

CONFORMED COPY

CREDIT NUMBER 2682 GH

Development Credit Agreement

(Thermal Power Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 1995

CREDIT NUMBER 2682 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 30, 1995, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated June 20, 1994, from the Borrower describing a program of actions, objectives and policies designed to improve the operation of the Borrower's power sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) Part A of the Project will be carried out by the Volta River Authority (VRA), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to VRA a portion of the proceeds of the Credit as provided in this Agreement;

(D) VRA intends to contract from the Commonwealth

Development Corporation (CDC) a loan (the CDC Loan), in an amount of approximately \$30,000,000 equivalent to assist in financing Part A.1 of the Project, on the terms and conditions set forth in an agreement (the CDC Loan Agreement) to be entered into between VRA and CDC;

(E) VRA has contracted from the European Investment Bank (EIB) a loan (the EIB Loan), in an amount of approximately \$46,500,000 equivalent to assist in financing Part A.1 of the Project, on the terms and conditions set forth in the agreement (the EIB Loan Agreement) entered into between VRA and EIB;

(F) VRA intends to contract from the Caisse Francaise de Developpement (CFD) a loan (the CFD Loan), in an amount of approximately \$23,000,000 equivalent to assist in financing Part A.2 of the Project, on the terms and conditions set forth in an agreement (the CFD Loan Agreement) to be entered into between VRA and CFD;

(G) the Borrower has contracted from the Kuwait Fund a loan (the Kuwait Fund Loan), in an amount of approximately \$16,500,000 equivalent to assist in financing Part A.1 of the Project, on the terms and conditions set forth in the agreement (the Kuwait Fund Loan Agreement) entered into between the Borrower and the Kuwait Fund; and

(H) the Borrower intends to contract from the Arab Bank for African Economic Development (BADEA) a loan (the BADEA Loan), in an amount of approximately \$10,000,000 equivalent to assist in financing Part A.2 of the Project, on the terms and conditions set forth in an agreement (the BADEA Loan Agreement) to be entered between the Borrower and BADEA; and

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 and the Project Agreement of even date herewith between the Association and VRA;

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) "Clearing House System" means the Cross-Debt Clearing House System, established pursuant to the Letter of Intent, dated April 4, 1989, among the Borrower, the Electricity Corporation of Ghana, VRA and the Ghana Water and Sewerage Corporation;

(b) "Electricity Demand Management Fund" means the fund referred to in Part B.3 (c) of the Project;

(c) "Electricity Demand Management Program" means the program referred to in Part B.3 of the Project;

(d) "Environmental Assessment" means the environmental assessment report entitled "Takoradi Thermal Plant, Environmental Impact Assessment", dated August 1993, as supplemented January 1994;

(e) "MOME" means the Borrower's Ministry of Mines and Energy;

(f) "Project Agreement" means the agreement between the Association and VRA of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(g) "Power Plant" means the 300 MW generating facilities referred to in Part A.1 of the Project;

(h) "Power Sector Reform Committee" means the committee established by the Borrower in March 1994 to prepare proposals to reform the regulatory framework governing electricity utilities and to increase private sector involvement in the provision of electricity utility services;

(i) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and VRA pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and

(j) "VRA" means the Volta River Authority, a body corporate established and operating pursuant to the Borrower's Volta River Development Act, 1961 (Act 46), as amended.

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 this Agreement, an amount in various currencies equivalent to one hundred and twenty four million one hundred thousand Special Drawing Rights (SDR 124,100,000).

Section 2.02. 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 and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 2001 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 June 1 and December 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 June 1 and December 1 commencing June 1, 2005 and ending December 1, 2034. Each installment to and including the installment payable on December 1, 2014 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.

