

CONFORMED COPY

LOAN NUMBER 2910 MOR

(Power Distribution Project)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 21, 1989

LOAN AGREEMENT

AGREEMENT, dated June 21, 1989, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by the Project Enterprises (as defined in Section 1.02 (h) of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project Enterprises the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and

conditions set forth in this Agreement and in the Project Agreements (as defined in Section 1.02 (n) of this Agreement) of even date herewith between or among the Bank and the Project Enterprises;

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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "ONE" means the National Electricity Authority (Office National de l'Electricite), a public enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-63-226 dated August 5, 1963, as the same may be amended from time to time;

(b) "Casablanca Utility" means the Casablanca Intermunicipal Water and Electricity Distribution Utility (Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de Casablanca), a public enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-61-218 dated October 21, 1961, as the same may be amended from time to time;

(c) "Meknes Utility" means the Meknes Water and Electricity Distribution Utility (Regie Autonome de Distribution d'Eau et d'Electricite de Meknes), a public enterprise established and operating pursuant to the Borrower's Decree (Decret) No. 2-63-394 dated September 29, 1964, as the same may be amended from time to time;

(d) "Kenitra Utility" means the Kenitra Intermunicipal Water and Electricity Distribution Utility (Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de Kenitra), a public enterprise established and operating pursuant to the Borrower's Decree (Decret) No. 2-64-394 dated September 29, 1964, as the same may be amended from time to time;

(e) "Fes Utility" means the Fes Water and Electricity Distribution Utility (Regie Autonome de Distribution d'Eau et d'Electricite de Fes), a public enterprise established and operating pursuant to the Borrower's Decree (Decret) No. 2-64-394 dated September 29, 1964, as the same may be amended from time to time;

(f) "Tetouan Utility" means the Tetouan Intermunicipal Water and Electricity Distribution Utility (Regie Autonome Intercommunale de Distribution d'Eau et d'Electricite de Tetouan), a public enterprise established and operating pursuant to the Borrower's Decree (Decret) No. 2-64-394 dated September 29, 1964, as the same may be amended from time to time;

(g) "Local Utilities" means, collectively, the Casablanca Utility, the Meknes Utility, the Kenitra Utility, the Fes Utility and the Tetouan Utility; and "Local Utility" means any one of the Local Utilities;

(h) "Project Enterprises" means, collectively, ONE and the Local Utilities; and "Project Enterprise" means any of the Project Enterprises;

(i) "respective part of the Project" means: (i) in the case of ONE, Part A of the Project; (ii) in the case of Casablanca Utility, Part B thereof; (iii) in the case of Meknes Utility, Part C thereof; (iv) in the case of Kenitra Utility, Part D thereof; (v) in the case of Fes Utility, Part E thereof; and (vi) in the case of Tetouan Utility, Part F thereof;

(j) "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;

(k) "respective Category" means: (i) in the case of ONE, Categories (1)(a), (2) and (3)(a); (ii) in the case of Casablanca Utility, Categories (1)(b) and (3)(b); (iii) in the case of Meknes Utility, Categories (1)(c) and (3)(c); (iv) in the case of Kenitra Utility, Categories (1)(d) and (3)(d); (v) in the case of Fes Utility, Categories (1)(e) and (3)(e); and (vi) in the case of Tetouan Utility, Categories (1)(f) and (3)(f);

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

(m) "Local Utilities Project Agreement" means the agreement among the Bank and the Local Utilities of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Local Utilities Project Agreement;

(n) "Project Agreements" means, collectively, the ONE Project Agreement and the Local Utilities Project Agreement;

(o) "Subsidiary Loan Agreement" means, in respect of each Project Enterprise, the agreement to be entered into between the Borrower and such Project Enterprise pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and "Subsidiary Loan" means the loan provided under such Subsidiary Loan Agreement;

(p) "Basic Legislation" means the following laws and regulations of the Borrower: (i) the Laws and Decrees referred to in paragraphs (a), (b), (c), (d), (e) and (f) of this Section 1.02 pertaining to the establishment and operations of the Project Enterprises; (ii) Laws (Dahir) No. 1-59-271 dated April 14, 1960 and No. 1-61-402 dated June 30, 1962, pertaining to the Borrower's financial control of public enterprises, including the Project Enterprises; and (iii) any other law or regulation of the Borrower affecting the establishment and operations of the Project Enterprises; all as the same may be amended from time to time;

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

(r) "Bank of Morocco" means the central bank of the Borrower (Bank al Maghrib);

(s) "Other Utilities" means all of the municipal or inter-municipal public enterprises providing electricity in the urban areas of the Borrower (other than the Local Utilities) and established and operating pursuant to the Borrower's Decree (Decret) No. 2-64-394 dated September 29, 1964, as the same may be amended from time to time; and

(t) "Power Sub-sector Action Plan" means the Borrower's action plan for the years 1988-1994 for the development of the power sub-sector, set forth or referred to in Schedule 7 to this Agreement, as the same may be amended from time to time by agreement between the Borrower and the Bank.

