc Loan Tranche;

(j) "NADRPM" means the Borrower's Ministry of Agriculture (Ministère de l'Agriculture, du Développement Rural et de la Pêche Maritime) or any successor thereto;

(k) "MOH" means the Borrower's Ministry of Public Health (Ministère de la Santé) or any successor thereto;

(l) "MOPW" means the Borrower's Ministry of Public Works (Ministère de l'équipement) or any successor thereto;

(m) "Performance Indicators" mean the agreed indicators set forth in a letter of even date herewith to be utilized by the Borrower pursuant to Sections E and F of Schedule 5 hereto to measure the degree to which the Project objectives are being achieved;

(n) "River Basin Agency" means the River Basin Agency (Agence de Bassin) of the Oum-er-R'bia catchment, a public entity (Etablissement Public) established and managed pursuant to the Borrower's Decree No. 2-96-536 of November 2, 1996, to be maintained by the Borrower under Part A.2 of the Project in accordance with the relevant provisions of the Water Law (as hereinafter defined);

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

(p) "Water Law" means the Borrower's Law (Loi sur l'Eau) No.10-95 dated August 16, 1995.

## 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:

- (a) an amount equal to ten million Dollars (\$10,000,000); and
- (b) an amount equal to fifty-nine million French Francs (FRF59,000,000).

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, works 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 may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its General Treasury on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three fourths of one percent (3/4 of 1%) per annum on the principal amount of a Loan Tranche not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of:  
(i) the Dollar Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread; and (ii) the French Franc Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to PIBOR Base Rate plus PIBOR 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 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars 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) one half of one percent (1/2 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.

(v) "PIBOR Base Rate" means, for each Interest Period, the Paris interbank offered rate for six-month deposits in French Francs 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.

(vi) "PIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris 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 the LIBOR Base Rate, the LIBOR Total Spread, the PIBOR Base Rate and the PIBOR Total Spread for 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 2.05, 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 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 2.06. Interest and other charges shall be payable September 15 and March 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of each Loan Tranche 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 as set forth in Schedule 2 to this Agreement, and, to this end, shall, through the MOPW, carry out Parts A, B1, B2, C1, C2 and C3, the NADRPM carry out Part B3 and the MOH carry out Part B4 of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, agriculture, engineering, environment, technical and water management 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.

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 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 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 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 including 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 (6) 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Foreign Investments 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 Economy and Finance  
Avenue Mohammed V  
Rabat  
Kingdom of Morocco

Cable address:

MINFIN

Telex:

36715 M

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis

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:

Category	Amount of the Dollar Loan Tranche Allocated	Amount of the Franc Loan Tranche Allocated	% of Expenditures to be Financed
(1) Civil Works	1,500,000	8,800,000	80%
(2) Goods	4,000,000	23,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 70% of local expenditures for other items procured locally
(3) Consultants' Services, Training and Studies	3,500,000	20,400,000	100%
(4) Unallocated	1,000,000	6,400,000	
TOTAL	10,000,000	59,000,000	

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, works 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, works 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 to exceed \$1,000,000 may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after June 30, 1997.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (i) for goods, under contracts costing less than \$400,000 equivalent each; (ii) for works, under contracts costing less than \$750,000 equivalent each; (iii) for services of consulting firms, under contracts costing less than \$100,000 equivalent each; and (iv) for services of individual consultants, training and studies, under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

5. No withdrawals shall be made in respect to payments for expenditures under Part C (3) of the Project.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in promoting comprehensive water management that is economically efficient, equitable and

environmentally sustainable, through: (i) support to the establishment of an institutional framework for integrated water resources management and the creation of the country's first River Basin Agency; (ii) the improvement of the capacity in water resources planning and management; (iii) the improvement in water use efficiency; (iv) increased effectiveness of existing hydraulic infrastructure; and (v) the introduction of suitable water pollution control measures.

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 objective:

Part A: Reforms and Institutional Development

Carrying out of a comprehensive program designed to promote integrated water resources management, establish a rational cost recovery system and promote decentralized water management through the establishment of the River Basin Agency, and consisting of:

1. The provision of technical assistance for: (a) the setting up of the institutional and financial mechanism required for the operation of the River Basin Agency; (b) the preparation of a suitable National Water Plan in accordance with the provisions of the Water Law; and (c) the carrying out of a strategic study on water pricing and cost recovery on bulk water.
2. The establishment and full-fledged operation of the River Basin Agency through: (a) the provision of equipment, and (b) the provision of the required consultants' services and training, in particular to assure its technical capacity in water planning and management.

