

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4213-GH

GRIDCO Project Agreement

(Second Phase of the Coastal Transmission Backbone Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GHANA GRID COMPANY

Dated December 23, 2010

Public Disclosure Authorized

PROJECT AGREEMENT

Agreement dated December 23, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and Ghana Grid Company Limited (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement dated December 4, 2007, as amended, between the Republic of Ghana (“Recipient”) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the counterpart funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is its Chief Executive or such other person or persons as the Chief Executive shall designate in writing.

3.02. The Association's Address is:

International Association for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Chief Executive
Ghana Grid Company Limited
PO Box CS7979
Tema, Ghana

Facsimile: +233 302 676180

AGREED at Accra, Republic of Ghana, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Ishac Diwan

Authorized Representative

GHANA GRID COMPANY

By: /s/ Charles Darku

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

The Project Implementing Entity shall implement the Project in accordance with the guidelines, procedures, and other specifications set forth in the Project Implementation Manual and in the Environmental Management Plan and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned documents, if such amendment or waiver shall, in the opinion of the Association, materially or adversely affect the implementation of the Project. The Project Implementing Entity shall provide timely information on the status of implementation of the Environmental Management Plan in the Project Reports prepared pursuant to Section II.A of this Schedule.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall provide to the Recipient not later than nine months before the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

1. (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall maintain a ratio of current assets divided by current liabilities of not less than 1.2.
- (b) Not later than January 31 in each year, the Project Implementing Entity shall, on the basis of forecasts prepared by the Project Implementing Entity and satisfactory to the Association, review whether it would meet the requirements set forth in sub-paragraph (a) in respect of such year and the following fiscal year and shall furnish to the Association the results of such review upon its completion.
- (c) If any such review shows that the Project Implementing Entity would not meet the requirements set forth in sub-paragraph (a) for the Project Implementing Entity's fiscal years covered by such review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.
- (d) For the purposes of this Section:
 - (i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.
 - (ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
 - (iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
 - (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of Cedi, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

2. Except as the Association shall otherwise agree, the Project Implementing Entity shall not incur any new debt, unless the Project Implementing Entity shall produce for its following fiscal year a reasonable forecast of net revenues equal to at least 1.3 times the estimated debt service requirements of the Project Implementing Entity for such fiscal year.

For the purposes of this Section:

- (i) The term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) Whenever, for the purposes of this Section, it shall be necessary to value, in terms of Cedi, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.
- (iv) The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than twelve months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.
- (v) The term “net revenues” means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income between that fiscal year and the next fiscal year; and
 - (B) the sum of all expenses related to operations including administration, maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

- (vi) The term “net non-operating income” means the difference between:
 - (A) revenues from all sources other than those related to operations;
and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred
in the generation of revenues in (A) above.

- (vii) The term “debt service requirements” means the aggregate amount of
repayments (including sinking fund payments, if any) of, and interest and
other charges on, debt.