

CONFORMED COPY

LOAN NUMBER 2820 MOR

(Public Enterprise Rationalization Loan)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 27, 1987

LOAN AGREEMENT

AGREEMENT, dated July 27, 1987, between KINGDOM OF MOROCCO (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated April 30, 1987 from the Borrower describing a program of actions, objectives and policies designed to achieve a rationalization of the Borrower's public enterprise sector over the medium term (hereinafter called the Public Enterprise Rationalization Program), and declaring the Borrower's commitment to the execution of the Public Enterprise Rationalization Program; and

(B) the Borrower has requested the Bank's assistance in the financing of essential goods and services required during the execution of the Public Enterprise Rationalization Program; and

WHEREAS on the basis, inter alia, of the foregoing, the Bank has decided in support of the Public Enterprise Rationalization Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for its purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Public Enterprise Rationalization Program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(c) the last sentence of Section 3.02 is deleted.

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 and acronyms have the following meanings:

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

(b) "BRPM" means the Office of Mining Research and Investments (Bureau de Recherches et de Participation Minières), a Public Enterprise established and operating pursuant to the Borrower's Law (Dahir) dated December 15, 1928 and the Borrower's Law (Dahir) No. 1-75-285 dated December 17, 1976, as the same may be amended from time to time;

(c) "CA" means the board of directors of a Public Enterprise (conseil d'administration);

(d) "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;

(e) "CIPEP" means the Permanent Interministerial Committee on Public Enterprises of the Borrower (Comite Interministeriel Permanent des Entreprises Publiques);

(f) "DEPP" means the Department of Public Enterprises and Investments of the Borrower's Ministry of Finance (Direction des Etablissements Publics et des Participations);

(g) "Dirham" means the currency of the Borrower;

(h) "Fiscal Year" means a calendar year;

(i) "ONCF" means the National Railway Authority (Office National des Chemins de Fer), a Public Enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-63-225

dated August 6, 1963, as modified by the Borrower's Laws (Dahirs) No. 1-70-18 dated July 25, 1970 and No. 1-73-202 dated January 2, 1974, as the same be may amended from time to time;

(j) "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 modified by the Borrower's Law (Dahir) No. 1-73-201 dated September 19, 1977, as the same may be amended from time to time;

(k) "ONEP" means the National Water Supply Authority, (Office National de l'Eau Potable) a Public Enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-72-103 dated April 3, 1972, as the same may be amended from time to time;

(l) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to a letter dated September 10, 1986 from the Bank and countersigned by the Borrower on November 11, 1986;

(m) "Public Enterprise" means a legally autonomous entity producing goods and services, of which a portion of the proprietary interest is owned or effectively controlled by the Borrower or any political or administrative subdivision thereof, or by any such legally autonomous entity, and which is governed by the Borrower's Law (Dahir) No. 1-59-271 dated April 14, 1960, as modified by the Borrower's Law (Dahir) No. 1-62-402 dated June 30, 1962, relating to the financial control by the Borrower of public enterprises;

(n) "Regie" means any municipal or inter-municipal Public Enterprise providing electricity, water supply and sewerage services in the territories of the Borrower and established and operating pursuant to the Borrower's Decree No. 2-64-394 dated September 29, 1964;

(o) "SAMIR" means the Moroccan Refining Company (Societe Anonyme Marocaine de l'Industrie du Raffinage), a Public Enterprise established and operating pursuant to its charter as amended to the date of this Agreement, as the same may be amended from time to time;

(p) "SCP" means the Moroccan Petroleum Company (Societe Cherifien du Petrole), a Public Enterprise established and operating pursuant to its charter dated March 26, 1959, as the same may be amended from time to time;

(q) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev.2 (1981);

(r) "SNPP" means the National Petroleum Products Company (Societe Nationale des Produits Petroliers), a Public Enterprise established and operating pursuant to the Borrower's Law (Dahir) No. 1-74-130 dated April 4, 1974; and

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to two hundred forty million dollars (\$240,000,000).

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 during the execution of the Public Enterprise Rationalization Program 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.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1989 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 April 1 and October 1 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 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Public Enterprise Rationalization Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Public Enterprise Rationalization Program in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Section I of Schedule 3 to this Agreement.