## ARTICLE II

## The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to ninety million dollars (\$90,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in Bank of Morocco 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1995, 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 the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

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

## ARTICLE III

### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall

cause the Project Enterprises to perform in accordance with the provisions of the Project Agreements all the obligations of the Project Enterprises therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project Enterprises to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of carrying out the Project, the Borrower shall relend to each of the Project Enterprises the proceeds of the Loan allocated from time to time under Categories (1), (2) and (3) for its respective Part of the Project under subsidiary loan agreements to be entered into between the Borrower and such Project Enterprise, under terms and conditions which shall have been approved by the Bank and which shall include, without limitation, those set forth in Schedule 6 to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

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. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of each Project Enterprise's respective part of the Project shall be carried out by such Project Enterprise pursuant to Section 2.03 of its respective Project Agreement.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than seven months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

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

Section 4.02. In order to ensure the proper development of the Borrower's power sub-sector, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall take all measures necessary to ensure that the Power Sub-sector Action Plan shall be carried out with due diligence and efficiency and in conformity with appropriate administrative, financial and economic practices.

Section 4.03. (a) Except as the Bank may otherwise agree, the Borrower shall take all measures necessary to ensure that:

- (i) each of its public agencies shall pay the balance of its electricity bills due and payable as of July 31, 1988, in equal annual installments commencing not later than September 30, 1988, with the last payment to be made not later than September 30, 1992;
- (ii) each of its public agencies shall pay its electricity bills other than those referred to in subparagraph (a) (i) of this Section promptly upon the issuance thereof in accordance with guidelines satisfactory to the Bank; and
- (iii) budgetary allocations shall be made for each fiscal year in the relevant budget or budgets of its public agencies in amounts sufficient to ensure the fulfilment of the obligations set forth in subparagraphs (a) (i) and (a) (ii) of this Section.

(b) For purposes of this Section:

- (i) the term "public agencies" means the Borrower's ministries and departments and its political or administrative subdivisions; and
- (ii) the term "electricity bills" means, in respect of each of the public agencies, the amounts periodically billed by the Project Enterprises and Other Utilities to such public agency for the supply of electricity and related works and services by the Project Enterprises or Other Utilities, as the case may be, to such public agency.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) any of the Project Enterprises shall have failed to perform any of its obligations under its respective Project Agreement;

(b) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that one or more of the Project Enterprises will be able to perform its obligations under its respective Project Agreement;

(c) the Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of one or more of the Project Enterprises to perform any of its obligations under its respective Project Agreement; and

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Project Enterprises or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

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

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that each Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Project Enterprise party thereto.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that each of the Project Agreements has been duly authorized or ratified by the Project Enterprise party thereto, and is legally binding upon such Project Enterprise in accordance with its terms; and

(b) that each Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Project Enterprise party thereto and is legally binding upon the Borrower and such Project Enterprise in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Rabat  
Kingdom of Morocco

Cable address:

MINISTERE FINANCES

Telex:

31936M

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:

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

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

KINGDOM OF MOROCCO

By /s/ A. Benjelloun  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. Thalwitz  
Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(1) Goods:			
(a) for Part A of the Project	44,600,000	)	100% of foreign expenditures,
		)	100% of local expenditures (ex-
(b) for Part B of the Project	13,970,000	)	factory cost) and
		)	78% of local expenditures for
(c) for Part C of the Project	3,780,000	)	other items pro-
		)	cured locally
(d) for Part D of the Project	2,000,000	)	
		)	
(e) for Part E of the Project	1,970,000	)	
		)	
(f) for Part F of the Project	1,090,000	)	
(2) Works for Part A of the Project	21,720,000		60%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)		% of Expenditures to be Financed
(3) Consultants' services, training and fellowships:			
(a) for Part A of the Project	160,000	)	
		)	
(b) for Part B of the Project	440,000	)	
		)	
(c) for Part C of the Project	120,000	)	100%
		)	
(d) for Part D of the Project	60,000	)	
		)	
(e) for Part E of the Project	60,000	)	
		)	
(f) for Part F of the Project	30,000	)	
		)	
TOTAL	90,000,000		