Section 2.09. VRA is designated as representative of the Borrower in respect of Part A of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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:

- (i) shall carry out Part B of the Project through MOMÉ with due diligence and efficiency in conformity with appropriate administrative, financial, engineering and public utility 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 such Part of the Project; and

- (ii) without any limitation or restriction upon any of its other obligations under this Agreement: (A) shall cause VRA to carry out Part A of the Project, to perform in accordance with the provisions of the Project Agreement all the obligations of VRA therein set forth, (B) shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable VRA to perform such obligations, and (C) shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend a portion of the proceeds of the Credit to VRA under a subsidiary loan agreement to be entered into between the Borrower and VRA, under terms and conditions which shall have been approved by the Association which shall include provisions requiring the repayment by VRA of principal in 17 years, including 3 years of grace, payment of interest at the rate of 8% per annum, and the foreign exchange risk to be borne by VRA.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part B of 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 3.03. The Association and the Borrower hereby agree that 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 Part A of the Project shall be carried out by VRA pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall cause all bills payable through the Clearing House System to be settled on a monthly basis.

Section 3.05. The Borrower shall ensure that the Power Sector Reform Committee operates under terms of reference satisfactory to the Association.

Section 3.06. The Borrower shall carry out, and shall cause VRA to carry out, in a timely manner an action plan, satisfactory to the Association, to implement the measures set out in the Environmental Assessment.

Section 3.07. In carrying out Parts B.1 and B.2 of the Project, the Borrower:

- (a) shall cause the Power Sector Reform Committee to prepare, and provide to the Association for discussion, not later than May 31, 1995, a draft report, in scope and detail satisfactory to the Association, regarding recommendations for modifying the regulatory framework governing electricity

utilities and for increasing private sector participation in the provision of electricity utility services;

(b) shall cause the Power Sector Reform Committee to adopt, not later than September 30, 1995, a final report, which takes into account the comments of the Association;

(c) shall, on the basis of such report, prepare, not later than December 31, 1995, an action plan, satisfactory to the Association, for modifying such regulatory framework and for increasing such private sector participation; and

(d) shall thereafter implement such action plan in a timely manner.

Section 3.08. In carrying out Part B.3 of the Project, the Borrower shall implement the Electricity Demand Management Program under terms of reference satisfactory to the Association, and shall operate the Electricity Demand Management Fund under terms of reference and management arrangements satisfactory to the Association.

Section 3.09. (a) The Borrower shall carry out, jointly with the Association and VRA, not earlier than 12 months and not later than 16 months following the Effective Date, 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 performance of VRA in carrying out the Project; (ii) the extent to which the institutional objectives of the Project are being achieved; (iii) the work of the Power Sector Reform Committee; (iv) the implementation of the Electricity Demand Management Program and the operation of the Electricity Demand Management Fund; (v) compliance with the financial, audit and other obligations of the Borrower and VRA included in this Agreement and the Project Agreement; (vi) construction of the Power Plant; (vii) the evolution of the key performance indicators agreed upon with the Association; (viii) procurement under the Project; (ix) implementation of the environmental action plan referred to in Section 3.06 of this Agreement; and (x) the provision of funds for the Project by the Borrower and VRA.

(b) The Borrower shall transmit to the Association, at least 30 days prior to such review, a report, in scope and detail satisfactory to the Association, prepared by VRA (with respect to Part A of the Project) and the Borrower (with respect to Part B of the Project and the Program), describing the status of progress regarding the items listed in paragraph (a) above and of Project and Program implementation generally.

(c) Based on such review, the Borrower shall, jointly with VRA, 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 in respect of Part B of the Project, 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 or ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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 was made;
- (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) VRA shall have failed to perform any of its obligations under the Project Agreement;
- (c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that VRA will be able to perform its obligations under the Project Agreement;
- (d) the Volta River Development Act, 1961 (Act 46) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of VRA to perform any of its obligations under the Project Agreement;
- (e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of VRA or for the suspension of its

operations;

(f) the CFD Loan Agreement shall have failed to become effective by June 30, 1996, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Part A.2 of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement; and

(g) (i) subject to subparagraph (ii) of this paragraph:

- (A) the right of the Borrower or VRA to withdraw the proceeds of any loan made for financing the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof; and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower or VRA, as the case may be, to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower and VRA from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement and of VRA under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) events specified in paragraphs (d), (e) or (g) of Section 5.01 of this Agreement shall occur, subject in the case of paragraph (g) of that Section to the proviso of subparagraph (ii) of said paragraph (g).

