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**LOAN NUMBER 7415 - MOR**

# **Loan Agreement**

**(NATIONAL INITIATIVE FOR HUMAN DEVELOPMENT  
SUPPORT PROJECT)**

**between**

**KINGDOM OF MOROCCO**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated December 15, 2006**

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## **LOAN AGREEMENT**

Agreement dated December 15, 2006, between KINGDOM OF MOROCCO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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 the Loan 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, the amount of seventy eight million nine hundred thousand Euros (EUR 78,900,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time; 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.

- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (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 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.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project and the Program. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV - REMEDIES OF THE BANK**

- 4.01. For purposes of Section 7.02(k) of the General Conditions, the Additional Events of Suspension consist of the following:
  - (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

- (b) the Program shall have been amended, waived or abrogated in a manner that could materially or adversely affect the Project's implementation or the achievement of its objectives; and
  - (c) the Operations Manuals, the Fiduciary Procedures Manual, the EMP or the RPF shall have been amended, waived or abrogated so as to adversely affect the efficiency, economy and transparency of various operational, implementation, environmental and social safeguards and procurement procedures under the Project.
- 4.02. For purposes of Section 7.07(f) of the General Conditions, the Additional Events of Acceleration consist of the following, namely that any event specified in paragraphs (a), (b) or (c) of Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Bank to the Borrower.

#### **ARTICLE V - EFFECTIVENESS**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

#### **ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Minister of Finance and Privatization.
- 6.02. The Borrower's Address is:

Ministry of Finance and Privatization  
Avenue Mohamed V  
Rabat  
Kingdom of Morocco  
Cable address:  
MINFIN

Facsimile:  
212-37-67-75-30/31

- 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.

KINGDOM OF MOROCCO

By

/s/ Fathallah Oualalou  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By

/s/ Ferid Belhaj  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Borrower in implementing its National Initiative for Human Development covering the period 2006-2010 (“the Program”) by improving inclusiveness, accountability and transparency in decision making and implementation processes at the local level in order to enhance the use of basic infrastructure and social and economic services by poor and vulnerable groups living in targeted communities in the Project Area.

The Project consists of the following parts:

1. **Alleviating Poverty in Rural Areas**

Carrying out Sub-projects, identified and prioritized through a participatory planning process, in about 402 rural communes aimed at increasing access to basic social services and enhanced economic infrastructure, supporting local income-generating activities, promoting social, cultural and sports activities and strengthening local management, monitoring and evaluation capacity.

2. **Alleviating Social Exclusion in Urban Areas**

Carrying out Sub-projects, identified and prioritized through a participatory planning process, in about 250 urban neighborhoods aimed at increasing access to basic social services and enhanced economic infrastructure, supporting local income-generating activities, promoting social, cultural and sports activities and strengthening local management, monitoring and evaluation capacity.

3. **Alleviating Extreme Vulnerability**

Carrying out Sub-projects aimed at improving access by people living in extreme vulnerability to quality social services and conducive to greater social and economic inclusion, including, *inter alia*: (a) the preparation of regional vulnerability maps and related action plans; (b) the development of alternatives to institutionalization; (c) the design of standards and protocols for addressing the specific needs of various vulnerable groups; (d) the improvement of management and quality of existing institutions; (e) the promotion of activities designed to prevent vulnerability in rural and urban areas; (f) the upgrade of infrastructure facilities serving said people; and (g) support to strengthen the institutional capacity of the Borrower’s public services, local governments (“collectivités locales”), public enterprises and public entities (“établissements publics”) and of non-governmental organizations.

4. **Strengthening INDH's Governance Mechanisms and Institutional Capacity**

A. Carrying out a program of training, capacity building, outreach and communication activities for entities participating in the implementation of the Program, including, *inter alia*: (i) knowledge sharing, project design and management, procurement and financial management, participatory approaches and strategic planning; (ii) monitoring and evaluation; (iii) partnership development; and (iv) communication.

