DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Approved by the Board of Directors on 22 July 2026[1]

MOROCCO

ONEE Water - Performance Improvement Program

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

AFD	French Development Agency
CapEx	Capital Expenditures
CCG	Corporate Climate Governance
COGS	Cost of Goods Sold
DSO	Days Sales Outstanding
E&S	Environmental and Social
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EHS	Environment, Health and Safety
EIB	European Investment Bank
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESMS	Environmental and Social Management System
ESR	Environmental and Social Requirements
EU DWD	European Union Drinking Water Directive
EUR	Euro
FX	Foreign Exchange
FY / YE	Fiscal Year / Year End
GECA	EBRD's Gender Equality in Climate Action Accelerator
GET	Green Economy Transition
GHG	Greenhouse Gas
IFI	International Finance Institution
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
LARF	Land Acquisition and Resettlement Framework
MAD	Moroccan dirham
MEF	Ministry of Economy and Finance
MW	Megawatt
OHS	Occupational Health and Safety
ONEE	Office National de l'Electricité et de l'Eau Potable
OpEx	Operating Expenditures
PIU	Project Implementation Unit
PPRs	EBRD's Procurement Policies and Rules
SCADA	Supervisory Control and Data Acquisition
SEMED	Southern and Eastern Mediterranean
SLFF	Sustainability-Linked Financing Framework
SLL	Sustainability-Linked Loan
SNGFE	Société Nationale de Garantie et du Financement de l'Entreprise
SRM	Sociétés Régionales Multiservices
SOE	State Owned Entity
SSF	EBRD Shareholder Special Fund
TAP	Transition Action Plan
TC	Technical Cooperation
TCFD	Task Force on Climate-related Financial Disclosures
TI	Transition Impact
VAT	Value Added Tax

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Office National de l'Electricité et de l'Eau Potable ("ONEE" or the "Company"), a state-owned electricity and water utility incorporated in Morocco, are submitted for consideration by the Board of Directors.

The facility will consist of a senior loan to the Company in the amount of up to EUR 250 million, including a committed Tranche A of EUR 120 million and an uncommitted Tranche B of EUR 130 million. The loan will be guaranteed by the Société Nationale de Garantie et du Financement de l'Entreprise ("SNGFE"), a state-owned guarantee fund. The Bank's loan will be supplemented by an investment grant of EUR 5 million from the EBRD Shareholder Special Fund ("SSF").

The operation delivers significant climate adaptation benefits and will enable the Company to finance critical investments that preserve scarce water resources, reduce water losses, improve production efficiency and strengthen the resilience of Morocco's strategic water infrastructure in the face of increasing water stress and climate change (the "Project").

The expected transition impact of the Project is primarily derived from the **Green** transition quality as it will strengthen Morocco's climate resilience by reducing water losses, preserving scarce water resources and enhancing long-term water security including through the deployment of digital technologies, while introducing a pioneering Sustainability-Linked Financing Framework ("SLFF") for ONEE's water division ("ONEE Water"). The Project will also promote the **Well-governed** transition quality through robust and comprehensive Corporate Climate Governance ("CCG") improvements. This will include the development of (i) a Transition Action Plan ("TAP") with targeted enhancements in governance, strategy, risk management, target-setting and disclosures on climate- and water-related matters in line with good international practice and (ii) a SLFF for ONEE Water. In addition, the Project is tagged under the Economic Governance Strategy, reflecting its contribution aimed at integrating climate and sustainability considerations into ONEE Water's governance and financing frameworks.

TC support for this operation is expected to be funded by SSF and will include for Tranche A an assignment under the CCG Facility to support CCG enhancements as well as the development of gender-responsive TAP and SLFF, supporting ONEE in integrating gender considerations into its climate governance and operational practices, thereby making the project Gender SMART. In addition, the TC package will include support to ONEE on project implementation as well as a Lender's Monitor, reporting directly to the Bank, to ensure effective implementation of the Project.

I am satisfied that the operation is consistent with the Bank's Strategy for Morocco, Green Economy Transition 2030 Strategy, Infrastructure Sector Strategy (2025-2029), the Bank's Economic Governance Strategy 2026-30, the Bank's Gender Equality and Human Capital Strategy 2026-2030, the EBRD Digital Approach 2026-2030 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

MOROCCO – ONEE WATER PERFORMANCE IMPROVEMENT PROGRAM - DTM 57587	
Transaction / Board Decision	Board approval[2] is sought for a senior loan of up to EUR 250 million including a committed Tranche A of EUR 120 million and an uncommitted Tranche B of EUR 130 million in favour of the Moroccan state-owned utility *Office National de l'Electricite et de l'Eau Potable* ("ONEE" or the "Company" or the "Borrower"). The loan will be guaranteed by *Société Nationale de Garantie et de Financement de l'Entreprise* ("SNGFE"), a state-owned guarantee fund (also known under the commercial name of Tamwilcom). [REDACTED]Board approval is also sought for EUR 5 million of co-investment grant and EUR 2.6 million of technical cooperation grant from the EBRD's Shareholder Special Fund ("SSF") Workplan 2026-27.
Client	ONEE is Morocco's state-owned national electricity and water utility. Its water division ("ONEE Water") is responsible for potable water production and strategic water infrastructure nationwide, playing a critical role in strengthening the country's water security amid increasing water stress. [REDACTED]
Main Elements of the Proposal	Transition impact: – Primary Quality – **Green**. The Project will strengthen Morocco's climate resilience by reducing water losses, preserving scarce water resources and enhancing long-term water security, while introducing a pioneering Sustainability-Linked Financing Framework ("SLFF") for ONEE Water. – Secondary Quality – **Well-Governed**. The Project will support the development of a Transition Action Plan ("TAP") aimed at strengthening ONEE Water's Corporate Climate Governance ("CCG") in line with international standards. The Project is tagged under Economic Governance, reflecting its contribution, through dedicated technical assistance, aimed at integrating climate and sustainability considerations into ONEE Water's governance and financing frameworks. Additionality: ***Financing structure****:* EBRD investment is needed to close the funding gap. / ***Risk mitigation****:* EBRD provides comfort to the Company and investors by mitigating key non-financial risks and supporting the identification and management of climate-related physical risks, thereby enhancing resilience and supporting climate action. / ***Knowledge, innovation, and capacity building:*** EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives. / ***Standard setting:*** Company seeks/makes use of EBRD expertise on corporate governance improvements, including for climate risk management. / ***Gender SMART****:* EBRD provides expertise for the adoption of higher gender equality standards. Sound banking: The loan will benefit from the state-owned guarantee mechanism SNGFE that is backed by a state guarantee.
Key Risks	**Repayment risk**: [REDACTED]This risk is mitigated by the continued budgetary support, as required, given ONEE's strategic importance to Morocco's water and electricity sectors. In addition, the Bank benefits from a first demand, irrevocable and unconditional SNGFE guarantee.
Strategic Fit Summary	The Project is consistent with the Bank's Strategy for Morocco, Green Economy Transition 2030 Strategy, Infrastructure Sector Strategy (2025-2029), the Bank's Economic Governance Strategy 2026-30, the Bank's Gender Equality and Human Capital Strategy 2026-2030, the EBRD Digital Approach 2026-2030 and with the Agreement Establishing the Bank.