Section 3.03. (a) In order to ensure the proper execution of the Public Enterprise Rationalization Program, the Borrower shall carry out, with due diligence and efficiency, the following activities under terms of reference which shall have been agreed between the Borrower and the Bank:

- (i) carrying out of a study to identify and evaluate the training needs of the staff of departments of the Borrower and the staff of the Enterprises, both selected in consultation with the Bank, responsible for programming, evaluation and monitoring of investments; and development and implementation of appropriate training programs based on said evaluation;
- (ii) development and application of appropriate management information systems in 24 Public Enterprises selected in consultation with the Bank;
- (iii) strengthening of DEPP and development and application of an appropriate management information system for DEPP, including the provision of data processing equipment required therefor;
- (iv) development and application of a national accounting plan;
- (v) development and implementation of training programs in accounting and auditing for the staff of DEPP and the staff of Public Enterprises selected in consultation with the Bank;
- (vi) carrying out of an inventory and appraisal of the Public Enterprises and, on the basis thereof, development of a strategy and program for the eventual disengagement by the Borrower from certain activities carried out by Public Enterprises; and implementation of said program;
- (vii) carrying out of studies to identify and evaluate the restructuring needs of the organization, management and operations of BRPM and its affiliates, and of the sugar sector of the Borrower's economy and to develop programs of restructuring of said entities and sector on the basis of such evaluation; and implementation of such programs;
- (viii) carrying out of a two-phased study to identify and evaluate the restructuring needs of the transport sector of the Borrower's economy and to develop a program of restructuring of said sector on the basis of such evaluation; and implementation of such program;
- (ix) carrying out of a two-phased study to develop appropriate structures and levels of electricity tariffs charged by ONE and each Regie and to develop a coordinated least cost investment program for ONE and the Regies; and introduction of such structures and program;

- (x) carrying out of a two-phased study to develop a program to improve the financial viability of ONEP and the Regies, including the development of appropriate structures and levels of water tariffs charged by ONEP and each Regie; and implementation of such program;
- (xi) carrying out of a study to establish a structure and levels of prices of petroleum products which reflect international prices of said products and ensure appropriate distribution margins; and introduction of such structure and levels; and
- (xii) carrying out of a study to develop an appropriate system of (A) monitoring of Public Enterprises by the Borrower's Ministry of Finance and the Borrower's ministries responsible for the economic sectors in which the Public Enterprise operates, and (B) management of the operations of Public Enterprises, and in particular, to develop reforms of the composition and functions of CAs, all designed to ensure the effective and efficient operations of Public Enterprises; and introduction of said system and reforms.

(b) In order to assist the Borrower in carrying out the Public Enterprise Rationalization Program and the activities set forth in sub-paragraphs (a) (i) through (a) (x) of this Section, the Borrower shall: (i) employ consultants, whose qualifications, experience and terms of reference shall be satisfactory to the Bank, in accordance with a timetable satisfactory to the Bank, and, when the services of such consultants are to be financed out of the proceeds of the Loan, with the provisions of Section II of Schedule 3 to this Agreement; and (ii) take all measures necessary to ensure that the activities of said consultants shall be completed and the reports of said consultants, together with the recommendations based thereon, shall be furnished to the Bank in accordance with a timetable satisfactory to the Bank. The Borrower shall: (i) afford the Bank a reasonable opportunity to exchange views with the Borrower on said reports and recommendations; and (ii) thereafter take all measures necessary to ensure the prompt implementation of such recommendations as shall have been agreed between the Borrower and the Bank.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the expenditures financed out of the proceeds of the Loan.

