

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7925-MA

Loan Agreement

(Oum Er Rbia Sanitation 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 Borrower and the Bank 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 twenty five million nine hundred thousand Euros (€25,900,000) and (b) the amount of eight million six hundred thousand Dollars (US\$8,600,000); 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 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 above 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 objectives of the Project are to: (i) increase access to sewerage services and reduce wastewater-related pollution in selected small and medium towns in the Project Provinces; and (ii) pilot non-conventional technologies for wastewater systems in selected locations.

The Project consists of the following parts:

PART I. Wastewater Collection and Treatment

Rehabilitation and expansion of existing sewerage systems, including collection networks and treatment plants, and provision of equipment for the maintenance and operation of said systems for about eleven selected small and medium towns in the Project Provinces.

PART II. Piloting of Wastewater Technologies and Implementation Support

A. Strengthening of the capacity of the Borrower to pilot non-conventional and low-cost technologies to deliver wastewater services in small towns, through twinning arrangements; and dissemination of know-how.

B. Piloting of odor-control and methane-capture technology in two selected treatment plants.

C. Provision of implementation support to the Borrower, including support for: construction supervision; Project management, monitoring and reporting; monitoring of environmental management plans, awareness raising campaigns; promotion of wastewater reuse projects; and development of an operational strategic plan for sanitation activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall implement the Project through its Directorate of Sanitation and Environment and its provincial and regional directorates in the Project Provinces, with the support of its central directorates responsible for financial management, operation and procurement. Said Directorate of Sanitation and Environment shall be responsible for the overall management, coordination, monitoring and evaluation of Project activities, and procurement; and said provincial and regional directorates shall be responsible, within the areas under their jurisdiction and with the support of the central directorates, for technical studies, construction and supervision of sewerage collection and treatment facilities, communication campaigns, and procurement activities. To this end, the Borrower shall maintain the Directorate of Sanitation and Environment and the provincial and regional directorates 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 Municipalities

1. Prior to implementing any contract for works or goods related to the sewerage system for any of the selected towns in any of the Project Provinces, the Borrower shall ensure that:

(a) a written agreement has been executed with the relevant Municipality transferring to the Borrower the management of sanitation services in said town, specifying the role and responsibility of each party in the wastewater collection and treatment service provision; and

(b) the Municipality has provided evidence acceptable to the Borrower and to the Bank that all necessary procedures for

the acquisition and financial compensation for land necessary for the treatment plant for said town, as set forth in the SDR, have been complied with in a manner satisfactory to the Borrower and to the Bank.

2. The Borrower shall exercise its rights under the agreements with the 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. Financing Agreements under the National Sanitation Program

Each year throughout the period of implementation of the Project, the Borrower shall provide evidence satisfactory to the Bank that a financing agreement under the National Sanitation Program has been executed between the Borrower, the Ministry of Interior, the State Secretariat for Water and Environment and the Ministry of Economy and Finance, for the contribution from state funds to the financing of eligible wastewater projects under the Project.

D. Anti-Corruption

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

E. Safeguards

In order to ensure the proper implementation of the Project in an environmentally sound manner, and subject to the provisions of the following paragraphs, the Borrower shall carry out the Project in accordance with the Environmental Legislation and the Land Acquisition Legislation and shall take the following actions in consultation with the Bank:

- (a) the Borrower shall adopt by no later than October 15, 2010, and further implement the Terms of Reference for activities to be carried out under the Project;
- (b) the Borrower shall disclose on its website all EIAs that will be prepared for purpose of the Project;
- (c) the Borrower shall cause any Municipality where a Project activity is to be implemented to acquire any land needed for the

purpose of said activity in accordance with the Land Acquisition Legislation and the measures described in paragraphs 127-131 of the SDR;

(d) the Borrower shall undertake, one (1) year after the Effective Date or at such later date as agreed between the Borrower and the Bank, an independent review of the land acquisition processes implemented by each of the Municipalities where Project activities are carried out, including any ongoing grievance process;

