

CONFORMED COPY

CREDIT NUMBER 2441 GH

Development Credit Agreement

(National Livestock Services Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1992

CREDIT NUMBER 2441 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1992, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated November 19, 1992, from the Borrower describing a program of actions, objectives and policies designed to reform the Borrower's livestock sub-sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "APD" means the Animal Production Department within MOA;
- (b) "ARI" means CSIR's Animal Research Institute;
- (c) "Cedis" means the currency of the Borrower;
- (d) "CLW" means the Community Livestock Workers described in Part B.1 of the Project;
- (e) "CSIR" means the Council for Scientific and Industrial Research, established pursuant to the Borrower's N.L.C.D. 293 (1968);
- (f) "GIDA" means the Ghana Irrigation Development Authority, established pursuant to the Borrower's Irrigation Development Authority Decree, 1977, S.M.C.D. 85;
- (g) "Livestock Farms" means MOA's 28 livestock farms operated by APD;
- (h) "LPIU" means the Livestock Planning and Information Unit established within MOA;
- (i) "MOA" means the Borrower's Ministry of Agriculture;
- (j) "PSC" means the Project Steering Committee to be established in accordance with Section 6.01(a) of this Agreement;
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (l) "VSD" means the Veterinary Services Department within MOA.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million three hundred thousand Special Drawing Rights (SDR 15,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of

Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 1 and September 1, commencing March 1, 2003 and ending September 1, 2032. Each installment to and including the installment payable on September 1, 2012 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MOA, with due diligence and efficiency and in conformity with appropriate administrative, financial, agronomic and livestock practices, and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in a commercial bank a livestock services project account on terms and conditions satisfactory to the Association to be used exclusively for the purpose of meeting expenditures under the Project which are not financed out of the proceeds of the Credit; and

(b) in addition to the initial deposit referred to in Section 6.01(e) of this Agreement, deposit into said account, promptly before each month starting after the Effective Date, sufficient funds to pay the Borrower's contribution to the financing of the Project required for such month under the work program and budget prepared pursuant to paragraph 2 of Schedule 4 to this Agreement.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. The Borrower shall (a) maintain at least 75% cost recovery through December 31, 1993 for the provision by the Borrower of livestock veterinary drugs and supplies, and (b) implement not later than January 1, 1994, and thereafter maintain, 100% cost recovery for the provision by the Borrower of livestock non-mandatory vaccinations, livestock veterinary drugs and supplies, livestock clinical treatments and livestock breeding stocks. Such cost recovery shall be calculated, in accordance with guidelines satisfactory to the Association, on the basis of the following inputs: cost of drugs, vaccines and supplies used, financing and transportation charges and personnel costs.

Section 3.05. The Borrower shall establish not later than December 31, 1993, and thereafter maintain, quality standards for manufactured livestock feed, satisfactory to the Association.

Section 3.06. The Borrower shall, beginning January 1, 1994, not provide financial support (in its budget or otherwise) to the Livestock Farms to be closed in accordance with paragraph 8 (b) of Schedule 4 to this Agreement.

Section 3.07. The Borrower shall establish not later than December 31, 1993, and thereafter maintain, within MOA a livestock management information system under terms of reference satisfactory to the Association.

Section 3.08. (a) The Borrower shall carry out, jointly with the Association, not earlier than September 30, 1995 and not later than December 31, 1995, a mid-term review of the progress made in carrying out the Project and the Program. This review shall cover, among other things: (i) the effectiveness of LPIU at supporting animal disease control activities, (ii) the success of vaccination programs and the degree of immunization achieved, (iii) changes in livestock production, particularly for farmers participating in APD's breeding and forage development programs, (iv) the effectiveness of MOA's animal health care and production services, (v) the development and maintenance of water supply points, (vi) the degree of participation of farmers in the delivery of animal health care services and management of water supply points and surrounding rangelands, (vii) the effectiveness of CLWs at providing animal health care and of their training program, (viii) the degree of privatization of veterinary services, (ix) progress in the Borrower's closure of Livestock Farms, (x) the provision of funds by the Borrower to finance the Project, and (xi) progress in carrying out the pilot milk collection scheme under Part C.6 of the Project, including promotion of a milk producers association to operate such scheme.