(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 six months after the end of each such year, a certified copy of 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 audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that an event has occurred which makes it improbable that the Public Enterprise Rationalization Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. 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:

(a) the amounts, referred to in the Public Enterprise Rationalization Program, of indebtedness outstanding between the Borrower and the Public Enterprises have been extinguished or reduced by way of payment or set-off, as the case may be, and the Borrower has issued, on terms and conditions agreed between the Borrower and the Bank, and delivered to, or on the order of, resulting creditor Public Enterprises bonds evidencing the balance owed them on account of such payment or set-off;

(b) the tariffs charged by ONCF have been increased to the levels, referred to in the Public Enterprise Rationalization Program, applicable to the Fiscal Year 1987;

(c) corporate development plans, in form and substance satisfactory to the Bank, have been agreed between the Borrower and each of ONEP and SNPP; and

(d) the Borrower has employed consultants, in accordance with the provisions of Section 3.03 of this Agreement, to assist the Borrower in carrying out: (i) the activities referred to in sub-paragraph (a) (vi) of said Section; (ii) the studies on BRPM and its affiliates referred to in sub-paragraph (a) (vii) thereof; (iii) the transport sector study referred to in sub-paragraph (a) (viii) thereof; (iv) the power sector study referred to in sub-paragraph (a) (ix) thereof; and (v) the water sector study referred to in sub-paragraph (a) (x) thereof.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance 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:

Ministere des Finances
Rabat
Royaume du Maroc

Cable address:

MINISTERE DES FINANCES
RABAT, MAROC

Telex:

31936 M

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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/ M. Bargach

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis

Acting 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
(1) (a) General Imports	70,000,000	100% of foreign expenditures
(b) General Imports	47,000,000	100% of foreign expenditures
(2) Imports for selected Public Enterprises		
(a) (i) spare parts for ONCF, coal for ONE and chemicals for ONEP	20,000,000	100% of foreign expenditures
(ii) crude oil for SAMIR and SCP and liquified petroleum gas for SCP and SNPP	30,000,000	100% of foreign expenditures
(b) (i) spare parts for ONCF, coal for ONE and chemicals for ONEP	37,000,000	100% of foreign expenditures
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(ii) crude oil for SAMIR and SCP and liquified gas for SCP and SNPP	30,000,000	100% of foreign expenditures
(3) Technical Assistance		
(a) Consultants' services	4,400,000	100%
(b) Data processing equipment	350,000	100% of foreign expenditures and 80% of local expenditures
(4) Refunding of Project Preparation Advance	1,250,000	Amount due pursuant to Section 2.02 (c) of this Agreement

TOTAL	240,000,000	

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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;

(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; and

(c) the term "General Imports" means goods other than: (i) petroleum and other energy products; (ii) food stuffs; (iii) goods referred to in Category (2); and (iv) goods referred to in the SITC groups or sub-groups set forth in the Annex to this Schedule.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$24,000,000, may be made in respect of Categories (1) (a) and (2) (a) on account of payments made for expenditures before that date but after March 1, 1986;

(b) expenditures under Category (1) for goods which are supplied under a contract costing less than \$25,000 equivalent;

(c) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(d) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(e) expenditures to be financed out of the proceeds of the Loan allocated to Categories (1) (b) and (2) (b), unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 (a) of this Agreement: (i) with the progress achieved by the Borrower in carrying out the Public Enterprise Rationalization Program; and (ii) that the actions, referred to Schedule 4 to this Agreement, have been taken.

4. If, after the exchange of views referred to in paragraph 3 (e) of this Schedule, the Bank is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Bank, then the Bank may, by notice to the Borrower, cancel the amount of the Loan unwithdrawn from the Loan Account and allocated to Categories (1) (b) and (2) (b) or any part thereof.

5. Applications for withdrawal of amounts of the Loan allocated to Categories (1) and (2) shall, to the extent practicable, be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$1,000,000 equivalent.

ANNEX TO SCHEDULE 1

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured
667	-	Pearls, precious and semi-precious stones, unworked or worked
688	-	Uranium depleted in U235 and thorium, and their alloys,

		unwrought or wrought, and articles therefor, n.e.s.; waste and scrap of uranium depleted in U235 and of thorium
718	718.7	Nuclear reactors, and parts thereof, n.e.s.
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
-	971.0	Gold, non-monetary (excluding gold ores and concentrates)

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 1 and October 1	
beginning October 1, 1992 through April 1, 2007	8,000,000

* 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 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part B of this Schedule, goods 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. To the extent practicable, contracts to be financed under Categories (1) and (2) shall be grouped in bid packages estimated to cost the equivalent of \$1,000,000 or more each.