B. Support to the Provincial Competitive Fund in financing Sub-projects at the province and prefecture level, aimed at increasing access to basic social services and enhanced economic infrastructure, promoting income-generating activities and social, cultural and sports activities, and strengthening local management, monitoring and evaluation capacity.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

##### A. Institutional Arrangements

1. The INDH Inter-ministerial Strategic Committee, chaired by the Borrower's Prime Minister and comprising the Borrower's Ministers and directors of public entities and agencies concerned by the Program, shall ensure coordination among the Borrower's ministries and said entities and agencies in achieving said Program's goals and oversee the implementation of said Program.

2. The INDH Steering Committee, chaired by the Borrower's Prime Minister and comprising the Ministers in charge of the Interior, Finance, Social Development and Rural Development and the Program's national coordinator in charge of the INDH National Coordination Unit, shall monitor the progress in the overall implementation of the Program, provide guidance on said implementation and report thereon to the INDH Inter-ministerial Strategic Committee. The INDH Steering Committee shall define the Program's budgetary framework, allocate resources accordingly and oversee the implementation of the Program's institutional communication strategy.

3. MOI, through the INDH National Coordination Unit, shall be responsible for overall Project oversight, procurement, financial management, environmental and social management, including the implementation of the EMP and the RPF, and monitoring and evaluation. INDH National Coordination Unit shall provide technical support to CRDHs, CPDHs and CLDHs and other entities participating in the implementation of the Project, including guidance in the use and regular updates of the Operations Manuals and the Fiduciary Procedures Manual, facilitating knowledge sharing among said CRDHs, CPDHs, CLDHs and entities, and promoting communication on the Project. INDH National Coordination Unit shall centralize all technical, financial and procurement data for purposes of consolidating information on Project and Program implementation and preparing reports in accordance with Section II, Part A of this Schedule.

4. The Borrower shall, throughout the duration of the Project, maintain or cause to maintain the INDH National Coordination Unit with qualified staff in adequate number to ensure proper Project implementation, in particular in the areas of accounting, financial management, procurement, environmental and social safeguards, management information systems and participatory approaches.

5. Responsibility for the implementation of the Project shall be vested with local, provincial and regional-level committees, each of which shall comprise representatives of the Borrower, elected officials and the civil society. Said committees shall, *inter alia*,

oversee the strategic planning process for local development and participate in the selection, monitoring and environmental and social screening of Sub-projects.

6. At the regional level, CRDHs shall be responsible for the implementation of Part 3 of the Project. For purposes of Part 3 (a) of the Project, each CRDH shall prepare its respective regional vulnerability map and related action plan on the basis of contributions provided by its respective CPDHs, and shall monitor the implementation of said plans in consultation with CPDHs and MOI's Social Action Divisions ("Divisions de l'Action Sociale" or "DAS") at the provincial and prefecture levels.

7. At the provincial level, CPDHs shall review, validate and oversee the implementation and monitoring of local human development initiatives proposed by CLDHs and activities proposed for funding under the Provincial Competitive Fund.

8. At the local commune and neighbourhood level, CLDHs shall prepare and adopt local human development initiatives, formulated on the basis of a participatory process involving local communities and groups. CLDHs shall monitor the implementation of said initiatives and report to CPDH thereon. CLDHs shall be assisted by local facilitation teams ("Equipes d'animation de quartier" and "Equipes d'animation communale") which shall provide support to local communities and groups in identifying and implementing said initiatives. To this end, CLDHs shall coordinate with the relevant DAS at the provincial and prefecture levels.