[2] Article 27 of the AEB provides the basis for this decision

ADDITIONAL SUMMARY TERMS FACTSHEET

<table>
<tr><td>EBRD Transaction</td><td>Senior loan of up to EUR 250 million, including a committed tranche A of EUR 120 million and an uncommitted tranche B of EUR 130 million in favour of Office National de l'Electricite et de l'Eau Potable ("ONEE" or the "Company" or the "Borrower") to finance a nationwide investment programme aimed at improving the efficiency, resilience and sustainability of water production infrastructure in Morocco (the "Project"). The loan will be guaranteed by Société Nationale de Garantie et de Financement de l'Entreprise ("SNGFE"), a state-owned guarantee provider in Morocco. The Bank's loan will be supplemented by an investment grant of EUR 5 million from the EBRD Shareholder Special Fund ("SSF").</td></tr>
<tr><td>Mutual Reliance</td><td>No</td></tr>
<tr><td>Existing Exposure</td><td>Existing exposure to ONEE: The Bank's total sovereign guaranteed portfolio exposure to ONEE is EUR 359.5 million with a corresponding level of operating assets across the following projects: ONEE Hydro Rehabilitation, ONEE Rural Electrification and Smart Metering, ONEE Water Supply, VISP ONEE Water Stabilisation Facility and ONEE - SLL
The Bank's total sovereign/sovereign guaranteed portfolio exposure in Morocco is EUR 1,236 million[REDACTED].
Existing exposure to SNGFE: Subscription to two local currency green bonds issued by ONCF in the amount of EUR 18.6 million as part of Greenwich project and EUR 36.8 million as part of ONCF Green Bond project .</td></tr>
<tr><td>Maturity / Repayment</td><td>[REDACTED]</td></tr>
<tr><td>Potential AMI eligible financing</td><td>Funded mobilisation was not pursued given the accelerated project timeline and may be explored for Tranche B closer to its anticipated commitment date. [REDACTED]</td></tr>
<tr><td>Use of Proceeds - Description</td><td>The proceeds of the Bank's financing will be used to support a nationwide investment programme aimed at improving the efficiency, resilience and sustainability of water production infrastructure, with most investments dedicated to the rehabilitation and expansion of critical assets, complemented by the deployment of digital solutions and the strengthening of energy supply systems.</td></tr>
<tr><td>Investment Plan</td><td>[REDACTED]</td></tr>
<tr><td>Financing Plan</td><td>[REDACTED]</td></tr>
<tr><td>Key Parties Involved</td><td>ONEE as the Borrower, SNGFE as the Guarantor, Ministry of Economy and Finance as provider of a comfort letter, SSF as investment grant donor.</td></tr>
<tr><td>Conditions to subscription / disbursement</td><td>[REDACTED]</td></tr>
<tr><td>Key Covenants</td><td>[REDACTED]</td></tr>
<tr><td>Other material agreements</td><td>Guarantee Agreement in relation to Tranche A
Guarantee Agreement in relation to Tranche B
Comfort Letter issued by the Ministry of Economy and Finance of the Kingdom of Morocco in favour of EBRD in respect of the SNGFE guarantee and the underlying State Guarantee
Investment Grant Agreement for SSF investment grant
Grant Agreement(s) for SSF funded TC assignments</td></tr>
<tr><td>Security /Guarantees</td><td>Guarantee from SNGFE</td></tr>
<tr><td>Other donor-supported instruments other than guarantees</td><td>
<table>
<tr><th>Donor instrument</th><th>Short description of instrument</th><th>CCY & amount</th></tr>
<tr><td>Financial Assistance: CAPEX/OPEX/grant</td><td>Investment grant</td><td>€ 5,000,000</td></tr>
<tr><td>Technical Assistance</td><td>TC1: Legal Project Preparation Support</td><td>€ 74,500</td></tr>
<tr><td>Technical Assistance</td><td>TC2: Environmental and Social Due Diligence</td><td>€ 75,000</td></tr>
<tr><td>Technical Assistance</td><td>TC3: Development of a Sustainability Linked Financing Framework</td><td>€ 400,000</td></tr>
<tr><td>Technical Assistance</td><td>TC4: Project Implementation Support for Tranche A</td><td>€ 2,100,000</td></tr>
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<tr><td>Technical Assistance</td><td>TC5: Lender Monitor for Tranche A</td><td>€ 500,000</td></tr>
</table>
Client contribution: The above TC assignments will be non-reimbursable TCs required to support the Project. If required, the Company will be responsible for paying VAT and other indirect taxes that are applied to the post-signing TC assignments where the Client is the main beneficiary.
Note: It is expected that the TC4& TC5 will be extended, when Tranche B is being committed, to provide similar support with regards to Tranche B.
</td></tr>
<tr><td colspan="2">[REDACTED]</td></tr>
</table>

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Morocco is among the world's most water-stressed countries, with per capita water resources declining from approximately 2,500 m3 in 1960 to around 600 m3 today, well below the water scarcity threshold of 1,000 m3. Climate change, recurrent droughts, population growth and rising water demand continue to place increasing pressure on already constrained water resources. In response, Morocco has placed water security at the centre of its development agenda through the National Water Plan (2020-2050), the National Programme for Drinking Water Supply and Irrigation (2020-2027) and a wide-ranging programme of investments and reforms.

To secure water supply, Morocco is pursuing a diversified strategy that combines the development of new water resources with the optimisation of existing systems. This includes the expansion of desalination capacity, the construction and rehabilitation of dams, the development of inter-basin water transfer schemes, the reuse of treated wastewater, the mobilisation of non-conventional water resources and demand-side efficiency measures. Together, these initiatives aim to increase the resilience of the national water system and reduce the country's vulnerability to increasingly frequent and severe droughts.

Delivering this ambitious investment programme requires also institutions capable of managing water resources efficiently and at scale. As such, Morocco has complemented its investment efforts with a far-reaching reform of the water sector to clarify institutional responsibilities and strengthen service delivery. The establishment of Regional Multi-Service Companies (*Sociétés Régionales Multiservices*, "SRMs") has transferred water distribution responsibility to regional operators, allowing ONEE to concentrate on strategic upstream functions. As ONEE's role becomes increasingly focused on producing, transporting and securing water resources at the national level, the performance and reliability of its production and bulk transmission assets become critical to the success of Morocco's broader water security strategy.