(b) MOA shall transmit to the Association, at least 90 days prior to the mid-term review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing the status of the items listed in such paragraph and of Project and Program implementation generally.

(c) Based on such review, the Borrower shall promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project and the Program, and shall thereafter implement such action plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section,

records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the law of the Borrower, S.M.C.D. 85 (1977), establishing GIDA shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect GIDA's ability to assist in carrying out the Project; and

(c) the law of the Borrower, N.L.C.D. 293 (1968), establishing CSIR shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect ARI's ability to assist in carrying out the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the PSC shall have been established under terms of reference satisfactory to the Association;

(b) the Project Coordination Unit of MOA shall have employed an administrative and financial management expert with qualifications and experience, and under terms of reference, satisfactory to the Association;

(c) the Borrower shall have implemented the program of at least 75% cost recovery referred to in Section 3.04 (a) of this Agreement;

(d) MOA shall have adopted a standard form contract, in form

and substance satisfactory to the Association, to be entered into with community water users' associations in carrying out Part D of the Project and setting forth, inter alia, their respective responsibilities with respect to the management of stock water supply points; and

(e) the Borrower shall have established the livestock services project account referred to in Section 3.02 and shall have deposited therein an initial amount in Cedis equivalent to \$70,000.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 3.04 and 3.05 of this Agreement and the provisions of Section 5.02 shall cease and determine on the date on which this Agreement shall terminate or on the date six years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Provisional National Defence Council Secretary for Finance and Economic Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

PNDC Secretary for Finance and
Economic Planning
Ministry of Finance and Economic Planning
P.O. Box M40
Accra, Ghana

Cable address:

ECONOMICON
Accra

Telex:

2205 MIFAEP GH

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Joseph Abbey
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
|--|---|--|
| (1) Civil Works | | 100% of foreign expenditures and 90% of local expenditures |
| (a) for Parts A, B and C of the Project | 2,500,000 | |
| (b) for Part D of the Project | 1,100,000 | |
| (2) Farm Machinery and Vehicles | | 100% of foreign expenditures and 90% of local expenditures |
| (a) for Parts A, B and C of the Project | 2,300,000 | |
| (b) for Part D of the Project | 100,000 | |
| (3) Equipment and Furniture | | 100% of foreign expenditures and 90% of local expenditures |
| (a) for the Project (other than Part C.2(b)) | 2,400,000 | |
| (b) for Part C.2(b) of the Project | 140,000 | |
| (4) Veterinary Drugs and Supplies | | 100% of foreign expenditures and 90% of local expenditures |
| (a) for the Project | 240,000 | |

| | | | |
|-----|---------------------------------------|---|---|
| | (other than Part C.2(b)) | | |
| | (b) for Part C.2(b) of the Project | 70,000 | |
| (5) | Livestock and Seeds | 500,000 | 100% of foreign expenditures and 90% of local expenditures |
| (6) | Training | 1,400,000 | 100% of foreign expenditures and 80% of local expenditures |
| (7) | Consultants' Services | 750,000 | 100% |
| | | Amount of the Credit Allocated (Expressed in SDR Equivalent) | % of Expenditures to be Financed |
| (8) | Incremental Recurrent Costs | 2,400,000 | 70% for expen- ditures incurred through June 30, 1996; and 50% thereafter |
| (9) | Unallocated | 1,400,000 | |
| | TOTAL | 15,300,000 ===== | |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "training" means expenditures for fellowships, study tours, conferences, workshops, courses and other forms of training, each as are approved by the Association; and

