

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N020 GH

Interim Fund Development Credit Agreement

(Village Infrastructure Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association

Dated October 16, 1997

INTERIM FUND CREDIT NUMBER N020 GH

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 16, 1997, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS (A) by the Interim Fund Resolution, the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(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 Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution; and

(C) The Borrower intends to obtain loans from the Government of the Federal Republic of Germany, through the Kreditanstalt für Wiederaufbau (KfW) and the International Fund for Agricultural Development (IFAD) in an aggregate amount equivalent to approximately seventeen million dollars (\$17,000,000) to assist in

financing specific activities included in the Project on the terms and conditions set forth in the respective agreements to be entered into between the Borrower and KfW, and IFAD, respectively; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund 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 modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) The term "Association," wherever used in the General Conditions, means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement;

(b) The terms "Development Credit Agreement," "Credit" and "Credit Account," wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement," "Interim Fund Credit" and "Interim Fund Credit Account," respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5 (e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5 (c) of said Resolution; and "Participating Countries" means, collectively, all such countries;

(d) The last sentence of Section 3.02 is deleted.

(e) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read as follows:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Interim Fund Credit Account shall have been suspended with respect to any amount of the Interim Fund Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Interim Fund Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Interim Fund Credit, or (c) at any time the Administrator determines, with respect to any contract to be financed out of the proceeds of the Interim Fund Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Interim Fund Credit during the procurement or the execution of such contract,

without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and _____ establishes the amount of expenditures in respect of such contract which would otherwise _____ have been eligible for financing out of the proceeds of the Interim Fund Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed _____ out of the proceeds of the Interim Fund Credit is inconsistent with the procedures set forth _____ or referred to in the Interim Fund Development Credit Agreement and establishes the amount _____ of expenditures in respect of such contract which would otherwise have been eligible for _____ financing out of the proceeds of the Interim Fund Credit, or (e) after the Closing Date, an amount of the Interim Fund Credit shall remain unwithdrawn from the Interim Fund Credit _____ Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, _____ such amount of the Interim Fund Credit shall be cancelled."

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) "Project Preparation Advance" means the project preparation advance granted by the Administrator to the Borrower pursuant to an exchange of letters dated December 25, 1995 and February 5, 1996 between the Borrower and the Administrator;

(b) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(c) "Ghanaian Cedi" and "C" means the Borrower's currency;

(d) "DA" means a District Assembly established pursuant to the Borrower's Local Government Act, No. 462 of 1993;

(e) "MLGRD" means the Borrower's Ministry of Local Government and Rural Development;

(f) "MOFA" means the Borrower's Ministry of Food and Agriculture;

(g) "NGO" means a nongovernmental organization;

(h) "NTSC" means the Borrower's National Technical Steering Committee referred to in paragraph 2 of Schedule 4 to this Agreement;

(i) "PPCC" means the Borrower's Project Policy Coordination Committee referred to in paragraph 1 of Schedule 4 to this Agreement;

(j) "Project Implementation Manual" means the manual referred to in Section 6.01 (a) of this Agreement containing, inter alia, work programs, training programs, monitoring and performance indicators and procedures to be used for the purposes of implementation of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the Project Implementation Manual;

(k) "GIDA" means the Ghana Irrigation Development Authority, established pursuant to the Borrower's Irrigation Development Decree, 1977, SMCD 85;

(l) "DFR" means the Borrower's Department of Feeder Roads within the Ministry of Roads and Highways;

(m) "CWSD" means the Community Water and Sanitation Division of the Ghana Water and Sewerage Corporation;

(n) "GNAFF" means the Ghana National Association of Farmers and Fishermen;

(o) "Beneficiary" means a District Assembly, community or group to whom or for whose benefit a Grant or Advance (as hereinafter defined), as the case may be, is made, or proposed to be made, for a subproject under the Project;

(p) "Subproject" means a specific infrastructure development activity financed or proposed to be financed through Grants to the DA or Advances to community groups and associations under the Project;

(q) "Subproject Agreement" means an agreement to be entered into between the Borrower and a Beneficiary for the purpose of carrying out a Subproject;

(r) "Advance" means an amount, out of the proceeds of the Credit, to be lent to community groups and associations for the purpose of carrying out private sector rural infrastructure Subprojects;

