

CONFORMED COPY

CREDIT NUMBER 4139-GH

Development Credit Agreement

(Micro, Small and Medium Enterprise Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 2, 2006

CREDIT NUMBER 4139-GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 2, 2006, between the REPUBLIC OF GHANA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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;

(B) the Association has received from the Borrower its National Medium Term Private Sector Development Strategy 2004 – 2008, and the Trade Sector Support Program 2006 – 2010, collectively describing a program designed to increase the performance and employment levels of micro, small and medium enterprises in the Borrower's economy (the Program) and declaring the Borrower's commitment to the execution of such program; and

(C) the Borrower intends to obtain from various Pooled Funding Partners (as hereinafter defined) grants or loans to assist in financing Part C of the Project;

(D) the Borrower, the Association and the Pooled Funding Partners have entered into a Memorandum of Understanding dated June 9, 2005, providing for common arrangements and procedures on procurement, disbursement, accounting, monitoring, reporting, auditing, coordination and exchange of information required for the implementation of Part C of the Project; 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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modification set forth in paragraph (b) below (the General Conditions), constitute an integral part of this Agreement.

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “Annual Composite Work Plan and Budget” means each plan and budget for Part C of the Project approved by the Association in accordance with Section III (2) of Schedule 4 to this Agreement;

(b) “BDS” means business development services;

(c) “BDS Beneficiary” means a private sector MSME, business development service provider, apex or intermediary level organization, financial institution or another eligible private sector or public sector entity, or a grouping thereof, established and operating under the laws of the Borrower, which has met the eligibility criteria specified in the Project Implementation Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended, a BDS Grant (as hereinafter defined) for the carrying out of a BDS Sub-project (as hereinafter defined); and “BDS Beneficiaries” means, collectively, more than one BDS Beneficiary;

(d) “BDS Grant” means a performance-based grant made or proposed to be made out of the proceeds of the Credit by the Borrower, through the BDS Grants Manager (as hereinafter defined), to a BDS Beneficiary for the purpose of financing a BDS Sub-project in accordance with the provisions of Section IV of Schedule 4 to this Agreement;

(e) “BDS Grant Agreement” means an agreement entered into, or to be entered into, between the BDS Grants Manager, on behalf of the Borrower, and a BDS Beneficiary, for the purpose of extending a BDS Grant to such BDS Beneficiary on the terms and conditions set forth or referred to in Section IV (3) of Schedule 4 to this Agreement;

(f) “BDS Grants Manager” means a firm or individuals to be recruited by the Borrower in accordance with the provisions of Section I (3) of Schedule 4 to this Agreement to assist the Borrower in managing the BDS Grants;

(g) “BDS Sub-project” means a set of specific activities carried out or to be carried out by a BDS Beneficiary under Parts A.3, A.4, B.1 (a) and B.1 (b) (i), (iii) and (iv) of the Project, and financed or proposed to be financed through a BDS Grant;

(h) “Cedi” means the currency of the Borrower;

(i) “Eligible Categories” means Categories (1) through (7) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of the Special Account, and Category (8) therein in respect of the Pooled Account;

(j) “Eligible Expenditures” means the expenditures referred to in Section 2.02 (a) of this Agreement;

(k) “Environmental Action Plan” or “EAP” means the Borrower’s plan dated April 2005, as may be modified from time to time with the prior concurrence of the Association, setting out measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with any construction, rehabilitation and maintenance activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EAP;

(l) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(m) “Fiscal Year” means the Borrower’s fiscal year commencing January 1 and ending December 31 of each year;

(n) “ICT” means information and communication technologies;

(o) “IFC” means the International Finance Corporation;

(p) “LOC Performance Grant” means a performance-based grant under Part A.2 of the Project made or proposed to be made out of the proceeds of the Credit by the Borrower, through the BDS Grants Manager, to an eligible bank participating in an IFC-funded line of credit facility in accordance with the provisions of Section V of Schedule 4 to this Agreement;

(q) “MDAs” means the Borrower’ ministries, departments and agencies;

(r) “MOTI” means the Borrower’s Ministry of Trade and Industry;

(s) “MOU” means the Memorandum of Understanding referred to in Recital (D) in the Preamble to this Agreement;

(t) “MSME” means a micro, small or medium enterprise established and operating under the laws of the Borrower; and “MSMEs” means, collectively, more than one MSME;