**B. Operations Manuals, Fiduciary Procedures Manual, Environmental and Social Safeguards**

1. The Borrower shall carry out the Project in accordance with the Operations Manuals, the Fiduciary Procedures Manual, the EMP and the RPF and, except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of said Manuals, Plan or Framework if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. Throughout the duration of the Project, the Borrower shall ensure that no land expropriation is required for purposes of the works and construction activities to be carried out under the Project. The Borrower shall ensure that: (a) all works and construction activities under the Project shall take place on land owned by the Borrower and no resettlement of local population shall take place; and (b) said activities shall be consistent with the Bank's environmental and social policies, the EMP and the RPF. In the event that works and construction activities under the Project do not take place on land owned by the Borrower, the Borrower shall ensure that said works and activities comply with the provisions of the Bank's environmental and social policies, the EMP and the RPF.

**C. Procedures and Eligibility Criteria for the Selection of Sub-Projects**

1. The Borrower shall require a Partner applying for a Sub-grant to submit its proposal for a Sub-project in accordance with the procedures set forth in the Operations Manuals.

2. The Borrower shall cause each CRDH, CPDH and CLDH to: (a) ensure that proposals for Sub-projects meet the requisite terms and conditions set out in the Operations Manuals; (b) ensure that Partners meet the eligibility criteria set out in said Manuals and have the capacity to carry out, manage and maintain Sub-projects in conformity with sound administrative, financial, procurement, technical, managerial, environmental and social standards; (c) approve each Sub-grant and, to that end, enter into a Partnership Agreement under which financing under the Project will be made available to the Partner for the purposes of the Sub-project; and (d) monitor and evaluate the Sub-project in accordance with the guidelines set out in the Operations Manuals.

3. The Borrower shall ensure that each Partnership Agreement provides for the right to:

(a) require the Partner to: (i) carry out the Sub-project with due diligence and efficiency and in accordance with sound administrative, financial, technical, managerial, environmental and social standards; and (ii) maintain adequate records for the Sub-project;

(b) require that all goods, works and services required for the Sub-project shall be procured in accordance with the provisions of Section III of this Schedule;

(c) require that such goods, works and services shall be used exclusively for the carrying out of the Sub-project;

(d) require the Partner to make an in-kind and/or in-cash contribution to the Sub-project;

(e) require the Partner to allow the Borrower to inspect by itself or jointly with representatives of the Bank, if the Bank shall so request: (i) the operations of the Sub-project; and (ii) any relevant records and documents;

(f) ensure adequate operation and maintenance of said Sub-project; and

(g) suspend or terminate the right of the Partner to use the proceeds of the Sub-grant upon failure by the Partner to perform any of its obligations under the Partnership Agreement.

## **Section II. Project Monitoring, Reporting, Evaluation**

### **A. Project Reports**

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.

Without limitation on the provisions of Part B of this Section, the Borrower shall:

1. Not later than March 31 of each Fiscal Year during the implementation of the Project, commencing March 31, 2008, submit to the Bank, for its review and assessment, an Annual Report, satisfactory to the Bank, in accordance with the format included in the Fiduciary Procedures Manual:

(a) describing progress achieved in the implementation of the Annual Work Plan approved for the Fiscal Year preceding the date of said Report, taking into account the Monitoring and Performance Indicators, and evidencing compliance by the Borrower with the Disbursement Indicators;

(b) covering the technical, financial, accounting and procurement aspects of the Project, including environmental and social aspects in accordance with the procedures set forth in the EMP and the RPF, and including the financial reports referred to in paragraph B.2 of this Section, for the Fiscal Year preceding the date of said Report;

(c) confirming that the implementation of the Project complies with the EMP and the RPF, providing results on the use of the environmental assessment procedures included in the EMP and the RPF, as the case may be, and including, where applicable, a copy of the relevant environmental assessment study, land acquisition plan and land tenure data sheet for the proposed site(s); and

(d) confirming that the Sub-projects have been selected within the Program and in accordance with the participatory process described in the Operations Manuals.

