

CONFORMED COPY

LOAN NUMBER 7922-MA

Loan Agreement

(Regional Potable Water Supply Systems Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

OFFICE NATIONAL DE L'EAU POTABLE

Dated August 19, 2010

LOAN AGREEMENT

Agreement dated August 19, 2010, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and OFFICE NATIONAL DE L’EAU POTABLE (“Borrower”). The Bank and the Borrower hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II - LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement: (a) the amount of one hundred five million two hundred thousand Euros (€105,200,000); and (b) the amount of thirty five million Dollars (US\$35,000,000) as such amounts may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General

Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (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 withdrawn and outstanding 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 the 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 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 for 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 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III - PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that the Basic Legislation has 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, or to achieve the objectives of the Project.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Manual of Operations, satisfactory to the Bank, has been adopted by the Borrower.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Director General.

6.02. The Borrower's Address is:
Office National de l'Eau Potable
Station de Traitement
Avenue Mohamed Belhassan El Ouazzani
Rabat, Kingdom of Morocco

Facsimile:

(212-537) 759-106

6.03. The Bank's Address is:

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)	1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Françoise Clottes

Authorized Representative

OFFICE NATIONAL DE L'EAU POTABLE

By /s/ Ali Fassi Fihri

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to potable water supply for selected local communities in the Project Provinces.

The Project consists of the following parts:

PART I. Water Production, Conveyance and Supply in the Project Provinces

A. Nador and Driouch Provinces:

(1) expansion of the capacity of the raw water pumping station and of the Nador water treatment plant; extension of the raw water pipe network; increase in conveyance capacity through the expansion of a regional trunk line; and

(2) construction of about six (6) lateral mains, storage tanks, pumping stations and public standpipes for the supply of selected small urban centers and villages.

B. Safi, Youssoufia and Sidi Bennour Provinces:

(1) construction of an intake and a water treatment plant on the Doukkala High Service Canal; and construction of a new regional trunk line in each of Safi, Youssoufia and Sidi Bennour Provinces; and

(2) construction of lateral mains, storage tanks, pumping stations and public standpipes for the supply of selected villages.

C. Errachidia Province:

Strengthening and rehabilitation of the production and transmission systems of the Tafilalet water scheme, consisting of: provision of equipment for new bore wells; construction of tanks and connection pipelines between the bore wells and the main pipeline; reinforcement of conveyance capacity between selected locations, including construction of new boosting stations; and replacement of pipes and installation of new pipes between selected locations.

PART II. Environmental Impact Mitigation and Grey Water Management

Mitigation of the environmental impacts of increased grey water flows in selected rural areas in the Project Provinces, consisting of:

- (1) support for the development of private sector activities for improved on-site sanitation, through the presentation of compliant sanitation facilities and the provision of training on appropriate techniques, and targeted communication and outreach campaigns; and
- (2) construction of grey water collection networks in selected areas.

PART III. Implementation Support and Capacity Building

- (1) Technical assistance in support of Project implementation, including assistance for: management and monitoring of Project activities, carrying out of participatory approaches to service provisions, integration of hygiene and wastewater management with improvement in water supply services, and screening and determining solutions to improve grey water management.
- (2) Building of the Borrower's capacity to design and implement the outsourcing to private sector service providers of the operation and maintenance for household connection service.
- (3) Technical assistance to develop feasibility studies and designs for household connection distribution system and grey water management system, and to implement pilots of on-site sanitation systems.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall implement the Project through its Central Directorate for Universal Access to Potable Water and its provincial and regional directorates in the Project Provinces. Said Central Directorate shall be responsible for the overall management, coordination, monitoring and evaluation of Project activities, and procurement; and said provincial and regional offices shall be responsible, within the areas under their jurisdiction and with the support of the Central Directorate, for the technical, social and environmental studies, community mobilization activities, procurement, construction and supervision of activities contracted out to private sector entities. To this end, the Borrower shall maintain the Central Directorate for Universal Access to Potable Water and its provincial and regional offices in the Project Provinces under the management of qualified managers, staffed with competent personnel, and provided with adequate resources.

2. The Borrower shall take all necessary measures to implement the Project in accordance with the Manual of Operations. The Borrower shall not amend, suspend, abrogate, repeal or waive any provision of the Manual of Operations without the prior approval of the Bank.