(u) “Partial Credit Guarantee” or “PCG” means, individually, a partial credit guarantee financed or to be financed out of the proceeds of the Credit under Part A.1 of the Project; and “Partial Credit Guarantees” or “PCGs” mean, collectively, more than one Partial Credit Guarantee;

(v) “Participating Bank” means, individually, a commercial bank established and operating pursuant to the laws of the Borrower, which has met the eligibility criteria specified in the PCG Framework Agreement (as hereinafter defined) and as a result has received a Partial Credit Guarantee under Part A.1 of the Project; and “Participating Banks” mean, collectively, more than one Participating Bank;

(w) “PCG Account” means the account referred to in Section 2.02 (c) of this Agreement;

(x) “PCG Facility Agreement” means an agreement entered or to be entered into between IFC and a Participating Bank for the issuance of a Partial Credit Guarantee by IFC to such Participating Bank; and “PCG Facility Agreements” mean, collectively, more than one PCG Facility Agreement;

(y) “PCG Framework Agreement” means the agreement to be entered into between the Association, IFC and the Borrower pursuant to Section 3.01 (c) of this Agreement, as the same may be modified from time to time by written agreement among the parties thereto;

(z) “Pooled Account” means the account referred to in Article 2.02 (b)(ii) of this Agreement;

(aa) “Pooled Funding Partners” means, collectively, the Association, the Danish Agency for Development Assistance, the Department for International Development of the United Kingdom of Great Britain and Northern Ireland, and any other national or international agency pooling at least a part of their funds for Part C of the Project into the Pooled Account and having signed the Memorandum of Understanding;

(bb) “Private Sector Oversight Committee” or “PSOC” means the committee established and operating under the laws of the Borrower to provide overall guidance and oversee the implementation of the Program, including the Project in accordance with Section I (1) of Schedule 4 to this Agreement;

(cc) “Procurement Plan” means the Borrower’s procurement plan, dated November 9, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be periodically updated in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(dd) “Project Implementation Manual” or “PIM” means the Project Implementation Manual referred to in Section II (1) of Schedule 4 to this Agreement, as may be modified from time to time with the prior agreement of the Association, and such term includes any schedules to the PIM;

(ee) “Report-Based Disbursements” means withdrawal of funds from the Credit Account using the method referred to in Part A.5 of Schedule 1 to this Agreement;

(ff) “SMEs” means small or medium enterprises established and operating under the laws of the Borrower;

(gg) “Special Account” means the special deposit account referred to in Section 2.02 (b)(i) of this Agreement;

(hh) “Subprogram” means a program of activities under Part C of the Project and included in the Annual Composite Work Plan and Budget, and “subprograms” means, collectively, more than one subprogram;

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty one million one hundred thousand Special Drawing Rights (SDR 31,100,000).

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) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit; (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) on account of BDS Grants to meet the reasonable cost of goods, works and services required for BDS Sub-projects; (iii) LOC Performance Grants required for the Project and to be financed out of the proceeds of the Credit; (iv) amounts paid (or, if the Association shall so agree, to be paid) on account of Subprograms to meet the reasonable cost of goods, works and services under Part C of the Project; and (v) amounts required to cover the Borrower’s obligations in connection with Partial

Credit Guarantees to be issued pursuant to the terms of the PCG Framework Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars: (i) in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment, a special deposit account for withdrawals under Eligible Categories (1) through (7) (the Special Account); and (ii) in the Bank of Ghana, on terms and conditions satisfactory to the Association, a pooled funding account for withdrawals under Eligible Category (8) (the Pooled Account). Deposits into, and payments out of, the Special Account and the Pooled Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

(c) The Borrower shall, for the purposes of Part A.1 of the Project, entrust IFC to open and maintain, on behalf of the Borrower, an account on terms and conditions satisfactory to the Association (the PCG Account). Deposits into, and payments out of, the PCG Account shall be made in accordance with the terms and conditions set forth in this Agreement and the PCG Framework Agreement.

(d) The proceeds of the Credit deposited in the PCG Account shall be used exclusively for eligible expenditures in accordance with the terms of the PCG Framework Agreement.

(e) The Borrower may, through IFC, refund to the Association any amount on deposit in the PCG Account which IFC shall have determined will not be required to cover payments due under or in connection with the PCG Facility Agreements.

(f) The Borrower shall, through IFC, promptly refund to the Association any balance in the PCG Account remaining after the commitments under each PCG Facility Agreement have expired or said agreement has otherwise been terminated in accordance with its terms.