Part B: Capacity Building In Water Resource Planning, Information Systems and Technology Improvement

Carrying out of a program to strengthen the Borrower's capacity for effective and efficient water resources management through the adoption and implementation of improved procedures, information systems, and technology for water resource planning and allocation, water conservation in irrigation, and health aspects of water quality, and comprising in particular:

1. Strengthening of the DGH's capability for planning, monitoring and evaluation of water resource development, water allocation and water quality control through: (a) the implementation of a technical assistance and training program as required therefor; (b) the preparation of a countrywide flood protection master plan and action plan for flood control; and (c) the preparation of an emergency plan to safeguard against water pollution, including the establishment of a countrywide inventory of sites particularly vulnerable to accidental pollution and of an emergency action plan on preventive and corrective measures therefor.
2. Carrying out of a program for the development of a comprehensive real time water management system in the Oum-er-R'bia basin, including: (a) the installation of automatic flow metering and associated equipment, and of automatic meteorological stations; (b) the setting-up of telecommunications connections; (c) the provision of computers and mobile hydrological units as required therefor; (d) the provision of specific software applications for data processing and decision support; and (e) the provision of relevant technical assistance for the implementation of the above-mentioned program.
3. Support to a priority program of applied research in water conservation in irrigation in the Oum-er-R'bia and Souss Massa basins, focusing primarily on water requirements for main crops, improved irrigation methods and control measures for salinity and nitrate pollution in the large-scale irrigation schemes, through: (a) the strengthening of the field experimental research stations in said basins and the AGR department in charge of experiments and standardization in Rabat, including for both the provision of the required equipment and technical assistance; and (b) the carrying out of a study to review and evaluate the challenges facing the private modern irrigation sector in order to identify priority needs in agricultural research and technology improvements in irrigation.



4. Support to the MOH program to control water borne diseases in the Oum-er-R'bia basin, through the provision of equipment and technical assistance.

Part C: Investments in Water Mobilization and Quality

Carrying out of investments aimed at incorporating safety, reliability and efficiency in water storage and conveyance in the Oum-er-R'bia basin, and comprising:

1. The improvement in the mobilization of additional surface water resources, through the reconstruction of the concrete face of the Nakhla dam.
2. The drilling of exploratory boreholes and wells for the studying of the characteristics of the Triffa aquifer and construction of infiltration sills for the recharge of the Souss aquifer.
3. The preparation of a master plan for the improvement of water quality in the Oum-er-R'bia basin.

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The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Amortization Schedule

Dollar Loan Tranche

Date Payment Due	Payment of Principal of the Dollar Loan Tranche*
September 15, 2003	210,000
March 15, 2004	215,000
September 15, 2004	225,000
March 15, 2005	230,000
September 15, 2005	235,000
March 15, 2006	245,000
September 15, 2006	250,000
March 15, 2007	260,000
September 15, 2007	265,000
March 15, 2008	275,000
September 15, 2008	285,000
March 15, 2009	290,000
September 15, 2009	300,000
March 15, 2010	310,000
September 15, 2010	320,000
March 15, 2011	325,000
September 15, 2011	335,000
March 15, 2012	345,000
September 15, 2012	360,000
March 15, 2013	370,000
September 15, 2013	380,000
March 15, 2014	390,000
September 15, 2014	405,000
March 15, 2015	415,000
September 15, 2015	425,000
March 15, 2016	440,000
September 15, 2016	455,000
March 15, 2017	465,000
September 15, 2017	480,000
March 15, 2018	495,000

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\* The figures in this column represent the amount in Dollars to be repaid determined as of the dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

French Franc Loan Tranche

Date Payment Due	Payment of Principal of the French Franc Loan Tranche*
September 15, 2003	1,475,000
March 15, 2004	1,500,000
September 15, 2004	1,530,000
March 15, 2005	1,560,000
September 15, 2005	1,590,000
March 15, 2006	1,620,000
September 15, 2006	1,650,000
March 15, 2007	1,680,000
September 15, 2007	1,715,000
March 15, 2008	1,750,000
September 15, 2008	1,780,000
March 15, 2009	1,815,000
September 15, 2009	1,850,000
March 15, 2010	1,885,000
September 15, 2010	1,920,000
March 15, 2011	1,960,000
September 15, 2011	1,995,000
March 15, 2012	2,035,000
September 15, 2012	2,075,000
March 15, 2013	2,115,000
September 15, 2013	2,155,000
March 15, 2014	2,195,000
September 15, 2014	2,240,000
March 15, 2015	2,280,000
September 15, 2015	2,325,000
March 15, 2016	2,370,000
September 15, 2016	2,415,000
March 15, 2017	2,460,000
September 15, 2017	2,510,000
March 15, 2018	2,550,000

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\* The figures in this column represent the amount in French Francs to be repaid, determined as of the dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B: namely that for preference for domestically manufactured goods the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$400,000 equivalent per contract, up to an aggregate amount not to exceed \$5,000,000 equivalent; and (b) works, with the exception of works under Part (C) (1) of the Project, estimated to cost less than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$4,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National/International Shopping

Equipment and materials estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost \$100,000 equivalent or less per contract, and not to exceed \$1,000,000 equivalent in the aggregate, shall be procured under lump sum, fixed price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

4. Direct Contracting

Goods which are of a proprietary nature and costing \$200,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement schedule for the Project shall be furnished to the Bank in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement schedule and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (a) goods estimated to cost the equivalent of \$400,000 or more; and (b) works estimated to cost the equivalent of \$750,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Parts A, B and C of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications Services under Parts A, B and C of the Project 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 and 3.7 of the Consultant Guidelines.