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000,

may be made in respect of Category (1) (a) on account of payments made for expenditures for spare parts before that date but after June 1, 1987.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist in carrying out a program to rehabilitate, upgrade and expand the generation, transmission and distribution systems of the Project Enterprises and to improve the management, operations and financial performance thereof in accordance with the Borrower's strategy for the development of the power sub-sector.

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: ONE

(1) Construction, extension and rehabilitation of ONE's distribution substations.

(2) Extension and rehabilitation of ONE's distribution system; provision of utility vehicles, compressors, protection equipment, tools and metering equipment required therefor; and provision of equipment, specialized vehicles, materials and tools required for works on live lines.

(3) Provision of equipment and tools required for the upgrading and rehabilitation of ONE's thermal power stations.

(4) Provision to ONE of teleprotection and telecommunication equipment.

(5) Construction of facilities required by ONE in the carrying out of its operations, including, inter alia, warehouse, workshop, office, housing and training facilities.

(6) Development and carrying out of training programs to upgrade the technical skills of ONE staff.

(7) Carrying out of analyses to: (a) develop an improved information system for ONE's investment planning; (b) identify, evaluate and recommend measures to improve the organization and efficient operation of ONE's distribution department; and (c) identify, evaluate and recommend least-cost equipment norms and work practices for ONE's distribution system.

#### Part B: Casablanca Utility

(1) Construction, rehabilitation and extension of Casablanca Utility's high voltage substations and distribution substations.

(2) Rehabilitation and extension of Casablanca Utility's distribution system.

(3) Provision to Casablanca Utility of computer hardware and software.

(4) Development and carrying out of training programs to upgrade the technical skills of the staff of Casablanca Utility.

#### Part C: Meknes Utility

(1) Extension of one high-voltage substation of Meknes Utility.

(2) Construction and extension of Meknes Utility's distribution substations.

(3) Rehabilitation and extension of Meknes Utility's distribution system.

(4) Provision to Meknes Utility of computer hardware and software.

(5) Development and carrying out of training programs to upgrade the technical skills of the staff of Meknes Utility.

Part D: Kenitra Utility

(1) Extension of two high-voltage substations of Kenitra Utility.

(2) Construction and extension of Kenitra Utility's distribution substations and switching stations.

(3) Rehabilitation and extension of Kenitra Utility's distribution system; and provision of measuring instruments, a meter calibrating bench and an aerial lift.

(4) Provision to Kenitra Utility of computer hardware and software.

(5) Development and carrying out of training programs to upgrade the technical skills of the staff of Kenitra Utility.

Part E: Fes Utility

(1) Construction and extension of distribution substations and switching stations of Fes Utility.

(2) Rehabilitation and extension of Fes Utility's distribution system.

(3) Provision to Fes Utility of computer hardware and software.

(4) Development and carrying out of training programs to upgrade the technical skills of the staff of Fes Utility.

Part F: Tetouan Utility

(1) Extension of one high-voltage substation of Tetouan Utility.

(2) Construction and extension of distribution substations of Tetouan Utility.

(3) Rehabilitation and extension of Tetouan Utility's distribution system.

(4) Provision to Tetouan Utility of telecontrol equipment, computer hardware and software.

(5) Development and carrying out of training programs to upgrade the technical skills of the staff of Tetouan Utility.

\* \* \*

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each March 15 and September 15	
beginning September 15, 1993 through March 15, 2008	3,000,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

###### Section I: Procurement of Goods and Works

###### Part A: International Competitive Bidding

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

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Morocco may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

1. Telecontrol system equipment and tools for Part F of the Project may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from at least six qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding

paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Goods which the Bank agrees are of a proprietary nature regardless of the cost thereof, and goods for Part A (3) of the Project estimated to cost less than the equivalent of \$300,000 per contract up to an aggregate amount not to exceed the equivalent of \$5,720,000, may be procured under contracts awarded on the basis of direct negotiations with the supplier thereof, in accordance with procedures satisfactory to the Bank.