Increasing water supply capacity alone will not be sufficient to address Morocco's growing water challenges. The effectiveness of investments ultimately depends on the ability of the water system to deliver these resources efficiently. Significant losses continue to occur across production and bulk conveyance infrastructure due to ageing infrastructure, physical leakages and operational inefficiencies, reducing the benefits of supply-side investments. In this context, reducing water losses has become a national priority. The Project supports this objective through a nationwide programme to rehabilitate and modernise water production and conveyance infrastructure, increasing production efficiency while limiting growth in the energy consumption of water production facilities. The Project is expected to generate annual water savings in the range of approximately 30 million m^3/year, contributing directly to enhanced water security and resilience under increasing climate-related water stress. The Project delivers significant climate adaptation benefits by improving the resilience and efficiency of strategic water infrastructure and reducing vulnerability to climate-induced water shortages.

Complementary investments in digitalisation, metering and telecontrol systems will improve asset management, optimise resource use and strengthen operational decision-making. In addition, improvements in production efficiency and energy management, together with the installation of non-grid connected solar photovoltaic capacity to supply renewable electricity to water production facilities, are expected to generate climate mitigation co-benefits through lower energy intensity and reduced carbon emissions associated with water production activities.

The Project also recognises that strengthening climate resilience requires not only physical investments but also robust climate governance, planning and decision-making frameworks. Through dedicated Technical Cooperation ("TC") support, ONEE Water will develop a Transition Action Plan ("TAP") aligned with good international practices. Building on the foundations established through the TAP, the Bank will support ONEE in developing a Sustainability-Linked Financing Framework ("SLFF") for its water activities, enabling the Company to further integrate sustainability considerations into its financing strategy and broaden its access to sustainable finance instruments. This initiative builds on the Bank's existing partnership with ONEE under the Sustainability-Linked Loan ("SLL") provided to its Electricity Branch (ONEE - SLL, as well as the ongoing support for the development of ONEE Electricity Branch's decarbonisation strategy. It is also a novel application of the approach, being one of the first of its kind in the EBRD region with a primary focus on climate resilience KPIs.

By complementing the sustainability and decarbonisation agenda already underway within the electricity branch, the water-sector SLFF will support a more coordinated approach to climate mitigation, adaptation and resource efficiency across ONEE as a whole. Together, these initiatives will help establish a more comprehensive and harmonised sustainability framework across ONEE's operations. Furthermore, the Bank will promote a gender-climate nexus approach by supporting measures aimed at embedding gender equality considerations into climate strategies and operations.

The Bank's involvement is highly additional, complementing the support provided by other international financial institutions to Morocco's water sector while accompanying ONEE through a period of significant institutional transformation. The Project supports not only critical infrastructure investments but also ONEE's recovery and reform trajectory, contributing to the development of more resilient utility capable of addressing Morocco's growing water challenges. By improving operational efficiency, reducing water losses and strengthening asset performance, the Project will enhance ONEE's long-term financial and operational sustainability while supporting the successful implementation of Morocco's water sector reform agenda. Together with the efficiency gains generated by the Project, these reforms are expected to improve transparency, accountability and commercial performance, while creating more favourable conditions for future sector reforms, including tariff evolution.

The Project is consistent with the Bank's Strategy for Morocco, the Green Economy Transition 2030 Strategy, the Infrastructure Sector Strategy (2025-2029), the Bank's Economic Governance Strategy 2026-30, the Gender Equality and Human Capital Strategy 2026-2030, the EBRD Digital Approach 2026-2030 and the Agreement establishing the Bank. The Project also contributes to a host of United Nations Sustainable Development Goals ("SDGs") including SDG 5 "Gender Equality", SDG 6 "Clean water and sanitation", SDG 9: "Industry, Innovation and Infrastructure", SDG 10 "Reduced inequalities", SDG 13 "Climate action" and SDG 17 "Partnerships for the Goals".

1.2 TRANSITION IMPACT

Primary Quality: Green

Obj. No.	Objective	Details
1.1	*The percentage of EBRD use of proceeds that supports a green economy transition and therefore qualifies as GET finance exceeds 50%.*	The percentage of EBRD use of proceeds that supports a green economy transition including through the deployment of digital solutionssuch as smart metering solutions and therefore qualifies as GET finance is above 50%.
1.2	*The project results in water savings equivalent to at least 0.05% of annual national freshwater withdrawal, so significantly contributes to reducing the national water footprint.*	The Project is expected to generate annual freshwater savings of approximately 30 million m³, equivalent to around 0.3% of Morocco's annual freshwater withdrawals, thereby contributing to improved national water security.

Secondary Quality: Well-Governed

Obj. No.	Objective	Details
2.1	*The client commits to implementing specific improvements across at least three dimensions of Corporate Climate Governance (CCG).*	[REDACTED]Through the CCG TC, the Bank - supported by the appointed consultant - will undertake a structured review of the Company's existing climate- and sustainability-related practices and develop a targeted set of recommendations aligned, to the extent applicable, with the International Sustainability Standards Board (ISSB) standards (IFRS S1 and IFRS S2) to address identified gaps. These recommendations will form the basis of the TAP, which will incorporate at least one benchmarked improvements for each of the three CCG targeted dimensions. The Borrower shall commit to the adoption and the timely implementation of TAP, including the following measures: Governance and accountability: Enhancing the Board's and Management's knowledge in climate-related issues through training and capacity building. This will include targeted technical and on-the-job training to enhance understanding of climate- and nature-related risks and opportunities, transition planning, and emerging disclosure requirements under leading international frameworks (including ISSB). Strategy: Improving its strategic planning and risk management processes related to climate and other material sustainability risks. ONEE will also develop and adopt a SLFF that will be based on KPIs that have significance for the Client's sustainability strategy. Risk management and processes: Running a diagnostic of climate risks over two climate scenarios and two-time horizons (medium and long term) which will allow the client to better anticipate and prepare against climate risks. ONEE will also map direct impacts, indirect impacts, and supply chain risks.

		Reporting, metrics and targets: Publicly disclosing the core aspects of its Transition Action Plan and targets in line with IFRS S1 and S2.
2.2	*The client will implement at least one benchmarked improvement for each targeted dimension of CCG.*	Each of the proposed CCG improvements will go beyond the relevant legal and regulatory requirements in Morocco. [REDACTED]
2.3	*The client will introduce new reporting disclosures covering some benchmarked improvements in CCG.*	The Project will support ONEE Water in introducing new climate-related reporting disclosures linked to the implementation of benchmarked CCG improvements. Through the development of the TAP, the Company will receive recommendations on disclosure practices aligned with international best practices, including the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and IFRS Sustainability Disclosure Standards (ISSB/IFRS S1 and S2). ONEE will commit to publicly disclose the core aspects of the TAP in line with IFRS S1 and S2. These disclosures will support greater transparency around the Company's climate-related risks, opportunities, governance arrangements and transition planning, and will go beyond the Company's current reporting practices.