2. Not later than March 31 of each Fiscal Year during the implementation of the Project, commencing March 31, 2007, submit to the Bank, for its review and assessment, an Annual Work Plan, satisfactory to the Bank, in accordance with the format included in the Fiduciary Procedures Manual, setting forth, for the subsequent twelve (12) month period following the Fiscal Year preceding the date of said Plan, *inter alia*: (a) work programs; (b) the Annual Allocation and detailed budgetary allocations as shall be necessary to ensure adequate financing and proper implementation of said period's Annual Work Plan; (c) the Procurement Plan; (d) the Monitoring and Performance Indicators and the Disbursement Indicators agreed between the Borrower and the Bank for said period's Annual Work Plan; and (e) confirmation that said Plan is technically and financially viable.

**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, the Borrower shall prepare and furnish to the Bank, interim un-audited financial reports for the Project covering each calendar semester, in form and substance satisfactory to the Bank, said reports to be submitted to the Bank within forty five (45) days following the end of said semester.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. The Borrower shall include, as part of the audit referred to in the preceding paragraph 3, a financial audit covering a representative sample of Sub-projects financed under the Program.

**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 the Procurement Guidelines, and with the provisions of this Schedule.
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 the Consultant Guidelines and with the provisions of this Schedule.
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 and National Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts

awarded on the basis of International Competitive Bidding procedures. Goods estimated to cost the equivalent of \$500,000 or less and works estimated to cost the equivalent of \$3,000,000 or less may be procured under contracts awarded on the basis of National Competitive Bidding procedures.

Said National Competitive Bidding procedures shall ensure, *inter alia*, that:

(a) the bid document clearly explains the bid evaluation, award criteria and bidder qualification criteria;

(b) technical, administrative and financial envelopes are publicly and simultaneously opened, with the price read aloud and recorded;

(c) bids shall be evaluated on price and any other criteria disclosed in the bid documents and quantified in monetary terms;

(d) contracts are awarded to the qualified bidder following the criteria referred to in the preceding sub-paragraph (a), with the lowest evaluated responsive bid; and

(e) the requirement for bidders to have a local representative, established in the territory of the Borrower, shall not apply.

## **2. Competitive bidding limited to qualified registered firms**

Contracts for goods and works estimated to cost the equivalent of \$120,000 or less may be procured on the basis of National Competitive Bidding, as defined under the preceding paragraph 1 and the following provisions:

(a) Prior to a bidding process and in accordance with the provisions of the Fiduciary Procedures Manual, a call for expressions of interest shall be published, at the beginning of each Fiscal Year, in at least two (2) national newspapers, one in Arabic and one in French, with a view to constitute a database, established, maintained and made available to the public by the Borrower, comprising qualified firms to be consulted;

(b) Each time a bidding process is launched, at least six (6) firms qualified in the field of the said bidding process and having responded to the call for expressions of interest shall be invited to bid; and

(c) The results of the bidding process including (i) the description of the contract; (ii) the name of the bidders; (iii) the prices as read aloud at the bid opening session; (iv) the name of the bidder awarded with the contract, and (v) the amount of the awarded contract shall be made public and posted in the offices of the entity in charge of the procurement and kept in the records for audit needs.

**3. Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International or National Competitive Bidding and Competitive bidding limited to qualified registered firms, which may be used for goods and works. The Procurement Plan and the Fiduciary Procedures Manual shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	<b>Threshold</b>
(a) National Shopping	Equivalent or less than \$50,000
(b) Community participation	Equivalent or less than \$40,000
(c) Direct Contracting	Equivalent or less than \$100,000

**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. On the basis of paragraph 2.7 of the Consultant Guidelines, the short list for consultant services estimated to cost the equivalent of \$100,000 or less may include entirely national consultants.

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.

