

CONFORMED COPY

LOAN NUMBER 4607-MOR

Loan Agreement

IRRIGATION BASED COMMUNITY DEVELOPMENT PROJECT

between

KINGDOM OF MOROCCO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 12, 2002

LOAN NUMBER 4607-MOR

LOAN AGREEMENT

AGREEMENT, dated April 12, 2002, between the KINGDOM OF MOROCCO (the

Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated April 18, 2001 from the Borrower describing a program of objectives, policies and actions (the Program) designed to promote integrated rural development centered on small and medium irrigation, and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower has requested the Bank's support in the execution of the Program over a period of approximately thirteen (13) years;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the first phase of the Program (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 in support of the Project upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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) "CMU" means the Coordination and Management Unit for the Project, established and maintained pursuant to the provisions of paragraph A.1 of Schedule 5 to this Agreement;

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(b) "CRDC" means the Core Rural Development Committee (Comite Restreint de Developpement Rural) established and operating under the Circular Letter dated November 28, 2001, signed by the Borrower's Minister of Agriculture, Rural Development, Water and Forests;

(c) "DHAW" means the Department of Hydro-Agricultural Works within MARDWF as defined in (j) below;

(d) "Dirhams" and "MAD" mean the lawful currency of the Kingdom of Morocco;

(e) "EA" means the Borrower's environmental assessment for the Project, prepared by the Borrower and submitted to the Bank on February 20, 2001;

(f) “EMP” means the Project Environmental Management Plan satisfactory to the Bank to be developed pursuant to paragraph 4 of Schedule 5 to this Loan Agreement;

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

(h) “ICRD” means the Interministerial Committee for Rural Development whose membership comprises the general secretaries of the ministries represented in the PIMRDC as defined in (n) below;

(i) “Implementation Manual” and “IM”, mean the manual for the implementation of the Project referred to in paragraph 7 of Annex 5 to this agreement;

(j) “MARDWF” means the Ministry of Agriculture, Rural Development, Water and Forests of the Borrower or any successor thereto;

(k) “MOF” means the Ministry of Economy, Finance, Privatization and Tourism of the Borrower, or any successor thereto;

(l) “NCC” means the National Coordination Committee under the Project, established and operating under the Circular Letter dated November 28, 2001, signed by the Borrower's Minister of Agriculture, Rural Development, Water and Forests;

(m) “PDA” means the provincial department of agriculture within the MARDWF;

(n) “PIMRDC” means the Permanent Interministerial Rural Development Council established and operating pursuant to decree number 298974 dated January 5, 1999;

(o) “PMU” means the Provincial Management Unit under the Project, to be established and maintained pursuant to the provisions of paragraph A.2 of Schedule 5 to this Agreement;

(p) “PPT” means the Participatory Programming Team in each of the three provinces of the Project Area including provincial government technical staff, facilitators and sociologists, designed to engage the local population in a joint planning process for rural development, reflecting the local populations’ priorities;

(q) “Project Area” means the small and medium irrigation areas to be rehabilitated and improved under the Project, consisting of about 3,450 ha in the province of Azilal, 3,000 ha in the province of Khenifra and 3,000 ha in the province of Al-Haouz, and the area covered by the complementary community infrastructure serving these areas as identified by the Borrower and the Bank;

(r) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(s) “RDF” means the Rural Development Fund established and operating pursuant to Article 44 of the Borrower’s budget law for the year 1994;

(t) “Special Account” means the account referred to in Section 2.02 (b) of this

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

(u) “Yen ” and “Y” mean the lawful currency of Japan.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to three billion and eight hundred million Yen (Y3,800,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its general treasury (trésorerie générale du Royaume) on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2006 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.

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

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

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate agricultural, irrigation, engineering, environmental, natural resource management and general 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 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 continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 (6) after the end of each such year, (A) the financial statements referred to in paragraph (a) of this Section as audited for such year and certified by such auditors, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, 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) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound Action Plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than twelve (12) months after the effectiveness of this agreement, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the Action Plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter a Project Management Report for such period.

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 Economy, Finance, Privatization and Tourism 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:

Minister of Economy, Finance, Privatization and Tourism
Avenue Mohamed V
Rabat
Kingdom of Morocco

Cable address:	Telex:	Facsimile:
MINFIN	36715	037761072

For the Bank:

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

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

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

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Olivier Godron

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

	<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Yen Equivalent)</u>	<u>% of Expenditures To be Financed</u>
(1)	Civil works	2,441,000,000	80%
(2)	Goods	117,000,000	100% of foreign expenditures; and 80% of items procured locally
(3)	Consultants' services and Training	843,000,000	100%

(4)	Fee	38,000,000	Amount due under Section 2.04 of this Agreement
(5)	Unallocated	<u>361,000,000</u>	
TOTAL		<u><u>3,800,000,000</u></u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding Y380,000,000, may be made in respect of Categories (1), (2), and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 15, 2000.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure under contracts not exceeding \$300,000 equivalent for goods, \$500,000 equivalent for works, \$100,000 equivalent for consulting firms and \$50,000 equivalent for individual consultants, 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 enhance incomes and quality of life of rural communities centered on small and medium irrigation, through demand-driven integrated investments in small and medium irrigation rehabilitation, and complementary community infrastructure, including rural roads, water supply and sanitation, electrification, health and education facilities.

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: Rehabilitation and Improvement of Small and Medium Irrigation Facilities

Carrying out a program to rehabilitate and improve small and medium irrigation facilities in the Project Area.

Part B: Complementary Community Infrastructure

Construction and/or rehabilitation and improvement of rural road, water supply and sanitation systems and electrification, health and education facilities, as identified through a participatory process involving the local populations led by the PPT in the Project Area, as financed through the DRF.