2. Individual Consultants Services for technical assistance under Parts A, B and C of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraph 5.1 through 5.3 of the Consultants Guidelines.

3. Single Source Selection Services under Parts A, B and C of the Project up to an aggregate amount of \$2,000,000 may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed Schedule for the selection of consultants under the Project shall be furnished to the Bank in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection schedule and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to 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.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 5

### Implementation Program

#### Section A: Implementation Arrangements

Responsibility for overall coordination of the Project shall, as provided for in Article 3 of this Agreement, be vested in the DGH. The Borrower shall at all times during Project implementation maintain the required financial, staffing and reporting arrangements to ensure that the DGH is properly assisted by:

1. A technical coordinating committee composed of representatives of the implementing agencies, in charge of inter-agency coordination on technical matters to be maintained with specific responsibility for: (a) carrying out periodic progress reviews on Project implementation; (b) maintaining Project implementation on schedule through the adoption of all required measures; and (c) reviewing and approving the annual implementation plan referred to in Section F of this Schedule and the semi-annual progress reports referred to in Section E of this Schedule. To this end, the said Committee shall meet at least twice a year at the initiative of the DGH, to properly assume and discharge the aforementioned responsibilities.

2. A project implementation unit in charge of the Project's follow-up to be established in the DGH not later than January 1, 1998, and thereafter maintained. In particular, this unit shall be responsible for: (a) the oversight of DGH's implementation measures under the Project, including those for the River Basin Agency; (b) the preparation and update of the annual implementation plan referred to in Section F of this Schedule; and (c) the preparation and submission by the DGH not later than March 31 and September 30 in each Fiscal Year of the semi-annual progress reports referred to in Section E of this Schedule.

#### Section B: Part B.1 of the Project: The Technical Assistance and Training Program

In order to ensure that the best arrangements are in place for purposes of carrying out Part B.1 of the Project, the Borrower shall: (i) not later than September 1, 1998, conclude a contractual agreement with consultants and under terms of reference satisfactory to the Bank, setting forth a detailed implementation program to carry out the technical assistance and training under Part B.1 of the Project; and (ii) thereafter, take all action required to carry out Part B.1 of the Project in accordance with the terms and conditions of the said agreement.

#### Section C: Part C.1 of the Project: Rehabilitation of the Nakhla Dam

For purposes of ensuring that adequate safety measures are in place for the purposes of carrying out Part C.1 of the Project, the Borrower shall cause the DGH to arrange for one (1) independent dam specialist, acceptable to the Bank, with specific expertise in concrete face rock-filled dams:

(a) to inspect and to evaluate the safety status of the existing dam and to conduct a review of the concept of the structures and the conformity of their technical design before the starting of the works under Part C.1 of the Project;

(b) (i) to review and to evaluate the Borrower's operation and maintenance procedures of the existing dam, including the plan for construction supervision and quality assurance, the plan for instrumentation, and the emergency preparedness plan; and (ii) to provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the existing dam to an acceptable standard of safety during the carrying out of the works under Part C.1 of the Project; and

(c) to carry out annual safety inspections under arrangements satisfactory to the Bank after completion of the works under Part C.1 of the Project.

#### Section D: Mid-term Review

1. The Borrower shall cause the DGH:

(a) to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with Performance 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 January 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, 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 March 31, 2000, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) above, 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.

#### Section E: Project Monitoring

Without any limitation on the provisions of Section 9.07 of the General Conditions, the Borrower shall cause the DGH, commencing on September 30, 1998, and not later than March 31 and September 30 in each Fiscal Year and until Project completion, to prepare and furnish to the Bank a report, including acceptable Performance Indicators, of such scope and in such detail as the Bank shall reasonably request, describing the progress achieved in the implementation of the Project during the preceding six (6) month period.

#### Section F: Project Annual Planning

The Borrower shall cause the DGH to submit to the Bank, commencing in Fiscal Year 1998-1999, and not later than April 30 in each Fiscal Year, a proposed annual work plan setting forth the Project activities envisioned to be carried out during the following Fiscal Year. The Borrower shall take into account the recommendations of the Bank for the elaboration of the final work plan.

#### 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 an amount equivalent to \$2,000,000 to be withdrawn from the Loan Account and deposited in 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 an amount equivalent to \$1,000,000 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 \$5,000,000.

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 a deposit or deposits 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 in 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; or

(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, less 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 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 General Conditions.