<b>Procurement Method</b>	<b>Threshold</b>
(a) Selection based on Consultants' Qualifications	Equivalent or less than \$100,000
(b) Individual Consultants	Equivalent or less than \$100,000
(c) Single Source Selection	Equivalent or less than \$300,000 for contracts with public entities and enterprises for technical assistance to the implementation of Sub-projects; Equivalent or less than \$50,000 for all other consultants

**D. Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods estimated to cost the equivalent of \$500,000 or more; (b) each contract for works estimated to cost the equivalent of \$3,000,000 or more; (c) the first three (3) contracts for works and the first three (3) contracts for goods, regardless of their estimated cost; (d) each contract for goods or works estimated to cost the equivalent of \$100,000 or more procured on the basis of Direct Contracting; (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; (f) each contract for individual consultants estimated to cost the equivalent of \$50,000 or more; (g) each contract for consultants' services provided by a firm on the basis of Single Source Selection estimated to cost the equivalent of \$50,000 or more; and (h) the first three (3) contracts for consultants' services regardless of their estimated cost. 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 may 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 category of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to said Category, and the percentage of expenditures to be financed for Eligible Expenditures in said Category.

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euros)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works, consultants' services, training, Recurrent Costs and Sub-projects under approved Annual Work Plan	78,900,000	100 % of the Annual Allocation under the Annual Work Plan ending December 31, 2007; 100% of the Annual Allocation under the Annual Work Plan ending December 31, 2008; 100% of the Annual Allocation under the Annual Work Plan ending December 31, 2009; and 100% of the Annual Allocation under the Annual Work Plan ending December 31, 2010
TOTAL	<u><u>78,900,000</u></u>	

For purposes of the table set forth in this paragraph 2, "Recurrent Costs" means expenses in relation to operating costs (communication, telecommunication, gas, office supplies and equipment expenses) incurred by entities participating in the implementation of the Project, training of personnel and strengthening said entities' capacities, monitoring and evaluation activities and studies, within the Annual Work Plan agreed upon between the Borrower and the Bank and excluding salaries.

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed five million nine hundred thousand Euros (EUR 5,900,000) equivalent may be made for payments made prior to the date of this Agreement but on or after January 1, 2006, for Eligible Expenditures under Category (1);
  - (b) for payments made for expenditures under an Annual Work Plan for works and construction activities unless the Borrower shall have furnished evidence, satisfactory to the Bank, confirming that no land expropriation is required for purposes of said activities; and

- (c) for payments made for expenditures under an Annual Work Plan, unless the Bank has determined that evidence of the Borrower's compliance with the Disbursement Indicators agreed between the Borrower and the Bank relating to such Plan is satisfactory to the Bank in accordance with the provisions of Section II, paragraph A.1(a) of this Schedule.
- 2. The Borrower may request withdrawals from the Loan Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the interim un-audited financial reports referred to in Section II, paragraph B.2 of this Schedule, the audits referred to in Section II, paragraphs B.3 and B.4 of this Schedule, the Annual Report and the Annual Work Plan (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the Loan Account, the Borrower shall only submit to the Bank the Annual Work Plan in accordance with Section II, paragraph A.2 of this Schedule.
- 3. The Closing Date is July 31, 2011.

**Section V. Other Undertakings**

The Borrower shall, throughout the duration of the Project: (a) ensure that the Communication Action Plan and the Action Plan for Capacity Development are implemented in a manner satisfactory to the Bank, in accordance with the actions and calendar therein set forth; and (b) on an annual basis, submit to the Bank for its review and approval, an update of said Plans.

### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
March 15, 2012	3.46%
September 15, 2012	3.55%
March 15, 2013	3.64%
September 15, 2013	3.73%
March 15, 2014	3.82%
September 15, 2014	3.91%
March 15, 2015	4.01%
September 15, 2015	4.11%
March 15, 2016	4.22%
September 15, 2016	4.32%
March 15, 2017	4.43%
September 15, 2017	4.54%
March 15, 2018	4.65%
September 15, 2018	4.77%
March 15, 2019	4.89%
September 15, 2019	5.01%
March 15, 2020	5.14%
September 15, 2020	5.26%
March 15, 2021	5.40%
September 15, 2021	5.53%
March 15, 2022	5.67%
September 15, 2022	5.94%