Part C: Technical Assistance for Institutional Support

Support, through technical assistance, for (i) the participatory, integrated investment programming implemented by the PPT in each of the provinces in the Project Area, and (ii) the enhanced agricultural support services.

Part D: Technical Assistance for the Preparation of a Follow On Project

Preparation of studies to identify eligible development areas in six additional provinces to be selected for a follow on project.

* * *

The Project is expected to be completed by December 31, 2005

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Japanese Yen)*</u>
February 15, 2007	118,770,000.000
August 15, 2007	119,290,000.000
February 15, 2008	119,815,000.000
August 15, 2008	120,345,000.000
February 15, 2009	120,875,000.000
August 15, 2009	121,405,000.000
February 15, 2010	121,940,000.000
August 15, 2010	122,475,000.000
February 15, 2011	123,015,000.000
August 15, 2011	123,555,000.000
February 15, 2012	124,100,000.000
August 15, 2012	124,645,000.000
February 15, 2013	125,195,000.000
August 15, 2013	125,745,000.000
February 15, 2014	126,300,000.000
August 15, 2014	126,855,000.000
February 15, 2015	127,410,000.000
August 15, 2015	127,970,000.000
February 15, 2016	128,535,000.000
August 15, 2016	129,100,000.000

February 15, 2017	129,670,000.000
August 15, 2017	130,240,000.000
February 15, 2018	130,810,000.000
August 15, 2018	131,390,000.000
February 15, 2019	131,965,000.000
August 15, 2019	132,545,000.000
February 15, 2020	133,130,000.000
August 15, 2020	133,715,000.000
February 15, 2021	134,305,000.000
August 15, 2021	134,890,000.000
TOTAL	3,800,000,000.000

* *The figures in this column represent the amount in Yen to be repaid, except as provided in Section 4.04 (d) of the General Conditions.*

SCHEDULE 4

Procurement

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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$300,000 equivalent per contract and works, except as otherwise provided in paragraph C.2 and C.3 below, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under lump-sum, fixed-price

contracts awarded on the basis of written 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 complete the contract successfully.

3. International and National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan 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 plan as shall have been agreed with the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$300,000 or more and with respect to each contract for works estimated to cost the equivalent of \$500,000 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 and revised in September 1997 and January 1999 (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.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for technical assistance and training for the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 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 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for technical assistance under Parts C and D of the Project 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 plan for the selection of consultants under the Project shall be furnished to the Bank for its review, 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 plan as shall have been agreed with the Bank 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 \$100,000 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 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

A. Project Implementation and Coordination

1. *At the national level:* Responsibility for overall Project implementation and progress monitoring shall be vested with the DHAW. In order to assist DHAW in implementing the Project, the Borrower shall establish not later than December 31, 2001 and thereafter maintain, a CMU within DHAW to be headed by DHAW's director in accordance with terms of reference and with personnel and resources acceptable to the Bank, including a specialist in charge of financial management, a specialist in charge of the environment and a specialist in charge of the monitoring and evaluation system.

2. *At the provincial level:* Responsibility for Project implementation and progress monitoring shall be vested with the PDA. In order to assist the PDA in implementing the Project, the Borrower shall establish and thereafter maintain a PMU, to be headed by the PDA director in accordance with terms of reference and with personnel and resources acceptable to the Bank. PMU shall be vested with Project management responsibilities.

3. Responsibility for Project coordination shall be vested: (i) at the national level, with the ICRD for overall guidance and NCC for technical coordination; and (ii) at the provincial level, with the CRDC.

4. The Borrower shall, not later than six (6) months after the date of this Agreement for the province of Azilal, and not later than twelve (12) months after the date of the Agreement for the provinces of Al-Haouz and Khenifra: (a) prepare and update on a regular basis, as agreed with the Bank and on the basis of the EA, an EMP including: (i) mitigation measures for potentially adverse environmental impacts including aspects linked to the use of pesticides; and (ii) monitoring schemes to review the efficacy of the EMP in relation to mitigation measures; and (b) implement the EMP in a manner satisfactory to the Bank.

5. The Borrower shall, not later than thirty (30) days following the six (6) months period commencing at the Effectiveness Date and, thereafter, for every subsequent six (6) month period until completion of the Project, provide the Bank, for its review and comments, with progress reports prepared in accordance with environmental and performance monitoring indicators agreed upon between the Borrower and the Bank.

6. The Borrower shall ensure that funding through RDF for Part B of the Project shall be for investments determined in an integrated way in accordance with the priorities of the local populations as a result of the participatory planning process with the PPT.

7. The Borrower shall, not later than six (6) months after the date of this Agreement, or at a later date acceptable to the Bank, prepare the IM under terms of reference and guidelines agreed with the Bank, and submit the IM to the Bank.

8. The Borrower shall, twelve (12) months after the date of this Agreement, or at a later date acceptable to the Bank, prepare and submit a participatory system for the monitoring and evaluation, under terms of reference and guidelines agreed with the Bank.

B. Mid-Term Review

The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about June 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, and the findings of the progress reports referred to under paragraph A.5 of this Schedule 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 December 31, 2003, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

C. Program Milestones

The Borrower shall:

1. Prepare and furnish to the Bank not later than June 30, 2004 a report describing the progress in the fulfillment of the actions referred to in the Program, including the attainment of the milestones agreed between the Borrower and the Bank and required to be reached as a pre-requisite to initiate the second phase of the Program; and

2. Review with the Bank, not later than December 31, 2004, or such later date as the Bank shall request, the report referred to in sub-paragraph (1) above and, thereafter, take all measures required by the Bank to initiate the second phase of the Program.

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

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 MAD 24,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to MAD 15,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of Y800,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the

should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

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

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