B. Agreements with Rural Municipalities

1. Prior to executing any contract to supply potable water to a rural community in any of the Project Provinces, the Borrower shall ensure that a written agreement has been executed with the relevant Rural Municipality which sets forth the level of service required; the financial contribution of the Rural Municipality to the construction costs of the production, transport and supply works, associated storage tanks and public standpipes, and, for communities requiring individual household connection service, the grey water drainage systems or collection network, as the case may be; the responsibilities for operation and maintenance of the infrastructure and service delivery; and the commitment from the relevant Rural Municipality to make the required land available to the Borrower, and the conditions for the acquisition of such land, as necessary.

2. The Borrower shall exercise its rights under the agreements with the Rural

Municipalities referred to in paragraph 1 above in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. The Borrower shall not assign, amend, abrogate or waive any of said agreements or any of its provisions if such assignment, amendment, abrogation or waiver shall affect the implementation of the Project or the achievement of its objectives.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

The Borrower shall: (i) ensure that the Project is implemented in accordance with the ESMP and the LAF/LAP; (ii) not amend, suspend, abrogate, repeal or waive any provision of the ESMP, or of the LAF/LAP, without the prior approval of the Bank; and (iii) ensure that adequate information on the implementation of the ESMP and the LAF/LAP is suitably included in the Reports referred to in Paragraph A.1, Section II of this Schedule 2.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports and Mid-term Review

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Borrower shall:

(a) prepare, under terms of reference agreed with the Bank, and furnish to the Bank, about thirty six (36) months after the Effective Date, a report 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

(b) review with the Bank, about thirty eight (38) months after the Effective Date, or such later date as the Bank shall request, the

report referred to in sub-paragraph (a) of this paragraph A.2. Section II, 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.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section II, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. In addition, the Borrower shall have its financial statements reflecting its general operations and its financial condition (the "General Financial Statements") prepared in accordance with consistently applied accounting standards acceptable to the Bank, and audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of the Financial Statements and the General Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements and the audited General Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods	
(a)	National Competitive Bidding, subject to the following additional provisions: <ol style="list-style-type: none"> 1. The bidding documents include explicitly the bid evaluation method, award criteria and bidder qualification criteria. 2. Technical, administrative and financial envelopes are opened immediately after the bid opening session has started and prices are read aloud. 3. The bids are evaluated on the basis of the price and any other criteria expressed either in pass/fail terms or in monetary terms and disclosed in the bidding document. 4. Contracts are awarded to the qualified bidder who has submitted the least-cost evaluated and substantially responsive bid as stipulated in the bidding document. 5. Standard bidding documents and bid evaluation reports found acceptable by the Bank are used.
(b)	Shopping
(c)	Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least-cost Selection
(d) Selection based on Consultants' Qualifications
(e) Single-source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. 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.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to

be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euros)	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods, works and consultants' services for Parts I.A (1), I.B(1) and I.C of the Project	52,620,000	17,432,500	100%
(2) Goods, works and consultants' services for Parts I.A(2) and I.B(2) of the Project	32,370,000	11,000,000	80%
(3) Goods, works, training and consultants' services for Parts II and III of the Project	9,430,000	2,980,000	100%
(4) Front-End Fee	263,000	87,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Premia for Interest Rate Caps and Interest Rate Collars	0	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
Unallocated	10,517,000	3,500,000	
TOTAL AMOUNT	105,200,000	35,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed €10,000,000 equivalent for the amount of the Loan expressed in Euros and \$3,500,000 equivalent for the amount of the Loan expressed in Dollars may be made for payments made prior to this date but on or after May 1, 2010, for Eligible Expenditures under Categories (1), (2) and (3).
2. The Closing Date is December 31, 2015.

Section V. Other Undertakings

A. Financial Covenant

1. Except as the Bank shall otherwise agree, for each fiscal year throughout the implementation of the Project, the Borrower undertakes that its estimated Net Revenues shall be at least 1.2 times the estimated Principal Debt Service Requirements of the Borrower in each such fiscal year on the Debt of the Borrower.
2. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, Debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such Debt; or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.
3. In the event that the Borrower does not maintain the above 1.2 ratio, the Borrower, after consultation with the Bank, shall take all necessary measures agreed upon with the Guarantor to maintain such ratio.

B. Other Surveys and Records

1. (a) For the purpose of maintaining an accurate and complete record of transactions, and without limitation on the provisions of paragraph B.1, Section II of this Schedule 2, the Borrower shall maintain: (i) at its headquarters and its regional offices, a register of fixed assets; and (ii) a register of contracts with the Rural Municipalities and with private service providers.
- (b) At the Bank's request, the Borrower shall enable the Bank to

inspect such registers regarding the Project.