(s) "Grant" means an amount, out of the proceeds of the Credit, to be made available to DAs for the purpose of carrying out public-good Subprojects;

(t) "NBSSI" means the Borrower's National Board for Small-Scale Industries;

(u) "GAPVOD" means the Ghana Association of Private Voluntary Organizations in Development, the apex body for NGOs in the Borrower's territories;

(v) "DRIF" means the District Rural Infrastructure Fund, established by the Borrower and managed by the District Assemblies for the purpose of financing Subprojects; and

(w) "DACF" means the District Assembly Common Fund established pursuant to the Borrower's Local Government Act No. 462 of 1993.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to twenty million eight hundred thousand Special Drawing Rights (SDR 20,800,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator 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 Interim Fund Credit.

(b) The Borrower may, 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 Administrator, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and pay to the Association the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 Interim Fund Credit Account or canceled;

and (ii) at the rate set as of the June 30 immediately preceding the accrual date and 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 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2007 and ending December 15, 2036. Each installment to and including the installment payable on December 15, 2016 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Administrator notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Administrator may revise the modification referred to in paragraph (b) above 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) 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 Administrator 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 with due diligence and efficiency and in conformity with appropriate

administrative, financial and environmental practices 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 Administrator 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. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain, for the duration of the Project implementation, an account (the Project Account) in a commercial bank acceptable to the Administrator and on the terms and conditions satisfactory to the Administrator;

(b) deposit into the Project Account: (i) an initial amount equivalent to \$100,000, being the Borrower's estimated share of counterpart funds required for Project implementation during the first year (the Initial Deposit); and (ii) thereafter, at annual intervals, deposit into the Project Account such amounts as shall be agreed upon between the Borrower and the Administrator at the beginning of each year; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) above shall be used exclusively to finance the Borrower's share of expenditures under the Project other than those financed from the proceeds of the Interim Fund Credit.

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 Administrator;

(ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and

(iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator

shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Interim Fund 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 Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Administrator'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 and the Administrator

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to subparagraph (b) of this paragraph:

(i) the right of the Borrower to withdraw the proceeds of any KfW Loan or IFAD Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(ii) the KfW Loan or the IFAD Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Administrator that:

(i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and

(ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

ARTICLE VI

Effective Date; Termination Designation of Administrator

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Interim Fund Development Credit Agreement within the meaning of

Section 12.01 (b) of the General Conditions:

(a) the Borrower has prepared and furnished to the Administrator the Project Implementation Manual, in form and substance acceptable to the Administrator;

(b) the Borrower has deposited \$100,000 equivalent into the Project Account referred to in Section 3.04 of this Agreement; and

(c) the IFAD Loan Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Interim Fund Development Credit Agreement, have been fulfilled.

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. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance 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 of Finance
Ministry of Finance
P.O. Box M.40
Accra, Ghana

Cable address:

ECONOMICON

Telex:

2205 MIFAEPGH

For the Association and the Administrator:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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/ Nana Effah-Apenteng

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the interim trust fund established with
funds contributed by certain members of
International Development Association pursuant to
Resolution No. IDA 184 of the Board of Governors of
International Development Association

By /s/ Peter Harrold

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	8,600,000	100% of foreign expenditures and 90% of local expenditures
(2) Equipment and supplies	700,000	100% of foreign expenditures and 90% of local expenditures
(3) Vehicles	2,100,000	100% of foreign expenditures and 85% of local expenditures
(4) Consultants' services	2,250,000	100%
(5) Training	550,000	100%
(6) Studies	550,000	100%
(7) Rural Infrastructure Coordinating Unit	3,250,000	100% of foreign expenditures and 85% of local expenditures
(8) Refunding of Project Preparation Advance	850,000	Amounts due pursuant to Section 2.02 (c) of this Agreement

(9)	Unallocated	1,950,000
		<hr/>
	TOTAL	20,800,000
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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 "incremental operating costs" means the incremental expenses incurred on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel, supervision costs, workshops and specialized semiannual audits, but excluding salaries of officials of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (a) expenditures prior to the date of this Agreement, and (b) Subprojects to be financed by Advances unless the Subprojects have been prepared in accordance with the procedures and/or terms and conditions set forth or referred to in Schedule 4 to this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts costing less than \$100,000 equivalent each, for services for individual contracts costing less than \$50,000 equivalent each and for firms costing less than \$100,000 equivalent each, under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the quality of life of the rural poor in the Borrower's territories through: (i) empowering local communities and beneficiary groups to enable them to identify, plan, implement and maintain small, village-level infrastructure investments; (ii) increasing their access to development resources for investments in public-type goods; (iii) strengthening community and district-level institutions; and (iv) supporting its strategy of decentralization of development responsibilities to District Assemblies.