Delivery risks: The risk associated with project implementation is mitigated, the Project's strategic importance to ONEE, and ONEE's strong track record in successfully delivering similar investment projects, in addition the Bank will benefit from a Lender's Monitor to further mitigate risk. The transition delivery risk related to the development and implementation of the TAP and SLLF is mitigated by the Company's strong commitment to strengthening its climate governance and sustainable finance capabilities, with the objective of establishing a scalable financing platform for future investments and a credible roadmap towards enhanced climate resilience.

Digital Approach: The project is aligned with the Adaptation area of intervention outlined in the EBRD Digital Approach 2026-2030 as it will support the introduction of digital technologies in order to increase the climate resilience of the Client in support of Green Transition Quality.

1.3 ADDITIONALITY

Identified triggers	Description
A subsequent/consecutive transaction with the same client/group either with the same use of proceeds or in the same country (repeat transaction).	EBRD has developed a longstanding partnership with ONEE through five operations across the electricity and water sectors: ONE Rural Electrification and Smart Metering, ONEE Water Supply Project, ONEE Hydro Rehabilitation, ONEE Water Stabilisation Facility (VISP) and ONEE SLL. The proposed transaction will therefore be the sixth transaction with ONEE, further deepening the partnership and supporting the utility's ongoing transformation, investment programme and sustainability objectives.

Additionality sources	Evidence of additionality sources

Financing Structure – Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.	EBRD financing is required to help bridge the funding gap associated with ONEE's overall investment programme. The Bank's participation is specifically allocated to the rehabilitation and modernisation of water production assets, while commercial banks and other IFIs are supporting complementary components of ONEE's broader investment programme. As such, the transaction support the mobilisation of additional financing without crowding out existing or potential funding sources.
Risk mitigation - EBRD provides comfort to clients and investors, financial or strategic, by mitigating non-financial risks, such as country, regulatory, project, economic cycle, or political risks.	The transaction will constitute EBRD's first loan operation relying on an SNGFE guarantee. By operationalising the mechanism and establishing a precedent for future transactions, EBRD is expected to provide comfort to other IFIs [REDACTED]. The transaction will therefore support the broader rollout of Morocco's guarantee reform and contribute to the wider adoption of the SNGFE guarantee mechanism by international lenders.
Risk mitigation - EBRD helps the client to mitigate physical transition risks and take climate action, such as to identify and manage physical climate risks and build resilience to them	Investments in the rehabilitation and modernisation of water production and conveyance infrastructure, combined with enhanced digital monitoring and asset management systems, will improve the resilience of strategic water assets and reduce vulnerability to climate-induced disruptions.
Knowledge, innovation, and capacity building - EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.	The Bank will provide expertise, innovation and capacity building support through the development of a SLFF and Transition Action Plan for ONEE's Water Branch. The initiative is expected to position ONEE as the first water utility in the SEMED region to adopt such a framework, supporting the integration of climate and sustainability considerations into corporate strategy, strengthening access to sustainable finance and establishing a replicable model for other utilities in the region.
Standard setting - Client seeks/makes use of EBRD expertise on corporate governance improvements, including for climate risk management.	The Bank will support ONEE in strengthening its climate governance framework and embedding climate considerations into corporate decision-making. Through the development of a SLLF and dedicated TC support, the Project will enhance ONEE's capacity to identify, monitor and manage climate-related risks and opportunities, improve climate-related reporting and strengthen internal governance processes.
Standard setting - Gender-SMART: Client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans	EBRD will support ONEE in integrating gender considerations into its climate governance, sustainability planning and operational practices. Through the post-signing SLFF TC, the Project identify opportunities to ember gender considerations into climate adaptation measures, investment planning, and decision-making , including strengthening stakeholder engagement and improving the collection, analysis, and use of sex-disaggregated data. Specifically, the TC will (i) support the Client in applying EBRD's Gender Equality in Climate Action Accelerator (GECA) tool to identify at least two priority recommendations, which will be integrated into the TC's Transition Action Plan with clearly defined actions, timelines, and measures; and (ii) review the Client's processes and practices related to inclusive and gender-responsive service planning and delivery and, based on the findings, develop recommendations for strengthening the collection, analysis and use of sex-disaggregated data. In addition, the TC will deliver capacity-building sessions for the Board and Management on climate-related risks and opportunities and gender-responsive climate governance,

	with at least [REDACTED] participants trained. By integrating a gender-climate nexus into ONEE's sustainability and transition planning, the Project will promote more inclusive and effective climate action and contribute to the adoption of international best practices in gender-responsive utility management.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Project specific risks		
Implementation risk	*Low/High*	ONEE has extensive experience in implementing water infrastructure projects and has successfully delivered a number of operations financed by IFIs, including EBRD. The Company has experience with the Bank's requirements, which has significantly improved since the Bank's first water sector operation with ONEE. Furthermore, following the establishment of the SRMs and the transfer of distribution activities, ONEE is increasingly focused on its core mandate of water production and strategic water infrastructure, which is expected to contribute to more streamlined project implementation. To further strengthen implementation capacity, a PIU support consultant will be mobilised to assist with procurement, contract management and environmental and social compliance. Further, the Lender's Monitor, engaged as part of the Project, will monitor and report to the Bank on project implementation to facilitate timely identification and management of the project related risks.
Repayment risk	*Low / High*	Given ONEE's continued reliance on fossil fuels and the absence of corresponding tariff adjustments, the 2022 energy crisis resulted in substantial losses and pressure on the Company's liquidity position. [REDACTED] While recovery is expected to be supported over time by the diversification of energy sources, increased integration of renewables and a gradual reduction in fossil fuel dependency, ONEE benefits from strong Government support, including the expectation of continued budgetary support as required. This risk is ultimately by the first demand, irrevocable and unconditional SNGFE guarantee.
Guarantor creditworthiness risk	*Low / High*	[REDACTED]This risk is substantially mitigated by SNGFE's strategic mandate, the support framework established by the Government of Morocco, including a comfort letter from the Ministry of Economy and Finance, and the statutory counter-guarantee mechanism under which the Kingdom of Morocco ultimately backs guarantees issued by SNGFE. [REDACTED]
FX and Interest risk	*Low / Medium*	[REDACTED]The resulting market risks are ultimately mitigated by the first-demand, irrevocable and unconditional SNGFE guarantee supporting the transaction.
External risks		
Macroeconomic risk	*Low / High*	Morocco's creditworthiness is confirmed by its ratings: Standard & Poor's credit rating for Morocco stands at BBB-/A-3 with stable outlook. Moody's credit rating for Morocco was last set at Ba1 with positive outlook, while Fitch last reported rating stands at BB+ with stable outlook.
Cybersecurity risk	*Medium/Medium*	[REDACTED]