2. Promptly, upon completion of its annual report on standpipe status throughout the country, the Borrower shall provide a copy of such report to the Bank.
3.
 - (a) In a timely fashion, before the mid-term review and again before the evaluation upon completion of the Project, the Borrower shall carry out a sampled customer satisfaction survey in a manner and under terms of reference acceptable to the Bank.
 - (b) The Borrower shall provide the results of such surveys to the Bank for its review and shall give due consideration to the Bank's comments thereon.
4.
 - (a) No later than one (1) year after completing the construction of each water treatment plant under the Project, the Borrower shall complete an environmental audit of said plant in a manner and under terms of reference agreed upon by the Bank and the Borrower.
 - (b) The Borrower shall promptly provide the report of each such audit to the Bank for its review and shall give due consideration to the Bank's comments thereon.

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 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) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15 Beginning September 15, 2015 through March 15, 2040	2%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn 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 is the original Installment Share specified in

the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable 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) Amounts of the Loan withdrawn 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, if at any time the Bank adopts 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 Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is 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 the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the 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 Withdrawn Loan Balance is 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.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Basic Legislation” means the Guarantor’s Law (“Dahir”) No. 1.72.103, dated April 3, 1972, as amended and completed as of the date of this Agreement, pursuant to which the Borrower has been established and is operating as a state-owned industrial and commercial enterprise with financial autonomy.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Central Directorate for Universal Access to Potable Water” means Direction de la Généralisation de l’Eau Potable, a central direction of the Borrower, and any successor thereto.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “Debt” means any indebtedness of the Borrower (i) maturing by its terms more than one year after the date on which it is originally incurred; and (ii) being deemed to be incurred under a loan contractor agreement or other instrument providing for such debtor for the modification of its terms of payment on the date of such contract, agreement or instrument.
7. “Direction Générale des Collectivités Locales” or “DGCL” mean the department within the Ministry of Interior of the Guarantor with the responsibility for, inter alia, overseeing local governments.
8. “ESMP” means the Environment and Social Management Plan prepared and adopted by the Borrower, disclosed on October 8, 2009, and satisfactory to the Bank, which sets forth environmental and other mitigation measures, staffing and budget for implementing such measures, monitoring and supervision of the execution of such measures, and capacity building activities, with the objective to offset, mitigate, reduce and/or compensate for the negative impacts and to enhance the positive impacts of the Project, as such Plan may be amended from time to time with the prior approval of the Bank.
9. “General Conditions” means the “International Bank for Reconstruction

and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

10. “LAF/LAP” means the Land Acquisition Framework and Land Acquisition Procedures prepared and adopted by the Borrower, disclosed on October 8, 2009, and satisfactory to the Bank, which sets forth the policies, procedures and guidelines for the acquisition of land during the implementation of the Project, financial compensation therefor and the monitoring and reporting on such activities, as said Framework and Procedures may be amended from time to time with the prior approval of the Bank.

11. “Manual of Operations” means the manual describing the implementation, financial management, procurement, disbursement, monitoring and evaluation, and reporting arrangements for the Project, and referred to in paragraph A.2, Section I of Schedule 2 to this Agreement.

12. “Net Non-Operating Income” means the difference between: (i) revenues from all sources other than those related to operations such as revenues from financial placements; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above and financial investments.

13. “Net Revenues” means the difference between: (i) the sum of revenues from all sources related to operations and Net Non-Operating Income, but excluding operations carried out on behalf of the Guarantor, internal works to be depreciated and bad debts to be written off; and (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on Debt.

14. “Principal Debt Service Requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, Debt.

15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 5, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be

updated from time to time in accordance with the provisions of said paragraphs.

17. “Project Provinces” means the Provinces of Nador, Driouch, Safi, Youssoufia, Sidi Bennour and Errachidia of the Guarantor.

18. “Rural Municipality” means a Commune Rurale which is a local government of the Guarantor, under the jurisdiction of the DGCL, responsible, inter alia, for planning, organizing and managing local public services, including rural water supply and sanitation services, within their jurisdiction, either by providing such services directly, or through the establishment of an autonomous public utility, or by delegation to a public or private operator; and “Rural Municipalities” means more than one Rural Municipality.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. Suspension by the Bank

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project

Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

(b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”