

CONFORMED COPY

CREDIT NUMBER 2604 GH

Project Agreement

(Community Water and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GHANA WATER AND SEWERAGE CORPORATION

Dated June 17, 1994

CREDIT NUMBER 2604 GH

PROJECT AGREEMENT

AGREEMENT, dated June 17, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and GHANA WATER AND SEWERAGE CORPORATION (GWSC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Ghana (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that GWSC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Financing Agreement entered into between the Borrower and GWSC, the proceeds of the credit provided for under the Development Credit Agreement will be made available to GWSC on the terms and conditions set forth in the Financing Agreement; and

WHEREAS GWSC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. GWSC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, water and sanitation practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A, B and C of the Project, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of the Schedule to this Agreement.

Section 2.03. GWSC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) GWSC shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, the Financing Agreement and each Performance Contract and other matters relating to the purposes of the Credit.

(b) GWSC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by GWSC of its obligations under this Agreement, the Financing Agreement and each Performance Contract.

(c) Without limitation upon the provision of Section 2.01 of this Agreement, GWSC shall: (i) enter into, by March 31 in each fiscal year of the Project, a Performance Contract with GWSC for the carrying out of the Project during each fiscal year; and (ii) exercise its rights and carry out its obligations under the Financing Agreement and each Performance Contract in such manner as to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, GWSC shall not assign, amend, abrogate or waive the Financing Agreement or any Performance Contract or any provision thereof.

Section 2.05. (a) Without limitation upon the provisions of Section 2.01 of this Agreement and except as the Association and GWSC shall otherwise agree, GWSC shall carry out the Project in accordance with the Implementation Manual; and (b) except as the Association shall otherwise agree, GWSC shall not amend, abrogate, waive or vary any provision of the Implementation Manual, in such a manner as to materially or substantially affect the carrying out of the Project or the achievement of its objectives.

Section 2.06. Without limitation to its obligations under Section 2.01 and Section 2.05 of this Agreement, GWSC shall carry out, or shall cause District Assemblies to carry out, Parts A and B of the Project in accordance with the Implementation Manual, and shall ensure that communities, schools, health clinics and households, as the case may be, participating under Parts A and B of the Project shall: (a) pay part of the capital cost and all recurrent costs of water and sanitation facilities as specified in the Implementation Manual; (b) own and manage their water and sanitation facilities; and (c) put in place their proposed Facilities and Management

Plans and financial arrangements in accordance with the Implementation Manual.

Section 2.07. GWSC shall:

(a) prepare and furnish to the Association, by no later than October 31 in each year of the Project, an action plan, to include, without limitation, a work program and budgetary allocations, for the implementation of the Project in the following year;

(b) conduct, by no later than December 31 in each year of the Project, an annual review of the Project, together with the Borrower and the Association, to assess progress and evaluate performance during the preceding year;

(c) revise, by no later than January 31 in each year of the Project, the action plan prepared in accordance with paragraph (a) above after the review conducted in accordance with paragraph (b) above, taking into account the Association's comments and recommendations in a manner satisfactory to the Association; and

(d) implement the revised action plan during the course of the following year in a manner satisfactory to the Association.

Section 2.08. (a) By October 31, 1996, GWSC shall have prepared and submitted to the Borrower and the Association adequate reports, in scope and detail satisfactory to the Association, describing, inter alia, the status of progress regarding the items listed in Section 3.06 of the Development Credit Agreement, for the carrying out of a midterm review.

(b) By no later than December 31, 1996, GWSC shall carry out jointly with the Borrower and the Association a midterm review of the Project required under Section 3.06 of the Development Credit Agreement.

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

ARTICLE III

Management and Operations of GWSC

Section 3.01. GWSC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, water and sanitation practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. GWSC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

Section 3.03. GWSC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) GWSC shall maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition.

(b) GWSC shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 copies of its financial statements for such year as so audited, and (B) 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 financial statements, as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of GWSC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify GWSC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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)

For GWSC:

P.O. Box M194

Accra, Ghana

Cable address:

Telex:

DIRWAT ACCRA

2006 WATSEW

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of GWSC, or by GWSC on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Managing Director or such other person or persons as the Managing Director shall designate in writing, and GWSC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox

Regional Vice President
Africa

GHANA WATER AND SEWERAGE CORPORATION

By /s/ Nana Effah-Appenteng

Authorized Representative

SCHEDULE

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof: (i) contracts for goods (other than contracts for hand pumps and electrical/mechanical equipment for pipe systems) estimated to cost more than \$200,000 equivalent, and (ii) contracts for works estimated to cost more than \$1,500,000 equivalent, 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).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, GWSC shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, GWSC shall use bidding

documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, GWSC may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Contracts for works estimated to cost less than \$1,500,000, up to an aggregate amount equivalent to \$8,500,000, and contracts for hand pumps and electrical/mechanical equipment for pipe systems may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than \$200,000 equivalent per contract and more than \$50,000 equivalent per contract, up to an aggregate amount equivalent to \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Goods estimated to cost less than \$50,000 equivalent per contract, 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 eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: 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 for works or goods estimated to cost the equivalent of \$100,000 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 3 to the Development Credit 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 the purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist GWSC in carrying out the Project, GWSC 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 (the Consultant Guidelines).

2. For complex, time-based assignments, GWSC shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, GWSC shall use other standard forms agreed with the Association.

3. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$25,000 equivalent each. However, this exception to prior Association review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source selection of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$25,000 equivalent or above.
