

CONFORMED COPY

CREDIT NUMBER 2502 GH

Development Credit Agreement

(Private Enterprise and Export Development Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 1993

CREDIT NUMBER 2502 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 1993, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated April 27, 1993, from the Borrower describing a program of actions, objectives and policies designed to strengthen the financial sector, promote exports and investment, and encourage private sector development (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; and

(C) Parts A, B and C of the Project will be carried out by the Bank of Ghana (BOG) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BOG a portion of the proceeds of the Credit as provided in this Agreement; 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 in the Project

Agreement of even date herewith between the Association and BOG;

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) "Bank of Ghana Act" means the Bank of Ghana Law, 1992 (P.N.D.C.L. 291);
- (b) "BOG" means the Bank of Ghana, established pursuant to the Bank of Ghana Act;
- (c) "Cedis" means the currency of the Borrower;
- (d) "Cedis Sub-loan" means any Sub-loan made and denominated in Cedis;
- (e) "Dollar Sub-loan" means any Sub-loan made and denominated in Dollars;
- (f) "EFO Reference Interest Rate" has the meaning provided in paragraph 2 (a) of Part A of Schedule 2 to the Project Agreement;
- (g) "Export Finance Office" or "EFO" means the Export Finance Office established within BOG, under terms of reference satisfactory to the Association, for purposes of implementing Parts A, B and C of the Project;
- (h) "Export Guarantee Program" has the meaning provided therefor in Part B of the Project;
- (i) "Export Refinance Program" has the meaning provided therefor in Part A of the Project;
- (j) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 1(b) of Part B of Schedule 1 to the Project Agreement;
- (k) "Investment Enterprise" means any enterprise meeting the eligibility criteria set forth in Part D of Schedule 1 to the Project Agreement to which any PFI proposes to make or has made a Sub-loan;
- (l) "Investment Project" means a manufacturing or processing operation, meeting the eligibility criteria set forth in Part D of Schedule 1 to the Project Agreement, to complete an export order to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;
- (m) "MFEP" means the Borrower's Ministry of Finance and Economic Planning;
- (n) "NPART" means the Non-Performing Assets Recovery Trust, established pursuant to the Non-Performing Assets (Loans, Investments) Recovery Law, 1989 (P.N.D.C.L. 242);
- (o) "Participating Financial Institution" or "PFI" means any bank or specialized financial institution which meets the eligibility criteria set forth in Part C of Schedule 2 to the Project Agreement and which is designated by BOG as a Participating

Financial Institution;

(p) "Participation Agreement" means the financing agreements, in form and substance satisfactory to the Association, to be entered into between BOG and each PFI in accordance with Section 2.02 of the Project Agreement, pursuant to which BOG shall onlend proceeds of the Credit for the purpose of financing Sub-loans;

(q) "PFI Subsidiary Loan" means a loan made by BOG to any PFI for any Sub-loan, as described in paragraph 1 of Part A of Schedule 2 to the Project Agreement;

(r) "PIU" means the project implementation unit established within the MFEP, under terms of reference satisfactory to the Association, for purposes of implementing the Project;

(s) "Private Enterprise" means any enterprise which is at least 51% directly or indirectly owned by private individuals, and in which the public sector is not the largest single shareholder;

(t) "Project Agreement" means the agreement between the Association and Bank of Ghana (BOG), 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;

(u) "Special Account" means either the BOG Special Account or the PIU Special Account referred to in Section 2.02 (b)(i) and (ii), respectively, of this Agreement;

(v) "Sub-loan" means a loan made or proposed to be made by BOG out of the proceeds of the Credit to an Investment Enterprise for an Investment Project; and

(w) "Subsidiary Administration Agreement" means the agreement to be entered into between the Borrower and BOG pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Administration Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-nine million six hundred thousand Special Drawing Rights (SDR 29,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, to be paid) by BOG on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested; and (ii) 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 Parts C and D of the Project and to be financed out of the proceeds of the Credit.

- (b) (i) The Borrower shall, for the purposes of Parts A and C of the Project, open and maintain in Dollars a special deposit account (the BOG Special Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the BOG Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

- (ii) The Borrower shall, for the purposes of Part D of the Project, open and maintain in Dollars a special deposit account (the PIU Special Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the PIU Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

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

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 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 semiannual installments payable on each January 15 and July 15 commencing July 15, 2003 and ending January 15, 2033. Each installment to and including the installment payable on January 15, 2013 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. BOG is designated as representative of the Borrower in respect of Parts A, B and C 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

Description of the Project; Use of Proceeds of the Credit

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 D of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial 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 limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause BOG to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable BOG to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

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

(c) The Borrower shall make available a portion of the proceeds of the Credit to BOG under a subsidiary administration agreement to be entered into between the Borrower and BOG, under terms and conditions which shall have been approved by the Association and which shall include: (i) the requirement that the Borrower bears the foreign exchange risk, (ii) provision for retention by BOG of a processing fee equal to 2% of all interest payments made by PFIs to BOG under the Export Refinance Program, and (iii) the requirement that BOG employ the proceeds from the repayment of Sub-loans to finance short-term export credit needs, as well as other export credits, subject to its obligations to fund the Export Guarantee Program under paragraph 4 (a) of Schedule 4 to the Project Agreement.