(d) the term "incremental recurrent costs" means the incremental Project-related costs for office supplies, vehicle and machinery operation and maintenance, field allowances and salaries for fixed term contract staff incurred by APD, VSD, GIDA and MOA's Crop Services Department.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) Categories (3)(b) and (4)(b) until MOA and CSIR shall have executed a memorandum of understanding, in form and substance satisfactory to the Association, relating to Part C.2(b) of the Project, including the obligation of MOA to supply feed analysis equipment and reagents to ARI, and ARI's obligation to provide feed analysis testing and support APD's feed resources development activities; and

(c) Categories (1)(b) and (2)(b) until MOA and GIDA shall

have executed a memorandum of understanding, in form and substance satisfactory to the Association, relating to Part D of the Project, including GIDA's obligations with respect to the development and management of water supply points.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase production and the income of private livestock producers, and improve the quality of livestock products, in the Borrower's territory, and (b) improve the Borrower's capacity to support livestock activities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: MOA Management of Livestock Sub-sector

Strengthening the institutional capacity of APD and VSD to: (a) support the formulation of livestock sub-sector policies and programs; (b) promote private sector investment in the livestock industry; (c) improve the control of major animal diseases; (d) support MOA's national livestock extension program; and (e) monitor and regulate the livestock industry, through, inter alia: (i) training of staff, (ii) expansion and rehabilitation of offices and staff housing, (iii) development of a management information system for the sub-sector, and (iv) preparation of studies analyzing the factors affecting the supply of and demand for livestock products.

Part B: Restructuring of Provision of Livestock Services

1. Promotion of privatization of the provision of animal health care services through, inter alia: (a) the training, licensing and equipping of private livestock health care providers (Community Livestock Workers); (b) withdrawal of MOA veterinary services competing with established private veterinarians; (c) contracting of private veterinarians for MOA vaccination campaigns and meat inspections; and (d) reduction in the number of MOA veterinarians.

2. Establishment and operation of a full-cost recovery program for the provision of animal health care drugs, vaccines and other veterinary services provided by MOA.

3. Restructuring of Livestock Farms and livestock marketing services, including the closure of farms.

Part C: Increasing Provision of Livestock Services and Improving Livestock Production and Quality

1. Increasing the provision of animal health care services through: (a) expansion, rehabilitation and stocking with veterinary drugs and supplies of livestock laboratories; (b) increased vaccination campaigns; and (c) operation of pilot tsetse fly and Trypanosomiasis control programs.

2. Improving feed quality control through, inter alia: (a) establishment of minimum nutrient requirements for feed, and (b) construction and operation at ARI of a feed analysis laboratory.

3. Increasing the availability of livestock feed through increased forage and pasture development activities, including (a) oversowing of about 50,000 hectares with pasture, herbaceous and tree legumes, (b) development of 5,000 hectares of sustainable swiddening, and (c) establishment of around 1,000 hectares of fodder banks.

4. Increasing the availability of forage seed through the promotion of seed production by smallholder farmers.

5. Improving the quality of livestock through the development and operation of a breeding stock program, including (a) improving the management of breeding farms, (b) rehabilitation of six Livestock Farms, and (c) importation of breeding stock.

6. Increasing the availability of milk products through: (a) establishment and operation of a pilot milk collection scheme; (b) rehabilitation of APD's dairy farm in Amrahia; and (c) provision of extension and other support services to farmers.

Part D: Stock Water Development

Increasing the availability of stock water to communities through the development of around 62 stock water supply points and support for improved community-based management of supply points.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

2. Goods shall be exempted from preshipment price inspection by a third party inspection firm.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Ghana may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items or groups of items for breeding pigs and dairy cattle, estimated to cost up to an aggregate amount equivalent to \$460,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from a list of qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Items or groups of items for: (a) works, estimated to cost up to an aggregate amount equivalent to \$5,100,000, and (b) goods (other than vehicles and farm machinery), estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$1,950,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Items or groups of items for breeding livestock (other than pigs and dairy cattle), estimated to cost up to an aggregate amount equivalent to \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Items or groups of items for: (a) civil works, estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$420,000, (b) vehicles and farm machinery, estimated to cost up to an aggregate amount equivalent to \$80,000, (c) seeds, estimated to cost up to an aggregate amount equivalent to \$220,000, and (d) office supplies, and vehicle and machinery operation and maintenance, estimated to cost up to an aggregate amount equivalent to \$1,910,000, may be procured: (i) under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association, or (ii) in the case of vehicles, from the Inter-Agency Procurement Services Office of the United Nations Development Programme in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract: (i) for goods estimated to cost the equivalent of \$150,000 or more, and (ii) for works estimated to cost \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Part A of the Project