(g) Refunds to the Association made pursuant to paragraphs (e) and (f) of this Section or otherwise pursuant to the provisions of the PCG Framework Agreement 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; provided, however, that amounts refunded to the Association pursuant to paragraph (f) of this Section after the Closing Date shall be used for such purposes as shall have been agreed between the Borrower and the Association.

Section 2.03. The Closing Date shall be December 31, 2011 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 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 Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 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 Credit in semiannual installments payable on each March 15 and September 15, commencing March 15, 2016, and ending September 15, 2045. Each installment to and including the installment payable on September 15, 2025 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 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 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 Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the 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 Association 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 Association 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 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.

(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 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 United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) The Executive Vice President of IFC or any person whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (a)(v) of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts IFC with responsibility for preparing and delivering withdrawal applications in respect of Category (9) in the table in paragraph 1 of Schedule 1 to this Agreement and for collecting documents and other evidence to be furnished to the Association in support of such applications.

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, engineering 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall: (i) carry out Part A.1 of the Project through IFC in accordance with the PCG Framework Agreement and the PCG Facility Agreements, on terms and conditions acceptable to the Association; (ii) perform all its obligations and take all actions necessary on its part to enable IFC to perform all IFC's obligations under said agreements; (iii) not take or permit to be taken any action which would prevent or interfere with such performance; and (iv) except as the Association shall otherwise agree, not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived the said agreements or any provision thereof.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association, for the Association's approval.

Section 3.03. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall:

(a) open an account in Cedi in the Bank of Ghana (the Project Account), and thereafter maintain the Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account: (i) an initial amount of 200,000,000 Cedi; and (ii) thereafter, at quarterly intervals, replenish the Project Account by the amounts

required to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit, as shall be agreed upon between the Borrower and the Association; and

(c) ensure that funds deposited into the Project Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the continued achievement of the Project's objectives; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements separately identifying expenditures financed out of the Special Account and the Pooled Account in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such

statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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 reports referred to in Part A.5 of Schedule 1 to this Agreement or on the basis of statements of expenditure referred to in Part A.4 of Schedule 1 to this Agreement, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the Fiscal Year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) separately evidencing such expenditures financed out of the Special Account and the Pooled Account;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each Fiscal Year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section VI of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately expenditures financed out of the Special Account and the Pooled Account using Credit proceeds, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Program, or a significant part thereof;

(b) the Borrower or IFC shall have failed to perform any of their obligations under the PCG Framework Agreement;

(c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Borrower or IFC will be able to perform their obligations under the PCG Framework Agreement;

(d) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower by the Pooled Funding Partners for the financing Part C of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Borrower has adopted the Project Implementation Manual, in form and substance satisfactory to the Association.

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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as otherwise provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for finance 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:

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

Cable address:	Telex:	Facsimile:
ECONOMICON Accra	2205 MIFAEP GH	233-21-667069 233-21-663854

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS	248423 (MCI) or	(202) 477-6391
Washington, D.C.	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 Accra, Republic of Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Kwadwo Baah-Wiredu

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mats Karlsson

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	3,250,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods	3,750,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services and audits	7,100,000	90%
(4) Training	1,750,000	100%
(5) Operating Costs	450,000	90%
(6) BDS Grants	4,500,000	100% of amounts disbursed
(7) LOC Performance Grants	1,450,000	100% of amounts disbursed
(8) Subprograms	3,150,000	Such percentage of Eligible Expenditures as the Association shall determine from time to time
(9) Partial Credit Guarantees	2,850,000	100% of amounts disbursed
(10) Unallocated	2,850,000	
TOTAL	<u>31,100,000</u>	

For the purposes of this Schedule:

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

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

(c) the term “Training” means all costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation; and

(d) the term “Operating Costs” means the incremental operating costs incurred on account of the implementation of the Project including maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, travel per diems and allowances and travel and accommodation, but excluding salaries of the Borrower’s civil servants.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 100,000, may be made on account of payments made for expenditures before that date but after November 1, 2005;

(b) any BDS Grant under Category (6) unless: (i) the Borrower has contracted the BDS Grants Manager with qualifications and terms of reference satisfactory to the Association, in accordance with the provisions of Section III of Schedule 3 to this Agreement; and (ii) such BDS Grant has been made in accordance with the criteria, procedures and terms and conditions set forth or referred to in Section IV of Schedule 4 to this Agreement and the PIM;