3. Works estimated to cost less than the equivalent of \$500,000 per contract, up to an aggregate amount not to exceed \$50,130,000 may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures acceptable to the Bank.

#### Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract to be awarded in accordance with the procedures referred to in Part A of this Section and estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to the Loan Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of the Loan Agreement.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II: Employment of Consultants

Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

#### SCHEDULE 5

##### 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 \$4,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify

by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

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

#### SCHEDULE 6

##### Subsidiary Loan Agreements: Principal Terms and Conditions

The following sets forth the principal terms and conditions under which the proceeds of the Loan shall be relented by the Borrower to each Project Enterprise in accordance with the provisions of Section 3.01 (b) of this Agreement.

1. The principal amount of the Subsidiary Loan made by the Borrower to the Project Enterprise shall be the equivalent in Dirhams (determined as of the date or respective dates of repayment by the Project Enterprise) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of the cost of goods and services for the Project Enterprise's respective Part of the Project to be carried out under such Subsidiary Loan to be financed out of the proceeds of the Loan allocated from time to time to the Project Enterprise's respective Category.

2. The Project Enterprise shall repay to the Borrower the principal amount of its Subsidiary Loan over a period not exceeding twenty (20) years, inclusive of a grace period of five (5) years.

3. The Project Enterprise shall pay to the Borrower interest on the principal amount of its Subsidiary Loan withdrawn and outstanding from time to time at the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.

#### SCHEDULE 7

##### Power Sub-sector Action Plan

In order to ensure the proper development of the Borrower's power sub-sector, the Borrower shall carry out, inter alia, the following measures:

##### A. Electricity Tariffs

The Borrower shall:

1. carry out, under terms of reference satisfactory to the Bank, a study to develop structures and levels of electricity tariffs for its power sub-sector on the basis of the long run marginal costs of electric power;

2. take all measures necessary to ensure that said study is completed and a copy thereof is furnished to the Bank not later than March 31, 1990, together with the recommendations based thereon;

3. afford the Bank a reasonable opportunity to exchange views with the Borrower on the results and conclusions of said study; and

4. thereafter, take all measures necessary to ensure the implementation not later than October 31, 1990, of such recommendations, based on said study, as shall have been agreed between the Borrower and the Bank.

B. Least-cost Coordinated Investment Study

1. The Borrower shall:

(a) carry out, under terms of reference satisfactory to the Bank, a study to develop a coordinated least-cost investment program for the proper development of its power sub-sector and measures to strengthen the capabilities of the Project Enterprises in demand forecasting and investment planning activities and to facilitate the proper coordination of said activities of the Project Enterprises and Other Utilities;

(b) take all measures necessary to ensure that said study is completed and a copy thereof is furnished to the Bank not later than November 30, 1989, together with the recommendations based thereon;

(c) afford the Bank a reasonable opportunity to exchange views with the Borrower on the results and conclusions of said study; and

(d) thereafter, on the basis of said exchange of views, take all measures necessary to ensure the prompt implementation of such recommendations based on said study.

2. Without limitation upon the provisions of paragraph 1 of this Part B, the Borrower shall:

(a) at all times maintain a technical committee with membership and terms of reference satisfactory to the Bank, to be responsible for facilitating the coordination of the Project Enterprises in the preparation of their respective investment programs;

(b) prepare, through such committee, and furnish to the Bank not later than October 31 of each of the Borrower's fiscal years, for the Bank's review and comments, a proposed least-cost coordinated investment program for the Borrower's power sub-sector, based in part on the proposed investment programs prepared by ONE pursuant to Part B (1) of Schedule 1 to the ONE Project Agreement and by the Local Utilities pursuant to Section 4.05 of the Local Utilities Project Agreement; and

(c) thereafter take all measures necessary to ensure the implementation during the following fiscal year of an investment program for said sub-sector which the Bank agrees is designed to ensure the proper development of said sub-sector.

C. Oversight of ONE's Financial Operations

In order to ensure the efficient operations of ONE, the Borrower shall:

1. develop and furnish to the Bank not later than September 30, 1988, proposed policies and procedures for the oversight by the Borrower of ONE's financial operations, designed to enable ONE to carry on its electric power operations in an efficient and



effective manner;

2. exchange views with the Bank and ONE on said policies and procedures; and

3. thereafter, on the basis of said exchange of views, at all times apply said policies and procedures, commencing not later than January 1, 1989.