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

Part A: Rural Water Infrastructure

1. Provision of Grants or Advances to Beneficiaries for:

(a) the construction and rehabilitation of dug-outs and other small surface impoundments;

(b) development and equipping of boreholes and hand-dug wells in shallow aquifers;

(c) development and equipping of spring water schemes in farming areas;

(d) development of small-scale, full or supplemental, irrigation schemes from streamflow diversions, pumping and run-off management; and

(e) carrying out of water conservation measures, including the construction

of water retaining infrastructure to manage run-off and infiltration.

2. (a) Preparation of plans by Beneficiaries to develop and manage facilities for making productive use of available water, including related physical works and overall watershed management.

(b) Development of basic skills of Beneficiaries for the appropriate application of recommended best catchment management practices.

3. Provision of training to Beneficiaries in the proper operation and maintenance of investments in water.

Part B: Rural Transport Infrastructure

1. Provision of Grants or Advances to District Assemblies for the rehabilitation of feeder roads and spot improvements, including construction of culverts and appropriate drainage;

2. Provision of Grants to Beneficiaries for the development of priority village-to-farm tracks and trails identified by Beneficiaries.

3. Provision of technical advisory services to assist Beneficiaries to plan activities and to supervise implementation of contracts.

4. Provision of training to Beneficiaries to undertake routine maintenance tasks.

5. Introduction of intermediate forms of transport, including cycle trailers, donkey carts and light trailers.

Part C: Post-Harvest Infrastructure

1. Provision of Advances to Beneficiaries for:

(a) construction and rehabilitation of small- to medium-size post-harvest facilities, including drying floors and platforms, cribs, crop processing and fish smoking units for use by communities, small farmers and fish handlers working in formal or informal groups;

(b) development of appropriate individual, as well as group-owned and managed storage facilities for small producers of grain and other crops;

(c) identification, analysis and implementation of financially robust small-scale business Subprojects; and

(d) market facilities for rural communities and large urban towns.

2. Provision of technical advisory services to assist Beneficiaries to organize themselves into manageable groups, to be given essential skills to sustain their investments.

Part D: Institutional Strengthening

1. Empowering local communities and beneficiary groups, through the provision of technical advisory services, to enhance their capacity to plan and maintain village-level infrastructure in a sustainable manner.

2. Strengthening the capacity of communities and district-level institutions to improve the efficiency of rural resource transfer through the provision of training and technical advisory services.

3. Strengthening the management capacity of District Assemblies for planning and financial management through the provision of training, logistics and technical advisory services.

4. Assisting communities and groups to identify, prioritize and integrate self-initiated rural community infrastructure projects.

5. Strengthening the planning, coordination and management of relevant departments of MOFA, MLGRD, GIDA, DFR and other relevant agencies, through the provision of training, logistics and technical advisory services.

* * *

The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods, including vehicles, estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$1,300,000 equivalent, and works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$20,700,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods, including vehicles, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods costing \$10,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an

aggregate amount not to exceed \$13,800,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Administrator, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$250,000 or more, and for works estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Subject to the eligibility restrictions set forth in Section III of this Schedule, Consultants' services shall be procured under contracts awarded in accordance with the provisions 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). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, shortlists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Administrator review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Administrator, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

SCHEDULE 4

Implementation Program

Project Coordination

1. The policy coordination of all Project implementation activities shall be carried out by an interministerial Project Policy Coordination Committee (PPCC), comprising representatives from MOF, MOFA, MLGRD, Ministries of Works and Housing, Environment, Science and Technology, Trade and Industries, Employment and Social Welfare, and Roads and Highways. PPCC shall provide overall policy guidance and advise the various implementing agencies accordingly. PPCC shall be chaired by the Minister for Food and Agriculture, or his designate, and shall meet at least once in each year.