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	New or updated GET technology or product leading to water savings introduced	The deployment of SCADA systems across ONEE Water's transmission network will enable real-time leak detection and optimisation of network operations, reducing water losses and contributing to improved water security and climate resilience in the face of increasing water scarcity	No	Yes	[REDACTED]
1.2	Renewable energy capacity installed (MW)	The Project will finance the installation of approximately 2.5 MWp of solar photovoltaic capacity to supply electricity to ONEE Water's treatment and water production facilities, reducing reliance on grid electricity and lowering operating costs.	0	2.5	[REDACTED]
1.3	Water saved (m3/year)	By improving asset performance through the rehabilitation of ageing water production and conveyance infrastructure, the Project will reduce water losses and save significant volumes of water that would otherwise be lost, thereby strengthening water security and enhancing resilience to increasing water scarcity and drought conditions.	0	30 million m3/year	[REDACTED]

Secondary Quality: Well-Governed

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Recognised climate reporting framework adopted	The Project will support ONEE Water in developing climate-related disclosures aligned with ISSB/IFRS S1 and S2, strengthening transparency and reporting on climate governance, risks, opportunities and transition actions	No	Yes	[REDACTED]
2.2	Climate business practices improved: governance and accountability	The Client will develop and adopt a TAP that will identify and clearly outline the necessary organisational and management steps and measures, and sequence thereof, that the Client needs to adopt/follow in order to successfully develop a transition plan.	No	Yes	[REDACTED]
2.3	Climate business practices improved: transparency and disclosure	The Client will publicly disclose the core aspects of the TAP in line with IFRS S1 and S2.	No	Yes	[REDACTED]
2.4	Climate business practices improved: risk management	The Client will improve its climate risk and opportunity management practices by systematically assessing climate-related risks and opportunities, evaluating adaptation and mitigation measures,	No	Yes	[REDACTED]

		quantifying their costs and benefits, and integrating climate scenario analysis and stress-testing into corporate risk management and investment planning.			
2.5	Climate business practices improved: strategy	The Client will improve its climate-related strategic planning by incorporating climate action priorities, associated business benefits, and mechanisms for measuring and reporting climate-related outcomes into its corporate strategy and decision-making.	No	Yes	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity policies and practices)	Gender considerations will be embedded in the TAP through inclusive stakeholder engagement, gender-responsive climate actions and the use of sex-disaggregated data, , using EBRD's GECA tool, to identify and introduce at least two specific gender-sensitive actions for improved corporate climate policies. With support from the SLFF TC, the Project will assist ONEE in improving the collection of sex-disagregated indicators within the SLFF reporting matrices.	No	Yes	[REDACTED]
Advisory & Policy Indicators	Number of individuals enhancing their skills as a result of training	Number of ONEE's Board members and management trained on climate-related risks and opportunities, gender-responsive climate corporate climate governance, transition planning and ISSB-related sustainability reporting.	0	20	[REDACTED]

3. KEY PARTIES

3.1 BORROWER

ONEE is Morocco's state-owned electricity and water utility, established in 2012 following the merger of the former national electricity utility *Office National de l'Électricité* (ONE) and national water utility *Office National de l'Eau Potable* (ONEP). While the electricity and water divisions remain operationally distinct, ONEE prepares consolidated financial statements.

Through its Water Division, ONEE is Morocco's principal producer of potable water and is responsible for the development, operation and maintenance of the country's strategic bulk water infrastructure, including water treatment plants, transmission systems, storage facilities and interconnections. The utility plays a central role in implementing Morocco's water security strategy and major sector investment programmes, including desalination projects, water transfer schemes and other measures aimed at addressing increasing water scarcity and climate-related challenges. Historically, ONEE was also involved in water distribution. However, following the Government's sector reform and the establishment of Regional Multi-Service Companies (*Sociétés Régionales Multiservices*, "SRMs"), distribution activities are being transferred to the SRMs, allowing ONEE to refocus on its core mandate of bulk water production and strategic infrastructure.

ONEE's activities are governed by a *Contrat Programme* agreed with the Government of Morocco, which establishes the utility's strategic objectives, investment priorities and reciprocal commitments with the State. The first Contrat Programme, covering the period 2014-2017, was designed to address ONEE's financial imbalances and contributed to a significant strengthening of the Company's financial structure and investment planning. The preparation of a successor *Contrat Programme* has taken longer than initially anticipated, reflecting the ongoing transformation of the sector, including the establishment of SRMs and the transfer of distribution activities. Once adopted, the new *Contrat Programme* is expected to provide the framework for ONEE's future investment programme and financing arrangements while reaffirming the State's commitment to the Company's long-term financial sustainability and strategic role in ensuring Morocco's water and energy security.

3.2 GUARANTOR

SNGFE, operating under the commercial name of Tamwilcom, is a state-owned limited liability guarantee fund. SNGFE builds on the more than 50-year track record of its predecessor, *Caisse Centrale de Garantie*, a public financial institution established in 1949 to facilitate access to finance through risk-sharing mechanisms and which has long served as a cornerstone of Morocco's financial system. As part of Morocco's State-Owned Enterprises ("SOE") reform programme, SNGFE's mandate was expanded beyond its traditional role of supporting enterprise financing to include the management of guarantees provided by the State to strategic SOEs through the *Fonds de Garantie des Entreprises et Etablissements Publics* ("FGEEP"). Guarantees issued by SNGFE are backed by a counter-guarantee from the Kingdom of Morocco and form part of the mechanism introduced to replace the traditional sovereign guarantee structure previously used for public sector borrowings. While the legal structure differs from a direct sovereign guarantee, its risk profile is considered close to sovereign risk.

4. MARKET CONTEXT

Morocco's water sector is governed by the National Water Plan 2020–2050 and Law No. 36-15 on Water, which together promote integrated water resources management and strengthen the sector's resilience to growing water scarcity and climate change. In response to recurring droughts, the Government accelerated implementation of the National Drinking Water Supply and Irrigation Programme ("PNAEPI") 2020-2027 in 2022. The programme serves as Morocco's principal water sector investment framework, supporting the development of new water resources, expansion of desalination capacity, reinforcement of water transfer infrastructure and improvements in network efficiency. ONEE plays a central role in implementing the programme as the country's primary provider of bulk water production and transmission infrastructure.

The implementation of these policy and investment objectives has historically taken place within a fragmented institutional framework. Through its Water Division, ONEE was responsible for the production of the vast majority of Morocco's potable water and for water distribution in areas not served by local utilities or private concessionaires. Water distribution services were shared among three types of operators: (i) ONEE, serving approximately 30 per cent of the population; (ii) municipal public utilities *(régies autonomes)*, serving around 30 per cent of the population; and (iii) private concessionaires operating in major urban centres, including Casablanca, Rabat-Salé, Tangier and Tetouan, serving approximately 40 per cent of the population.