(d) The Borrower shall exercise its rights under the

Subsidiary Administration 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 Administration 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 D 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 Borrower and the Association 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 Parts A, B and C of the Project shall be carried out by BOG pursuant to Section 2.05 of the Project Agreement.

Section 3.04. (a) The Borrower shall take all actions necessary so that beginning not later than December 31, 1993: (i) ex-post review, rather than ex-ante approval, shall apply to all investments; and (ii) fiscal investment incentives shall be obtained simultaneously with the filing of tax returns.

(b) The Borrower shall: (i) not later than December 31, 1993, commence implementation of an action plan to eliminate, within calendar year 1994, the regulatory functions of the Ghana Investments Centre (established pursuant to the Investment Code, 1985 (P.N.D.C.L. 116)); and (ii) take all actions necessary so that beginning not later than January 1, 1995, the Ghana Investments Centre shall have no regulatory functions.

Section 3.05. (a) The Borrower shall carry out, jointly with the Association and BOG, not earlier than July 31, 1995 and not later than September 30, 1995, a mid-term review of the progress made in carrying out the Project and the Program. This review shall cover, among other things: (i) implementation of the Export Refinance Program and the Export Guarantee Program, (ii) the interest rates being charged by BOG on PFI Subsidiary Loans and by PFIs on Sub-loans, (iii) progress with the restructuring of the companies within the NPART portfolio, (iv) adequacy of institutional arrangements for Project implementation, (v) review of the results of the studies conducted under Parts C and D of the Project and recommendations for follow-up actions, (vi) review of the monitoring indicators agreed upon with the Association, (vii) the status of modifications to the regulation of investments and other reforms set forth in the Program, (viii) execution and impact of training programs under the Project, and (ix) status of procurement under the Project.

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part D 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 and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

ARTICLE V

Remedies of the Association

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

- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;
- (b) BOG 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 the Development Credit Agreement, an extraordinary situation

shall have arisen which shall make it improbable that BOG will be able to perform its obligations under the Project Agreement;

(d) the Bank of Ghana Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of BOG or its ability to carry out the Project or to perform any of its obligations under the Project Agreement; and

(e) the Borrower, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of BOG or for the suspension of its operations.

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

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

(b) any event specified in paragraph (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Administration Agreement has been executed on behalf of the Borrower and BOG;

(b) at least five banks shall have been designated by BOG as PFIs;

(c) the Export Finance Office and PIU shall be fully staffed with personnel with qualifications and experience satisfactory to the Association;

(d) the Borrower and BOG shall have prepared bid packages, satisfactory to the Association, for the procurement of those goods and services agreed upon with the Association required under Parts C and D of the Project (except for Part C.3); and

(e) the Borrower shall have submitted to the Association detailed proposals for implementing Section 3.04 of this Agreement.

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 BOG, and is legally binding upon BOG in accordance with its terms; and

(b) that the Subsidiary Administration Agreement has been duly authorized or ratified by the Borrower and BOG and is legally binding upon the Borrower and BOG 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/ Joseph Abbey
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
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(1)	Sub-loans	24,500,000	100%
(2)	Consultants' Services, Training, Equipment and Vehicles under Part C.1 of the Project	410,000	100%
(3)	Consultants' Services, Guidebooks, Workshops and Training under Part C.2 of the Project	260,000	100%
(4)	Consultants' Services, Training, Equipment and Vehicles under Part C.3 of the Project	2,480,000	100%
(5)	Consultants' Services and Equipment under Part C.4 of the Project	100,000	100%
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6)	Consultants' Services under Part C.5 of the Project	30,000	100%
(7)	Consultants' Services, Training, Equipment, Vehicles, Equipment and Vehicle Maintenance, and Office Supplies under Part D.1 of the Project	270,000	100%
(8)	Consultants' Services, Training, Equipment and Vehicles under Part D.2 of the Project	210,000	100%
(9)	Consultants' Services, Training, Equipment and Vehicles under Part D.3 of the Project	150,000	100%
(10)	Unallocated	1,190,000	
	TOTAL	29,600,000 =====	

2. For purposes of this Schedule, the term "training" means expenditures for seminars, fellowships, 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 in respect of:

(a) Category (1) until (i) the Export Finance Office shall have adopted operational policies and procedures for implementing the Export Refinance Program and the Export Guarantee Program satisfactory to the Association, (ii) BOG shall have issued a circular to the banking sector, satisfactory to the Association, describing the Export Refinance Program and the Export Guarantee Program, including their eligibility criteria, and (iii) BOG shall have executed Participation Agreements with at least two PFIs;

(b) a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 and Part D of Schedule 2 to the Project Agreement; and

(c) payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (i) promote the Borrower's exports, (ii) strengthen the capacity of the Borrower's financial sector, and (iii) improve the efficiency of the Borrower's private 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: Export Credit Refinance Facility

Financing, through BOG and PFIs, of short term credits to exporters to support their export activities (the Export Refinance Program).