2. At the technical level, coordination shall be carried out through the NTSC, comprising representatives of MOFA, MLGRD, CWSD, as well as, DFR, GNAFF, NBSSI, the Department of Cooperatives, GIDA and GAPVOD. The Chief Director of MOFA shall chair NTSC, and the National Project Coordinator shall serve as the Secretary. NTSC shall meet semiannually to review the work program and progress reports on the Project and make recommendations to management on the actions required to achieve Project targets.

Project Implementation

3. The Borrower shall, for purposes of carrying out the Project, establish and maintain a Rural Infrastructure Coordinating Unit (RICU) in MOFA, with primary responsibility for coordinating implementation support to the District Assemblies and community groups and associations. RICU shall have broad autonomy in implementing the work program agreed upon with the PPC and NTSC. For purposes of avoiding duplication, the existing Project Unit, established under the Agricultural Sector Investment Project (Credit No. 2555 GH), shall be integrated into RICU to become a single implementation unit for rural infrastructure. RICU shall be headed by a National Coordinator, selected by MOFA, supported by relevant technical staff, including a rural infrastructure engineer and an institutions specialist, all under terms of reference and with qualifications and experience satisfactory to the Administrator and appointed in accordance with procedures under Section II of Schedule 3 to this Agreement.

4. RICU shall:

(a) implement technical and institutional strengthening aspects of the Project, including ensuring that Project actions and interventions complement those of other similar projects in the sector;

(b) be responsible for timely reporting, monitoring and evaluation, and impact assessments;

(c) establish and maintain a management information system to provide up-to-date information on the status of implementation of subprojects in the various zones; and

(d) provide policy and technical liaison with the PPCC and NTSC.

5. The Borrower shall establish four decentralized zonal project offices to strengthen village-level institutions, Zone I with head office in Tamale for the Northern, Upper East and Upper West Regions; Zone II with head office in Kumasi for the Ashanti and Brong Ahafo Regions; Zone III with head office in Cape Coast for the Central and Western Regions; and Zone IV with head office in Accra for Greater Accra, the Eastern and Volta Regions. Each Zonal Project Office shall be headed by a Zonal Project Coordinator, with relevant technical and administrative staff.

6. Day-to-day responsibility for Project implementation at the district level shall be the responsibility of each DA with technical oversight of the respective zonal office. The District Executive Committee and its administrative offices shall be

strengthened for purposes of Project implementation. Public-good Subprojects shall be financed through the DACF, based on eligible Subprojects from the District Development Plan. Private-good Subprojects shall be financed through the DRIF.

7. Except as the Administrator shall otherwise agree, the Borrower shall, in carrying out the Project, apply the guidelines and procedures specified in the Project Implementation Manual and shall not assign, amend, abrogate or waive the Project Implementation Manual or any provision thereof which, in the opinion of the Administrator, will materially or adversely affect the implementation of the Project.

8. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about December 31, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Administrator, by June 30, 1999, or such later date as the Administrator shall request, the report referred to in paragraph (b) of this Section and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

9. Beneficiary Eligibility Criteria

Without limitation upon the provisions of paragraph 7 above, the selection of Beneficiaries of grants to be made out of the proceeds of the Interim Fund Credit for a subproject shall be made in accordance with the following criteria:

(a) District Assemblies which qualify as Beneficiaries for public-good Subprojects shall have:

(i) the following staff with the necessary operational training:

- District Coordinating Director
- District Financial Controller
- District Planning Officer
- District Works Engineer
- District Agricultural Coordinator
- Community Development Officer;

(ii) an operating bank account and the budgetary requirements for the current year;

(iii) adequate operational facilities;

(iv) a District Development Plan prepared in close consultation with the community and resources, sustainability considerations, concerned, taking into account their priority needs implementation capacity and

(v) established a DRIF account;

(vi) hired a manager for the DRIF account;

(vii) basic office facilities and equipment; and

(viii) DRIF Committees for purposes of approval of community and group Subprojects.