To address fragmentation and improve service delivery, the Government of Morocco launched a sector reform programme that was formalised through Law No. 83-21 on Regional Multi-Service Companies ("SRMs") enacted in 2023. Since 2024, SRMs have progressively assumed responsibility for the distribution of drinking water, electricity and sanitation services across Morocco's twelve regions. As part of the reform, ONEE is exiting distribution activities and refocusing on its core mandate of water production, treatment and bulk supply, while the *régies autonomes* are being integrated into the SRMs and existing private concessions are expected to expire without renewal. The reform aims to improve service quality and consistency, reduce regional disparities, strengthen operational and financial sustainability, and enhance efficiency through economies of scale. As a result, the sector is now organised around a clear separation between bulk water production, undertaken by ONEE, and distribution services, delivered by the SRMs.

Tariffs for water services continue to be regulated and approved by the Government. ONEE benefits from State support through various measures, including subsidies for socially important investments and fiscal support mechanisms. To support the long-term sustainability of the sector, the Government launched a study in 2023 to assess the full economic cost of water and develop a tariff framework that more accurately reflects the value of the resource while encouraging more efficient consumption.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS
[REDACTED]

5.2 SENSITIVITY ANALYSIS
[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK
[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2024 ESP). The Project is structured as a programme of rehabilitation and new capex works across the network without any indication of category A elements in the committed Tranche A. Environmental and Social Due Diligence ("ESDD") has been undertaken by an independent consultant and included review of ONEE's policies and procedures, site visits to sample projects, meetings with ONEE's management, a review of monitoring information from previous transactions with ONEE and an Environmental and Social ("E&S") assessment of the Project against EBRD Environmental and Social Requirements ("ESRs").

ONEE is an existing client and has demonstrated a generally satisfactory level of compliance with the E&S requirements of previous EBRD-financed operations, including implementation of past ESAPs and regular E&S reporting, with the latest annual E&S report covering 2025 performance reviewed for this Project's ESDD by the consultant. Some actions related to strengthening of corporate Environmental and Social Management System ("ESMS"), contractor monitoring, Occupational Health and Safety ("OHS") reporting, and certain aspects of land acquisition management are under implementation in line with the previous loan ESAP.

The ESDD has identified that ONEE has established several E&S management elements, including internal environmental functions, project-level E&S management plan approaches, contractor Environment, Health and Safety ("EHS") requirements and involvement of central and regional teams in supervision of works. However, these arrangements do not yet constitute a fully integrated ESMS aligned with EBRD ESR1. Key gaps include the need to formalise an ESMS, strengthen regional E&S capacity, improve contractor management and monitoring, and reporting of labour, community health and safety, stakeholder engagement and grievance-related issues. These gaps will be addressed in the Environmental and Social Action Plan ("ESAP").

ONEE has established a comprehensive Human Resources Management System supported by documented policies and procedures that are broadly aligned with Moroccan legislation and the requirements of ESR2 for direct employees. Labour and working conditions risks are mainly linked to future sub-component works' contractors and sub-contractors, which have not yet been appointed for most components. ONEE will be required under ESAP to develop and implement a contractor and non-employee worker management framework covering labour and working conditions requirements, prevention of child and forced labour, contractor oversight and monitoring arrangements, worker welfare standards, accommodation requirements, and working hours and overtime management. Additionally, ONEE will be required under ESAP to formalise their existing grievance mechanism and extend its scope to third party workers. ESDD has identified media attention regarding the ongoing transfer of workers from ONEE to Regional Multi-Service Companies ("SRMs"); however, ONEE reports that trade unions and worker representatives have been engaged, and a framework agreement is in place to safeguard workers' rights. [REDACTED]

The programme is expected to result in limited land acquisition, as most works will take place within established corridors, public rights-of-way or land previously acquired by ONEE. In this context, impacts are expected to be localised and related to temporary and permanent economic displacement affecting agricultural land users, while physical displacement is not currently expected. Given that several components remain at preliminary design stage without final impact on land acquisition confirmed and some sub-components have agricultural use encroachment issues identified , the ESAP will require specific measures to address potential economic displacement impacts. While the overall resettlement risk profile of the programme is considered low, the ESDD has identified several gaps between ONEE's procedures (based on the national legal framework) and EBRD ESR5 regarding compensation at full replacement cost, the treatment of vulnerable and non-title holders where agricultural users are in the existing right of way, gender-responsive approaches, livelihood restoration, management of temporary impacts, monitoring of resettlement outcomes, and the systematic implementation of project-level stakeholder engagement and grievance mechanisms. These gaps will be addressed through the ESAP which will require ONEE to establish a screening and management procedure for land-related impacts on all sub-components as well as the development and implementation of a Land Acquisition and Resettlement Framework ("LARF") aligned with ESR5.

Biodiversity risks vary across components due to the proximity to nationally and internationally recognised biodiversity areas. However, the programme sub-components are predominantly located within existing infrastructure corridors and modified habitats, so biodiversity risk ranges from low to medium and is considered manageable. ESAP will require ONEE to establish a biodiversity screening procedure for all project sub-components and develop appropriate management plans as relevant for each sub-component.

As part of the ESDD, the Project has been assessed against material elements of the European Union Drinking Water Directive ("EU DWD"). Currently, ONEE monitors drinking water quality in accordance with Moroccan regulations that are aligned with the previous iteration of the EU DWD, however, several gaps remain with 2020 EU DWD, e.g. pollutants list, stricter limits for certain parameters or verification of materials in contact with drinking water. The ESAP will include measures to address these gaps in a phased approach [REDACTED] yet to be agreed with ONEE prior to Board.

An additional uncommitted tranche of EUR 130 million is included in the deal. The tranche is expected to have a similar multi-site structure, but the sub-components have not been confirmed. The Tranche B sub-components will have to be screened to ensure alignment with EBRD ESRs and reviewed by EBRD's ESD. ESAP requires development of E&S risk screening procedure, referral to the EBRD for categorisation verification for intended exclusion of category A projects from this tranche and approach to further due diligence and management of impacts by the client. The overall program is based on the needs of Morocco's drinking water system, and sub-components may be changed based on the ONEE's needs adjustment in the future. In this context a change management procedure will be developed to assess E&S impacts stemming from any changes in the sub-components.