Part B: Export Credit Guarantee Program

Operation of an export credit guarantee program (the Export Guarantee Program), through BOG, covering preshipment export credits provided by PFIs.

Part C: Strengthening and Expanding Banking Sector Activities

1. Improving the institutional capacity of BOG to promote exports through the training of staff and the creation and operation within BOG of the Export Finance Office.

2. Improving the capacity of bankers and exporters to conduct export activities through training of staff and distribution of an export guidebook.

3. Establishment and operation of an international payments settlement system for banks, including the acquisition of computer equipment and the training of the staff of BOG and other financial sector institutions.

4. Conducting a feasibility study for the establishment of a forward foreign exchange market.

5. Conducting a feasibility study for the creation of a credit reference agency.

Part D: Strengthening and Expanding Other Financial and Private Sector Activities

1. Preparation of an action plan to restructure the companies within the NPART portfolio.

2. Promoting the establishment of an institutional debt market and improving the operation of stock markets through studies and training of the staff of the Borrower and private sector institutions.

3. Improving the operation of the insurance sector through studies and training of staff of insurance sector institutions.

* * *

The Project is expected to be completed by September 30, 1997.

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). 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.

2. To the extent practicable, contracts for goods under Part D of the Project shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

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

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. Items or groups of items for goods under Part D of the Project estimated to cost the equivalent of \$200,000 or less per contract may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items for goods under Part D of the Project, estimated to cost the equivalent of \$75,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part 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 for goods estimated to cost the equivalent of over \$75,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of any Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of any

Special Account in respect of such contract.

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

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

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

Section II. Employment of Consultants

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

SCHEDULE 4

Implementation Program Part D of the Project

1. The Borrower shall operate the PIU under terms of reference, and with staffing (including their qualifications and experience), satisfactory to the Association.

2. In carrying out Part D of the Project, the Borrower shall adopt, not later than October 30 of each year, and thereafter implement a training program for the subsequent calendar year, including cost sharing arrangements, satisfactory to the Association.

3. The Borrower shall carry out the studies under Part D of the Project under terms of reference satisfactory to the Association, and shall complete, not later than June 30, 1994, the following studies: (a) a long term debt market study under Part D.2 of the Project, and (b) a study regarding commercial insurance options under Part D.3 of the Project.

4. The Borrower shall submit to the Association, not later than January 31, 1994, a draft action plan under Part D.1 of the Project, and shall adopt a final action plan, satisfactory to the Association, not later than April 30, 1994.

5. The Borrower shall carry out Part D.1 of the Project in cooperation with NPART under terms and conditions satisfactory to the Association.

6. The Borrower shall carry out Part D.2 of the Project through the Ghana Stock Exchange, established under the Stock Exchange Act, 1971 (Act 384), under terms and conditions satisfactory to the Association.

7. The Borrower shall carry out Part D.3 of the Project through the National Insurance Commission, established pursuant to the Insurance Law, 1989 (P.N.D.C.L. 227), under terms and conditions satisfactory to the Association.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means:

- (i) with respect to the BOG Special Account, Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and
- (ii) with respect to the PIU Special Account, Categories (7) through (9) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A and C of the Project, in the case of the BOG Special Account, and Part D of the Project, in the case of the PIU Special Account, and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement, provided, however, that notwithstanding the provisions of paragraph 1(b) of Part B of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the BOG Special Account before the Association shall have authorized withdrawals from the Credit Account in respect thereof; such expenditures, however, shall qualify as eligible expenditures only if the Association shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to: (i) \$3,000,000, in the case of the BOG Special Account, and (ii) \$400,000, in the case of the PIU Special Account, to be withdrawn from the Credit Account and deposited in such Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

- (b) (i) For replenishment of such Special Account, the Borrower shall furnish to the Association requests for deposits into such Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into such 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 such Special Account for eligible expenditures.

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for such Special Account, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to Parts A and C of the Project, in the case of the BOG Special Account, and Part D of the Project, in the case of the PIU Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for such Special Account.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for such Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in such Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

or made such deposit or refund, as the case may be.

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

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

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