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) all conditions precedent to the effectiveness of the CDC Loan Agreement, the EIB Loan Agreement, and the Kuwait Fund Loan Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) the Subsidiary Loan Agreement shall have been executed on behalf of the Borrower and VRA; and

(c) VRA shall have increased tariffs to a level sufficient

for VRA to earn an annual return of not less than 8% of the average current net value of their respective fixed assets in operation for 1995 (as calculated in accordance with the provisions of Section 4.02 of the Project Agreement) and VRA shall have increased its bulk supply tariff charged to the Electricity Corporation of Ghana to a level such that the average of such tariff for 1995 shall be at least Cedi 22.1 per kWh (as adjusted, in a manner satisfactory to the Association, to take into account updated information regarding VRA's costs and revenues).

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by VRA, and is legally binding upon VRA in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and VRA and is legally binding upon the Borrower and VRA in accordance with its terms.

Section 6.03. 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.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister 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:

Minister 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/ Ekwow Spio-Garbrah
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
VRA		
(1) Works for Part A.1 of the Project	95,400,000	100% of foreign expenditures
(2) Equipment and Materials for Parts A.3 and A.4 of the Project	710,000	100% of foreign expenditures
(3) Consultants' services and training for Part A of the Project	13,710,000	100% of foreign expenditures
MOME		
(4) Consultants' Services and Training for:		100%
(a) Parts B.1 and B.2 of the Project	710,000	
(b) Part B.3 of the Project	1,060,000	
(5) Equipment for Part B of the Project	1,770,000	100%
(6) Unallocated	10,740,000	
TOTAL	<hr/> 124,100,000	

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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; and

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

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

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

(b) under Categories (4) (b) and (5) until the Borrower shall have adopted terms of reference satisfactory to the Association for the operation of the Electricity Demand Management Program (including terms of reference and management arrangements for the Electricity Demand Management Fund).

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (i) goods and works not exceeding \$200,000 equivalent, and (ii) consulting services not exceeding \$100,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase VRA's generating capacity to meet increasing electricity demand, (b) improve VRA's operational efficiency and strengthen its institutional capacity, and (c) improve the Borrower's management of the power sector.

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: VRA Power Generation and Transmission and Institutional Development

1. Construction of a 300 MW power plant (the Power Plant) at Takoradi, consisting of:

(a) two 100 MW combustion turbine generator sets, and

(b) a 100 MW steam turbine generator and a heat recovery boiler.

2. Construction of about 360 km of associated transmission lines from Tafo to Kumasi, from Achimota to Takoradi, and from Takoradi to Prestea; and construction of substation extensions at Tafo, Kumasi, Achimota, Cape Coast, Takoradi and Prestea.

3. Strengthening VRA's capacity to manage the construction and operation of the Power Plant.

4. Strengthening VRA's institutional and operational capacities

(including strengthening VRA's training center) through the training of staff, the acquisition of equipment and materials, and other measures.

Part B: Regulation and Management of the Power Sector

1. Strengthening the power sector regulatory framework, and establishment of an arms-length relationship between MOME and the public utilities (including with respect to the setting of tariffs).

2. Development and implementation of a program to increase private sector participation in the provision of electricity utility services.

3. Development and implementation of a policy and institutional development program (the Electricity Demand Management Program) to improve energy conservation and end-use efficiency in the electricity sector, which program shall include:

(a) measures to strengthen the capacity of private sector suppliers;

(b) studies regarding patterns of energy use and surveys of energy users;

(c) establishment and operation of a fund (the Electricity Demand Management Fund) to provide credit to industrial, commercial and municipal consumers to finance the acquisition of equipment to improve the efficiency of electrical usage; and

(d) other measures to encourage industrial, commercial, municipal and other consumers to improve energy efficiency.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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 in accordance with this Part A, the Borrower 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, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. Goods to be procured through international competitive bidding shall be exempted from pre-shipment price inspection by third-party inspection firms.

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 goods, up to an aggregate amount equivalent to \$280,000, 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.

2. Contracts for goods of a proprietary nature, up to an aggregate amount equivalent to \$20,000, may be awarded after direct negotiations with suppliers, 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 estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(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.

(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

1. In order to assist the Borrower in carrying out Part B of 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 (the Consultant Guidelines).

2. 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 \$100,000 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 hiring of firms, to assignments of a critical nature as

reasonably determined by the Association, and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