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

### Definitions

- (a) “Action Plan for Capacity Development” means the capacity development and peer learning plan dated September 29, 2006, prepared by the Borrower and satisfactory to the Bank, describing actions to be taken or caused to be taken by the Borrower at, respectively, the national and provincial levels to strengthen capacities under Part 4.A of the Project, the respective roles, responsibilities and calendar for the implementation of said actions and selected milestones to monitor progress in the implementation of said actions, as the same may be amended with the Bank’s prior agreement and updated in accordance with Section V of Schedule 2 to this Agreement;
- (b) “Annual Allocation” means the portion of the Loan determined jointly between the Borrower and the Bank within the limit of the amount set forth in the Annual Work Plan (as this term is hereinafter defined) for the Project;
- (c) “Annual Report” means an annual report describing, *inter alia*, the progress achieved in carrying out the Project in the Fiscal Year (as this term is hereinafter defined) preceding said report, to be submitted to the Bank in accordance with Section II, paragraph A.1 of Schedule 2 to this Agreement;
- (d) “Annual Work Plan” means an annual work plan for the implementation of the Project for a given twelve (12) month period, to be submitted to the Bank in accordance with Section II, paragraph A.2 of Schedule 2 to this Agreement;
- (e) “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement;
- (f) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004;
- (g) “CLDH” means a local committee for human development (“Comité local pour le développement humain”);
- (h) “Communication Action Plan” means the communication action plan dated November 2, 2006, prepared by the Borrower and satisfactory to the Bank, describing actions to be taken or caused to be taken by the Borrower at, respectively, the national and local levels, the respective roles, responsibilities and calendar for the implementation of said actions and selected milestones to monitor progress in the implementation of said actions, as the same may be amended with the Bank’s prior agreement and updated in accordance with Section V of Schedule 2 to this Agreement;

- (i) “CPDH” means a provincial or prefectural (“préfecture”) committee for human development (“Comité provincial ou préfectoral pour le développement humain”);
- (j) “CRDH” means a regional committee for human development (“Comité regional de développement humain”);
- (k) “Disbursement Indicators” means the disbursement indicators agreed upon between the Borrower and the Bank, included in the Fiduciary Procedures Manual (as this term is hereinafter defined), to measure the progress achieved in the implementation of the Project, said indicators to be monitored in accordance with Section II, paragraph A.1(a) of Schedule 2 to this Agreement, as the same may be reviewed from time to time by agreement between the Borrower and the Bank;
- (l) “Environmental Management Plan” or “EMP” means the Project Environmental Management Plan, at all times satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on September 6, 2006, and setting forth, *inter alia*: (i) the environmental assessment procedures for the implementation of the Project in accordance with appropriate environmental standards and guidelines, said procedures governing, *inter alia*, the screening process determining activities to be carried out under the Project requiring an environmental assessment; (ii) the environmental mitigation and protection measures in respect of the carrying out of the Project; and (iii) arrangements for strengthening monitoring and evaluation capacity to ensure the implementation of said Plan, as the same may be amended from time to time with the Bank’s prior agreement;
- (m) “Fiduciary Procedures Manual” means the manual, at all times satisfactory to the Bank, dated November 13, 2006, prepared by the Borrower, setting forth the overall procedures governing the administrative and financial management of the Project and the sample formats of Annual Work Plans and Annual Reports and including, *inter alia*, the Disbursement Indicators and the administrative, procurement, accounting, financial management, reporting and auditing arrangements, as the same may be amended from time to time with the Bank’s prior agreement;
- (n) “Fiscal Year” means the Borrower’s fiscal year, starting January 1 and ending December 31 of each calendar year;
- (o) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005;