(b) Communities which qualify as Beneficiaries shall have formed a user group or association which has been formally registered in accordance with the relevant laws and regulations on group activities, for accounting and monitoring purposes. The user group or association shall have the following attributes:

(i) the members of the user group or association shall have satisfactorily completed appropriate training in group dynamics and management and acquired a basic understanding of the investment operation;

(ii) the executive officers (Chairman, Secretary and Treasurer) and at least four other members of the user group or association shall have satisfactorily completed training in managing the finances of the organization and the investment, and basic technical and management procedures for the facility;

(iii) the user group or association shall have operated a savings account in a commercial bank for at least three months immediately prior to making an application for a grant under the Project and shall have saved at least its minimum financial contribution to the investment;

(iv) the group shall have agreed to take full responsibility for the proper operation of the facility, including adequate routine recurrent maintenance costs;

(v) the Community is organized for purposes of undertaking the Subproject; and

(vi) the Community has signed an agreement with the supporting organization and the District Assembly, undertaking to make adequate provision for related operations, maintenance and repairs.

(c) Groups which qualify as Beneficiaries for private-good infrastructure under Part C of the Project shall have:

(i) formed an association, formally registered under local laws and regulations to operate as a group, association or cooperative;

(ii) undergone training in group dynamics and management of the investment, including technical considerations of the operation and essential routine maintenance;

(iii) signed an agreement with a supporting organization or NGO and the District Assembly undertaking to make periodic payments sufficient for operations and maintenance;

(iv) demonstrated that it can provide the required contribution, either in cash or in kind, as set forth in the Implementation Manual; and

(v) enter into an agreement with DRIF in which the Beneficiary agrees to carry out the Subproject and to repay the principal of the Advance the amounts and terms as set forth in the contract, into the DACF, the amount so repaid to be used for development purposes as set forth in the operating procedures and policies of the DACF.

10. The Ministry of Local Government and Rural Development and other relevant ministries shall take all necessary measures to ensure that all District Assemblies are provided with adequate staffing and operational facilities so that such Assemblies meet the criteria specified above, and RICU shall coordinate technical assistance and training targeted at districts and communities and associations to enable them to meet

the eligibility criteria.

11. Eligibility Criteria for Subprojects

Without limitation on the provisions of paragraph 7, no Subproject shall be eligible for financing out of the proceeds of the Interim Fund Credit unless RICU or its zonal offices shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Implementation Plan, that the Subproject satisfies the eligibility criteria specified in more detail in the Project Implementation Plan, which shall include the following:

- (a) For Subprojects under Part B.1 of the Project
 - (i) the Subproject is consistent with national policies, procedures and priorities;
 - (ii) the Subproject is part of the District Development Plan;
 - (iii) the Subproject meets the required technical criteria; and
 - (iv) the Subproject includes adequate mechanisms to ensure timely operations and maintenance.
- (b) For Subprojects under Parts A, B.2 and C.1 of the Project
 - (i) the Subproject shall be for one of the activities described in the relevant Parts of the Project; and
 - (ii) the Subproject shall be economically, financially and technically viable in accordance with the standards specified in the Project Implementation Plan.

12. Terms and Conditions of Grants and Advances made for Subprojects

(a) Subprojects shall be carried out pursuant to Subproject Agreements, to be concluded between the Borrower and the Beneficiary, under terms and conditions satisfactory to the Administrator, which, inter alia, shall include the following:

- (i) the obligation of the Beneficiary to carry out the Subproject in accordance with the Project Implementation Plan, with due diligence and efficiency and in accordance with sound environmental, technical, financial and managerial standards, and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;
- (ii) the requirement that:
 - (i) the goods, works and services to be financed from the proceeds of the Interim Fund Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and
 - (ii) such goods, works and services shall be used exclusively in the carrying out of the Subproject;
 - (iii) the right of the Borrower to inspect, by itself, or jointly with the Administrator, if the Administrator shall so request, the goods, work sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents;
 - (iv) the right of the Borrower to obtain all information as the Borrower or the Administrator shall reasonably request regarding the administration, operations and financial condition of the Subproject; and
 - (v) the right of the Borrower to suspend or terminate the right of the

Beneficiary to use the proceeds of the Interim Fund Credit for the Subproject upon failure by the Beneficiary to perform any of its obligations under its Subproject Agreement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 Interim Fund 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 \$1,500,000 to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

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 Administrator 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 Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator from the Interim Fund 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 Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

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

(b) if the Borrower shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator 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 Administrator 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 Administrator, refund to the Administrator such outstanding amount.

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

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