1. The Borrower shall: (a) operate APD, LPIU, VSD and the PSC under terms of reference satisfactory to the Association and with qualified staff in adequate numbers; (b) maintain within the Project

Coordination Unit of MOA an administrative and financial management expert, with qualifications and experience and under terms of reference satisfactory to the Association; and (c) through MOA's Policy, Planning, Monitoring and Evaluation Department, evaluate the impact of the Project on livestock productivity.

2. The Borrower shall prepare, and shall cause GIDA to prepare, not later than September 30 of each year, and in consultation with the Association, a workprogram and budget for the Project for the succeeding fiscal year.

3. The Borrower shall: (a) not later than September 30, 1993, prepare studies, under terms of reference acceptable to the Association, analyzing (i) the impact of subsidized imports from the European Economic Community on production and consumption of meat, and (ii) the impact of maize imports and availability of credit on the supply of feed for poultry and pig industries; and (b) promptly communicate to the Association the results of such studies. The Borrower shall, following completion of such studies and annually thereafter, review with the Association measures to modulate such impact of imports on meat and feed.

Part B of the Project

4. In carrying out Part B.1(a) of the Project, VSD shall train at least: (i) 200 CLWs in calendar year 1993, (ii) 300 in calendar year 1994, (iii) 400 in calendar year 1995, (iv) 500 in calendar year 1996, and (v) 600 in calendar year 1997. The training, licensing and equipping of CLWs shall be conducted under terms of reference satisfactory to the Association and shall include the temporary provision of veterinary drugs and supplies by VSD to CLWs.

5. The Borrower shall: (a) in carrying out Part B.1(b) of the Project, withdraw provision of veterinary services in competition with private veterinarians in accordance with guidelines satisfactory to the Association; and (b) in carrying out Part B.1(d) of the Project, provide financial incentives, acceptable to the Association, to encourage MOA veterinarians to establish private practice.

6. In carrying out Part B.1 of the Project, the Borrower shall establish, not later than April 1, 1993, and thereafter operate, under terms of reference satisfactory to the Association, a Committee for the Privatization of Veterinary Services to develop policies for promoting privatization of veterinary services and to oversee their implementation. The Committee shall be comprised of the Director of VSD, the Deputy Director of VSD responsible for animal health care services, two representatives of the Ghana Veterinary Medical Association, one representative from the agribusiness community and one representative of the farmers associations.

7. In carrying out Part B.2 of the Project:

(a) LPIU shall compute the appropriate level of prices to be charged under the cost recovery program;

(b) MOA shall publish every March and September, through March 1998, a schedule of fees, satisfactory to the Association, to effect the cost recovery levels required pursuant to Section 3.04 of this Agreement; and

(c) MOA shall employ the proceeds of such cost-recovery program for expenditures (other than salary) relating to the provision of animal health care services.

8. In carrying out Part B.3 of the Project, the Borrower shall:

(a) conduct only disease investigation activities at the three Livestock Farms located at: (i) Techiman, (ii) Tarkwa, and (iii) Savulugu; and

(b) close, not later than December 31, 1993, the remaining Livestock Farms, other than those to be rehabilitated in accordance with paragraph 16 (a) of this Schedule and the Livestock Farm located at Nkwanta.

Part C of the Project

9. In carrying out Part C.1(a) of the Project, the Borrower shall rehabilitate VSD's laboratories at Accra, Pong-Tamale, Kumasi, Bolgatanga, Wa, Ho and Takoradi, and shall operate such facilities as regional laboratories providing data to LPIU and diagnostic services.