(e) if at any time the Environmental Legislation and/or the Land Acquisition Legislation is proposed to be modified, the Borrower shall, prior to such modification, inform the Bank of, and consult with it on, such proposal; and if in the opinion of the Bank the application of any aspect of such proposal would result in adverse environmental impacts or adverse impacts on owners or users of land to be acquired under the Project, the Borrower shall continue to carry out the Project in accordance with such other environmental guidelines as shall have been determined in consultation between the Borrower and the Bank to be necessary to ensure the proper implementation of the Project in a sound and sustainable manner from an environmental and land acquisition standpoint; and

(f) the Borrower shall ensure that adequate information on the implementation of the environmental management plans and/or environmental mitigation measures and on land acquisition is suitably included in the reports referred to in Section II.A 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 twenty eight (28) 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 (30) 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) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) 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 (inclusive of Taxes)
(1) Works and goods under Part I of the Project	19,240,000	6,400,000	50%
(2) Works, training and consultants' services under Part II of the Project	3,420,000	1,140,000	100%
(3) Front-End Fee	64,750	21,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
(5) Unallocated	3,175,250	1,038,500	
TOTAL AMOUNT	25,900,000	8,600,000	

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 €2,590,000 equivalent for the amount of the Loan expressed in Euros and \$860,000 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) and (2).

2. The Closing Date is December 31, 2015.

Section V. Other Undertakings: 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.

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. “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.
5. “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.
6. “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.
7. “Directorate of Sanitation and Environment” means the Direction de l’Assainissement et de l’Environnement of the Borrower, and any successor thereto.
8. “Environmental Impact Assessment” or “EIA” means a study to assess the environmental impact to be prepared, adopted and disclosed by the Borrower describing potential impacts of activities under the Project.
9. “Environmental Legislation” means the legislation of the Kingdom of Morocco, including but not limited to the set of laws, decrees, arrêtés, guidelines and other regulations listed in Paragraph I of Appendix A to Annex 1 to the SDR, and completed by the Terms of Reference, which are in effect as of the date of this Agreement, and which are referred to in paragraph E, Section I of Schedule 2 to this Agreement.

10. “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.
11. “Land Acquisition Legislation” means the legislation of the Kingdom of Morocco, including but not limited to the set of laws, decrees, arrêtés, guidelines and other regulations listed in Paragraph II of Appendix A to Annex 1 to the SDR, which apply to land acquisition for public purpose projects and are in effect as of the date of this Agreement, and which are referred to in paragraph E, Section I of Schedule 2 to this Agreement.
12. “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.
13. “Ministry of Economy and Finance” means the Ministère de l’Economie et des Finances of the Guarantor, and any successor thereto.
14. “Ministry of Interior” means the Ministère de l’Intérieur of the Guarantor, and any successor thereto.
15. “Municipality” means a Commune 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 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 “Municipalities” means more than one Municipality.
16. “National Sanitation Program” means the Programme National d’Assainissement Liquide et d’Epuration des Eaux Usées, approved by the Government of Morocco in June 2006, which provides a framework for investments to, inter alia, increase access to sanitation, wastewater treatment and pollution reduction.
17. “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.

18. “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.

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

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

21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 7, 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.

22. “Project Provinces” means the Provinces of Beni Mellal, Azilal, Settat, Safi, Khourigba and Youssoufia of the Guarantor.

23. “Safeguards Diagnostic Review” and the acronym “SDR” mean the review of the Environmental Legislation and Land Acquisition Legislation of the Guarantor conducted by the Bank in cooperation with the Borrower and the Guarantor in order to determine the equivalency of the Environmental Legislation with the relevant Objectives and Operational Principles described in Table A.1 annexed to the Bank’s Operational Policy 4.00 applicable to the Project, and acceptability of implementation mechanisms and institutional arrangements for the implementation and enforcement of said Environmental Legislation and Land Acquisition Legislation to the Borrower and other activities under the Project, and which sets out additional measures needed to ensure such equivalency and acceptability; such SDR including five Annexes which are part of it.

24. “State Secretariat for Water and Environment” means the Secrétariat d’Etat chargé de l’Eau et de l’Environnement of the Guarantor, and any successor thereto.

25. “Terms of Reference” means the Terms of Reference for the EIAs for activities to be undertaken by the Borrower under the Project, as described in

Annex 5 to the SDR.

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.”