The ESDD confirmed that E&S risks and impacts of the programme are generally limited and can be appropriately managed. The Project can be structured to meet the Bank's ESRs through the implementation of an ESAP. The ESAP will be agreed with ONEE prior to Board and will include strengthening corporate ESMS, contractor management during construction works, formalisation of grievance mechanism, [REDACTED], and screening of sub-components to identify and manage potential biodiversity and land acquisition impacts. Due to the limited E&S capacity of the Client, the Bank will mobilise additional TC support for Project Implementation Support, including ESAP implementation, and Lender's Monitor.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on ONEE and SNGFE, its shareholders, senior management and other relevant parties.[REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

6.3 OTHER ISSUES

Concessional Finance – The EBRD financing package includes a EUR 5 million investment grant from the EBRD SSF. The investment grant will support the implementation of high-impact investments aimed at improving the efficiency, resilience and sustainability of Morocco's strategic water production infrastructure.
While these investments generate substantial climate adaptation, economic and public benefits through improved water security, reduced water losses and enhanced resilience of strategic infrastructure, their financial returns are often indirect and realised over the long term through avoided losses, lower operating costs and improved asset performance. The grant will help accelerate the implementation of these high-impact investments and support the achievement of the Project's climate adaptation objectives while strengthening the sustainability and resilience of Morocco's water sector.

ANNEXES TO OPERATION REPORT

ANNEX 1	Shareholding Structure
ANNEX 2	Green Assessments
ANNEX 3	Project Implementation
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ANNEX 6	ONEE Historical Financial Statements
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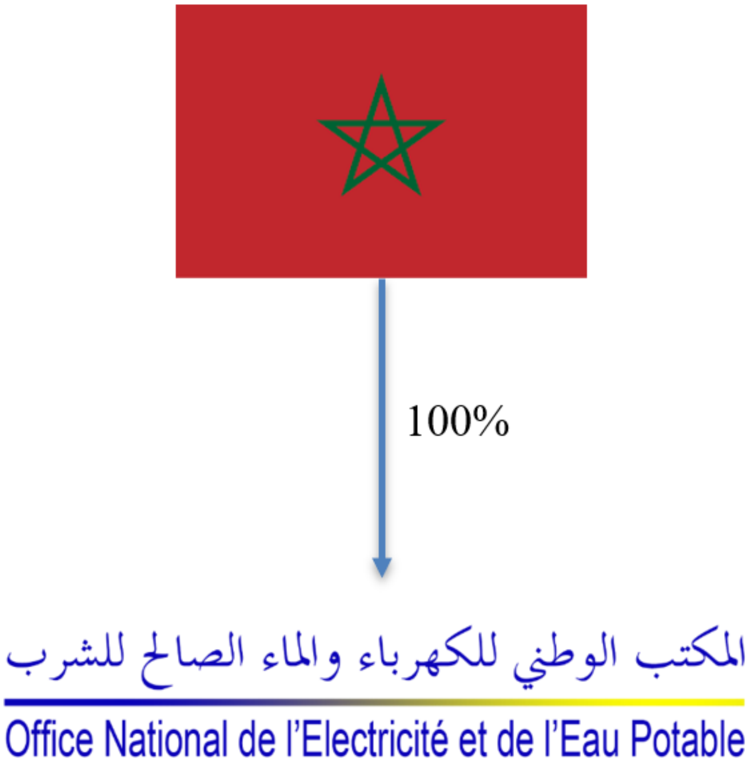
ANNEX 1 - SHAREHOLDING STRUCTURE



ANNEX 2 – GREEN ASSESSMENTS

SUMMARY

- The financing will support a nationwide programme of investments to rehabilitate and modernise water production and conveyance infrastructure, improve production efficiency, reduce water losses and strengthen operational resilience.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**
- As the guarantees issued by SNGFE are backed by a counter-guarantee from the Kingdom of Morocco, the risk profile is considered close to sovereign risk. [REDACTED]

PARIS ALIGNMENT ASSESSMENT

Tranche A comprises over 100 sub-projects with a total value of EUR 120 million. The investment distribution reflects a clear focus on strengthening and modernising existing infrastructure, while complementing this with targeted investments in capacity expansion, operational efficiency, and system resilience. A similar allocation structure is expected for Tranche B (EUR 130 million). Across the programme, 54% of investment is allocated to the rehabilitation and renewal of transmission systems and pipelines, highlighting a strong priority to reduce water losses and improve network efficiency. This is followed by 15% for the construction of production, conveyance, and storage facilities, supporting capacity expansion and supply reliability. A further 13% is dedicated to the rehabilitation and modernisation of production equipment, enhancing operational performance. Investments in digitalisation, metering, and remote management account for 11%, enabling improved monitoring and data-driven decision-making, while the remaining 7% supports power supply and energy security, ensuring reliable system operation.

Alignment with the mitigation goals of Paris Agreement - General screening

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance. This approach has been utilised for assessment as the categories of investments are of a uniform, low-risk pool of investments:

- The majority of investments fall under the jMDB "aligned" category "water supply systems (e.g. expansion, rehabilitation)" or "water efficiency".
- The remainder related to renewable energy through the installation of PV power generation facilities at treatment plants and pumping stations, power system upgrades, and standby generators which are intended solely for backup and emergency operation. These are considered to fall under the categories "generation of renewable energy" or "electricity transmission and distribution" categories.
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The assets financed by EBRD are exposed to drought and water stress, as well as extreme heat. Given the breadth of the Project, which comprises a nationwide pool of water production, conveyance, rehabilitation, digitalisation and related infrastructure investments, it is not feasible to complete a location-specific climate risk and vulnerability assessment for each individual work under the direct finance approach. For this reason, the assessment of alignment with the adaptation goals of the Paris Agreement has been undertaken using the approach for "other financial instruments" under Chapter 4 of the Bank's Paris Alignment methodology. This approach is appropriate where the financial flow is linked to multiple investment activities and individual assessment would be impractical and allows the alignment determination to be based on the counterparty's activities, systems and commitments to ensure that physical climate risks are identified, managed and addressed across the relevant investment pool.

Under Step 1 of the Chapter 4 approach, ONEE Water is considered climate vulnerable, given its role in bulk water production and transmission in a country facing high water stress and increasing climate variability. The Project therefore proceeds to Step 2, which requires the counterparty to demonstrate actions to align its activities with the adaptation goals of the Paris Agreement. This requirement is addressed through two complementary mechanisms. First, the Project includes dedicated Corporate Climate Governance activities, under which ONEE Water will develop and adopt a Transition Action Plan covering governance, strategy, risk management, metrics, targets and disclosure. The TAP will include, among other measures, a diagnostic of climate risks across two climate scenarios and two time horizons, mapping of direct, indirect and supply-chain climate risks, integration of climate-related risks and opportunities into strategic planning and risk management processes, and public disclosure of core TAP elements and targets in line with IFRS S1 and S2. These actions provide the corporate-level process required under Chapter 4 to manage physical climate-related risks and progressively integrate climate considerations into ONEE Water's governance and decision-making.

Second, the legal documentation includes a project-level commitment to ensure that climate risks are assessed and addressed for the individual works financed by EBRD. [REDACTED]

Conclusion: The Project is assessed as aligned with the adaptation goals of Paris Agreement (BB2 aligned).