10. In carrying out Part C.1(b) of the Project, the Borrower shall (a) expand vaccination campaigns against "Pestes des Petits Ruminants" and Fowl Pox, and (b) explore the use of the V4 Newcastle vaccine, each under terms of reference satisfactory to the Association.

11. In carrying out Part C.1(c) of the Project, the Borrower shall (a) conduct pilot tsetse fly and Trypanosomiasis control programs, each under terms of reference satisfactory to the Association, and (b) based on the results of such programs, prepare, not later than December 31, 1996 and in consultation with the Association, a national plan for controlling such insects and disease.

12. In carrying out Part C.2 of the Project, the Borrower shall conduct quarterly testing and laboratory analysis of feed production and cause the results of such studies to be published in mass circulation daily newspapers.

13. In carrying out Part C.2 of the Project, the Borrower shall comply, and shall cause CSIR to comply, with their respective obligations under the memorandum of understanding executed in accordance with paragraph 3(b) of Schedule 1 to this Agreement, except as the Borrower and the Association may otherwise agree.

14. In carrying out Part C.3 of the Project, the Borrower shall adopt, and thereafter implement, an action plan, satisfactory to the Association, for the sowing of selected forage crops in identified areas.

15. The Borrower shall carry out Part C.4 of the Project through MOA's Crop Services Department.

16. In carrying out Part C.5 of the Project, the Borrower shall:

- (a) rehabilitate the six Livestock Farms located at:
 - (i) Amrahia, (ii) Babile, (iii) Ejura, (iv) Kintampo, (v) Nungua, and (vi) Pong-Tamale; and
 - (b) centralize APD's breeding farm activities at such farms and otherwise operate such farms under terms and conditions satisfactory to the Association, which shall include provision for:
 - (i) establishment of a management committee for each farm which shall oversee the execution of the breeding programs,
 - (ii) cooperation between such farms and ARI for animal production research and breeding,
 - (iii) participation by private farmers in breeding stock multiplication activities and extension services, and
 - (v) operation by APD and VSD of a revolving fund to finance the Livestock Farms.

17. In carrying out Part C.6 of the Project, the Borrower shall operate the pilot milk collection scheme under terms of reference satisfactory to the Association, which shall require, inter alia, that MOA: (a) maintain separate accounts for such scheme;

(b) progressively implement full cost recovery for the acquisition and sale of milk; (c) promote the establishment of a private milk producers association to operate such scheme; and (d) either transfer operation of such scheme to such association or other private parties or terminate such scheme not later than January 1, 1997.

Part D of the Project

18. The Borrower shall cause GIDA to:

(a) distribute the stock water supply points as follows: (i) 25 in the Northern Region, (ii) 18 in the Upper West Region, (iii) 9 in the Upper East Region, (iv) 5 in the Greater Accra Region, and (v) 5 in the Volta Region;

(b) analyze and evaluate potential water supply point locations in consultation with APD;

(c) effect the selection of the water supply points and of their physical components (such as dams, drilled-wells and dug outs) on the basis of terms, conditions and criteria satisfactory to the Association, which shall include:

(i) the requirement that the water supply point be located within a community with an established water users' association,

(ii) the precondition that such association shall have entered into a development and management contract with MOA in form and substance as set forth in the model contract described in Section 6.01(d) of this Agreement, with such changes to such model as shall have been agreed upon by the Borrower and the Association; and

(iii) cost/benefit and sustainability criteria; and

(d) support effective community management of supply points through technical support to community water users' associations.

19. The Borrower shall, and shall cause GIDA, to comply with their respective obligations under the memorandum of understanding executed in accordance with paragraph 3(c) of Schedule 1 to this Agreement, except as the Borrower and the Association may otherwise agree.

20. MOA shall comply with and enforce the provisions of each development and management contract executed pursuant to paragraph 18(c)(ii) above, including the obligation of water users' associations to control water use, ensure the sustainability of the water supply points, and protect the surrounding rangelands and other environment.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount

equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall

specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