Part B: Other Procurement Procedures

1. Except as provided in paragraphs 2 and 3 of this Part B, contracts for goods to be procured by Public Enterprises or by the Borrower and estimated to cost less than the equivalent of \$5,000,000 each, may be awarded on the basis of competitive bidding, advertised locally in accordance with procedures acceptable to the Bank.

2. Contracts for coal, for crude oil and for liquified petroleum gas may be awarded on the basis of the normal procurement practices of the purchaser of such goods.

3. Goods which the Bank agrees are of a proprietary nature may be procured under contracts directly negotiated with the suppliers of such goods in accordance with procedures satisfactory to the Bank.

4. Contracts for goods to be procured by entities other than

Public Enterprises or the Borrower and estimated to cost less than the equivalent of \$5,000,000 each may be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

Part C: Review by the Bank of Procurement Decisions

1. With respect to each contract to be awarded on the basis of the procedures referred to in Part A of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

2. With respect to each contract not governed by paragraph 1 of this Part C, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Part C, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Bank pursuant to the provisions of paragraph 1 or paragraph 2 of this Schedule, as the case may be, shall be furnished to the Bank as part of the evidence required under paragraph 4 of Schedule 5 to this Agreement.

4. The provisions of paragraphs 1, 2 and 3 of this Part C 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 3.04 (c) (ii) of this Agreement.

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 4

Events referred to in paragraph 3 (e) of Schedule 1

Budgetary Allocations

1. (a) Allocation by the Borrower in the relevant budgets of its administrative subdivisions for the Fiscal Year 1988, of amounts, determined on the basis of guidelines referred to in the Public Enterprise Rationalization Program, sufficient to enable said subdivisions to pay for water and power services provided thereto.

(b) (i) Payment by the Borrower to each of ONCF, ONE and ONEP in respect of the investment programs of such Public Enterprise for the Fiscal Year 1987, of the amounts set forth in the Public Enterprise Rationalization Program, as such amounts shall, if warranted, be reduced to reflect the progress achieved in the implementation of said investment programs during such period; and (ii) allocation by the Borrower in the relevant investment budgets of ONCF, ONE and ONEP for the Fiscal Year 1988, of the amounts set forth in the Public Enterprise Rationalization Program, as such amounts may be adjusted from time to time by

agreement between the Borrower and the Bank.

Studies

2. (a) Carrying out, in accordance with the provisions of Section 3.03 of this Agreement, of: (i) the inventory and appraisal of Public Enterprises, referred to in sub-paragraph (a) (vi) of said Section; (ii) the studies on BRPM and its affiliates, referred to in sub-paragraph (a) (vii) thereof; (iii) the first phase of the transport sector study, referred to in sub-paragraph (a) (viii) thereof; (iv) the first phase of the power sector study, referred to in sub-paragraph (a) (ix) thereof; (v) the first phase of the water sector study referred to in sub-paragraph (a) (x) thereof; and (vi) the study on petroleum prices, referred to in sub-paragraph (a) (xi) thereof;

(b) receipt by the Bank of a copy of said inventory and assessment and of each of said studies, together with the recommendations based thereon; and

(c) development of action plans agreed between the Borrower and the Bank for the implementation of said recommendations.

Tariffs

3. Increase of the tariffs charged by each of ONCF, ONE and ONEP to the levels referred to in the Public Enterprise Rationalization Program applicable to the Fiscal Year 1988, as such levels may be adjusted by agreement between the Borrower and the Bank to take into account inflation and the financial condition and investment requirements of the Public Enterprise concerned.

Audits

4. Carrying out of audits of the records, accounts and financial statements of each of ONCF, ONE, ONEP, SAMIR, SCP and SNPP for the Fiscal Year 1987, in accordance with appropriate auditing principles consistently applied, by independent external auditors satisfactory to the Bank, and receipt by the Bank of certified copies of said financial statements, as so audited, together with the report of such audit by said auditors.

Corporate Development Plans

5. Establishment of corporate development plans, in form and substance satisfactory to the Bank, agreed between the Borrower and each of ONCF, ONE, SAMIR and SCP.

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 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 \$50,000,000 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 their 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 Public Enterprise Rationalization Program 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.