- (p) “INDH National Coordination Unit” means the INDH National Coordination Unit within MOI (as this term is hereinafter defined), responsible for monitoring and coordinating the implementation of the Program;
- (q) “MOI” means the Borrower’s Ministry in charge of the Interior (“Ministère de l’Intérieur”);
- (r) “Monitoring and Performance Indicators” means the indicators agreed upon between the Borrower and the Bank, included in the Operations Manuals, to measure the progress achieved in the implementation of the Project, said indicators to be monitored in accordance with Section II, paragraph A.1 (a) of Schedule 2 to this Agreement, as the same may be reviewed from time to time by agreement between the Borrower and the Bank;
- (s) “Partner” means a public service, a local government (“collectivité locale”), a public enterprise, a public entity (“établissement public”) or a non- governmental organization to which a Sub-grant (as this term is hereinafter defined) is made or proposed to be made pursuant to a Partnership Agreement (as this term is hereinafter defined) in accordance with Section I, Part C of Schedule 2 to this Agreement;
- (t) “Partnership Agreement” means a partnership agreement entered into between a Partner and a CRDH, a CPDH or CLDH, as the case may be, for the financing of a Sub-project, in accordance with Section I, Part C of Schedule 2 to this Agreement;
- (u) “Operations Manuals” means, collectively, the operations manuals, at all times satisfactory to the Bank, prepared by the Borrower for the carrying out of, respectively, Parts 1, 2, 3 and 4 (B) of the Project, and submitted to the Bank on November 13, 2006, setting forth, *inter alia*: (i) the respective roles and responsibilities for the implementation of the Program; (ii) the environmental and social requirements in accordance with the EMP and the RPF (as this term is hereinafter defined); (iii) the monitoring and evaluation procedures, including the Monitoring and Performance Indicators; and (iv) the eligibility criteria, selection procedures, participatory processes and terms and conditions for the provision of Sub-grants (as this term is hereinafter defined) to Partners (as this term is hereinafter defined); as the same may be amended from time to time with the Bank’s prior agreement;
- (v) “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;
- (w) “Procurement Plan” means the Borrower’s procurement plan for the Project, 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;

- (x) “Program” means the Borrower’s National Initiative for Human Development (“Initiative nationale de développement humain” or “INDH”) for the period 2006-2010, consisting in a poverty reduction program targeting urban neighborhoods and rural communes among the poorest and most excluded communities, designed to promote multi-sector public and revenue-generating investments, with a particular focus on the most vulnerable population and on the basis of a participatory process;
- (y) “Project Area” means the area in which Project activities will be carried out in the Borrower’s regions of Tanger-Tetouan, Taza-Al-Hoceima-Taounate, Fez-Boulmane, Meknes-Tafilalt, Tadla-Azilal, Doukkala-Abda, Rabat-Sale-Zemmour-Zaër, (Greater) Casablanca, Oriental, Marrakech-Tensift-El Haouz, Chaouia-Ourdigha, Gharb-Chrarda-Beni Hsen, and Souss-Massa-Draâ, and the Borrower’s provinces of Guelmim, Assa-Zag, Tantan and Tata;
- (z) “Provincial Competitive Fund” means the Borrower’s fund at the province or prefecture level, as the case may be, under Part 4 (B) of the Project, financing Sub-projects (as this term is hereinafter defined) selected through a competitive process in accordance with said Fund’s Operations Manual;
- (aa) “Resettlement Policy Framework” or “RPF” means the resettlement policy framework, at all times satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on September 29, 2006, setting forth, *inter alia*: (i) the screening process and requirements applying to land acquisition in connection with works and construction activities to be carried out under the Project; and (ii) arrangements for strengthening monitoring and evaluation capacity to ensure the implementation of said Framework, as the same may be amended from time to time with the Bank’s prior agreement;
- (bb) “Sub-grant” means a sub-grant provided under the Project pursuant to a Partnership Agreement for the financing of a Sub-project (as this term is hereinafter defined), in accordance with Section I, Part C of Schedule 2 to this Agreement; and
- (cc) “Sub-project” means a specific project to be carried out by a public service, a local government (“collectivité locale”), a public enterprise, a public entity (“établissement public”) or a non- governmental organization under Parts 1, 2, 3 and 4 (B) of the Project, utilizing the proceeds of a Sub-grant.