GREEN FINANCE ATTRIBUTION

A GET share of 100% is attributed to this project as a result of the enabling impact of the Performance Improvement Programme, in accordance with EBRD's adaptation finance approach, consistent with j-MDB methodology. A summary of the adaptation GET rationale is provided below.

<u>Step 1: Climate change vulnerability context relevant to the Project</u>

Morocco is among the world's most water-stressed countries. Per capita renewable water resources have declined from approximately 2,500 m³ per year in 1960 to around 600 m³ per year today, driven by population growth, economic development, and increasing water demand. Climate change is exacerbating these pressures through rising temperatures, more frequent and prolonged droughts, reduced precipitation, and increased variability in water availability. While Morocco is investing substantially in desalination, dams, inter-basin transfers and other supply-side measures, the effectiveness of these investments depends on the efficiency, reliability and resilience of the country's existing water production and conveyance infrastructure.

<u>Step 2: Statement of the Bank's intent to address climate resilience through the Project</u>

The Project aims to enhance climate resilience and water security by reducing water losses, improving the efficiency of water production and transmission systems, and strengthening the operational performance and reliability of strategic water infrastructure. The Project is expected to generate annual water savings in the range of approximately 30 million m³/year, contributing directly to enhanced water security and resilience under increasing climate-related water stress.

In addition to the financing, comprehensive TC support will be provided to strengthen the Client's capacity to understand and address climate-related risks and opportunities, enhance climate governance and transition planning, and align with international best practices, including the International Sustainability Standards Board (ISSB) framework. The TC will also support the further development and integration of the Client's corporate climate governance framework.

<u>Step 3: Direct link between the climate vulnerability context and Project activities</u>

The Project directly addresses climate-related water scarcity by improving the efficiency and resilience of Morocco's water supply system. As Morocco's primary bulk water producer and transmission operator, ONEE plays a critical upstream role in the national water sector. By improving the efficiency and reliability of its production and conveyance infrastructure, the Project will increase the volume and reliability of water supplied to downstream utilities, municipalities, businesses and households, thereby strengthening resilience across the wider water supply system. In doing so, the Project supports Morocco's climate adaptation objectives in face the increasing water stress and strengthens the long-term sustainability of the water sector.

Conclusion: The project is attributed 100% GET given that the primary objective of the project is to strengthen climate resilience to enable food and water security across Morocco.

CRO calculation:
To estimate the water savings generated by the project, 2 representative network rehabilitation projects are used as a proxy for estimating expected water savings for which quantitative estimates are available: 1) Rehabilitation of the Maroc Central Adduction System and 2) Replacement of the Nakhla Adduction Canal Project. Together, these two (2) sub-components are expected to generate approximately 10 million m³ of water savings from leakage per year and represent more than 30% of the total Tranche A financing value.

Based on estimated water savings from the reference project, the derived saving factors are:

- 1: 0.275 m³ saved annually per euro invested × EUR 20.6 million = 5.7 million m³/year;
- 2: 0.291 m³ saved annually per euro invested × EUR 14.5 million = 4.2 million m³/year.

To estimate annual water savings, the analysis applies the proxy derived above, while accounting for the share of investment directly contributing to loss reduction.

- Total project financing (Tranche A + B): EUR 250 million
- Share allocated to network rehabilitation (proxied based on Tranche A distribution): 54%
- Implied investment in loss reduction: ~EUR 135 million

Estimated Impact: Annual water savings: ~30-40 million m³/year

Economic Valuation: Using a shadow value of water of EUR 2/m³ (reflecting medium-to-high water stress conditions) and assuming a project lifetime of 40 years: total accumulated climate resilience outcome is equivalent to 840 million EUR.

[REDACTED]

ANNEX 3 - PROJECT IMPLEMENTATION

Procurement classification – *Public - sub-sovereign*

Project risk assessment:

Overall risk rating *Moderate High*

[REDACTED]

The Client's capacity assessment related risk *Low*

The Client is known to the Bank and Procurement due diligence was carried on by the Bank to ensure full understanding and adherence to EBRD requirements.

Contracts risk assessment *Low*

Project implementation arrangements:
[REDACTED]**Procurement arrangements:**
The financing is divided into two tranches. [REDACTED]

All works contracts will be tendered under Utility procedures in accordance with Section III Article 3.61 of the PPR.

All works contracts will be procured under open tender procedure with the following adjustments:

- Insertion of EBRD mandatory requirements in ONEE Procurement Documents namely, (1) Covenant of Integrity, (2) Contractor Integrity Undertaking, (3) Bank right to audit provisions, (4) grounds for exclusion;
- No national preference to be applied to Bank-financed contracts;
- No country eligibility restriction to be applied to Bank-financed contracts;
- Insertion of Bank requirements related to E&S with the opportunity for the Bank to review the Procurement Documents;
- Ensure a minimum of 40 days for tendering period for all Bank-financed contracts;
- Ensure clear distinction between qualification and technical compliance evaluation; and
- Ensure a standstill in case of complaint until a final response has been received.

The Bank will review the Standard Procurement Document to be used for the project to ensure that the Bank adjustments will be duly inserted.

[REDACTED]
[REDACTED]Consultancy services will be procured either in line with Section III, (Article 3.16 of the current EBRD's PPRs (using the Bank's Standard Procurement Documents and ECEPP) or through the Company's competitive procurement procedures provided that such procedures comply with Article 3.27 and Articles 3.61-62 of the Bank's PPR pertaining to Procurement by Utilities. In either case, the subsequent contracts shall be subject to the Bank's prior review.

The project will also comprise a Lender's Monitor Consultancy services contract. The Lender's Monitor contract will be selected and contracted by the EBRD under the Corporate Procurement Policies.

Additional information:
N/A.

[REDACTED]

ANNEX 4 - TRANSITION IMPACT SCORING CHART

Score for primary transition quality

Quality: Green

Component: Adaptation

Quality average score: 65.0

↓

ATQ adjustment

Country: Morocco

ATQ adjustment: Adaptation: 2.9%

Adjusted Quality score: 66.9

Score for secondary transition quality

Quality: Well-Governed

Component: Corporate-level governance

Quality average score: 66.3

↓

ATQ adjustment

Country: Morocco

ATQ adjustment: Corporate-level governance: -0.1%

Adjusted Quality score: 66.2

↓

Weighted TI score

Base TI score (ATQ-adjusted): 66.7

↓

Adjustment for Country Strategies

Adjustment: 2.0% – Strategic project alignment

CS Adjusted score: 68.0

↓

Local currency / Equity uplift

0% uplift

↓

Final TI score

Final TI score: 68

ANNEX 5 – SNGFE HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 7 – ONEE HISTORICAL FINANCIAL STATEMENTS

[REDACTED]

ANNEX 8 – SSF CO-INVESTMENT GRANT FICHE

[REDACTED]

ANNEX 9 – SSF TC GRANT FICHE

[REDACTED]