(c) any LOC Performance Grant under Category (7) unless: (i) the Borrower has contracted the BDS Grants Manager with qualifications and terms of reference satisfactory to the Association, in accordance with the provisions of Section III of Schedule 3 to this Agreement; and (ii) such LOC Performance Grant has been made in accordance with the performance criteria, disbursement mechanisms and other arrangements and procedures set forth or referred to in Section V of Schedule 4 to this Agreement and the PIM;

(d) Subprograms under Eligible Category (8), unless the Annual Work Plan and Budget for the respective Fiscal Year has been approved by the Association in accordance with Section III (2) of Schedule 4 to this Agreement; and

(e) any PCG under Category (9) unless the PCG Framework Agreement and the PCG Facility Agreement for such PCG, on terms and conditions acceptable to the Association, have been duly authorized, executed and ratified by and are legally binding upon the parties thereto, and all conditions precedent to their effectiveness, except only the disbursement of the proceeds of the Credit for such PCG pursuant to Section 2.02 (a) (v) of this Agreement, have been fulfilled.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of consulting firms costing less than \$100,000 equivalent per contract; (d) services of individual consultants under contracts costing less than \$50,000 equivalent per contract, and (e) BDS Grants costing less than \$150,000 equivalent, training and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account and Pooled Account

1. After the Association has received evidence satisfactory to it that the Special Account and the Pooled Account have been opened in accordance with Section 2.02 (b) of this Agreement, withdrawals from the Credit Account of amounts to be deposited into the Special Account and the Pooled Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule.

2. Payments out of the Special Account and the Pooled Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account or the Pooled Account using Credit proceeds, as the case may be, 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.

3. Notwithstanding the provisions of Part B.1 of this Schedule, the Association shall not be required to make further deposits into the Special Account and the Pooled Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account and the Pooled Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

4. The Association shall not be required to make further deposits into the Special Account and the Pooled Account in accordance with the provisions of Part B.1 of this Schedule if, at any time, the Association 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 Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account and the Pooled Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

5. (a) If the Association determines at any time that any payment out of the Special Account or the Pooled Account using Credit proceeds, as the case may be, was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account or the Pooled Account, as the case may be, or, if the Association shall so request, refund to the Association, an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account and the Pooled 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 determines at any time that any Credit proceeds on deposit in the Special Account or the Pooled Account, as the case may be, will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 Credit proceeds on deposit in the Special Account and the Pooled Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

Annex A

to

SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to \$2,000,000 in respect of the Special Account to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.2 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to Eligible Categories (1) through (7) minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association

shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B

to

SCHEDULE 1

**Operation of Special Account and Pooled Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account or the Pooled Account, as the case may be, in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account or the Pooled Account, as the case may be, shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account or the Pooled Account, as the case may be, an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to enhance the competitiveness and employment levels of micro, small and medium enterprises in the Borrower's economy through: (a) building an integrated market access and trade facilitation infrastructure; (b) supporting entrepreneurship development; (c) developing and strengthening the sustainable capacity of local intermediaries to deliver financial and non-financial services to MSMEs and of MSMEs to make productive use of these services; (d) reducing selected business constraints faced by MSMEs, including technical barriers to trade; (e) providing an enabling environment to increase investments in the MSME sector; and (f) enhancing the Project implementation capacity of the Borrower.

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. Access to Finance

1. SME Loan Portfolio Partial Credit Guarantees

Provision of financing to facilitate SME loan portfolio partial credit guarantees in local currency to Participating Banks to be issued by IFC on a 50/50 *pari passu* basis and to be partially backstopped by the Borrower on a first loss basis.

2. Line of Credit Performance Grants

Provision of performance-based grants to eligible banks participating in an IFC-funded SME line of credit program to encourage them to reach loan volume and performance targets, and to build their capacity and offset certain start-up costs associated with lending to a new market segment.

3. BDS Grants to Banks and SMEs

(a) Provision of BDS Grants to Participating Banks and other eligible banks to assist them in developing and expanding efficient term lending to SMEs.

(b) Provision of BDS Grants to: (i) eligible SMEs to improve their capacity to present credible loan application packages, make productive use of loans, and improve their ability to service debts; and (ii) eligible business development service providers, including training providers, to implement a range of services to support SME borrowing capabilities and post-borrowing performance.

4. Creation of Additional Financial Instruments

Provision of technical assistance and BDS Grants to eligible financial institutions and intermediaries to develop and make available additional financial instruments to SMEs, such as financial standby liquidity facilities, guarantees of foreign currency loans for local bank funding, guarantees for term trade finance for banks and SMEs, innovative leasing products, local bond market development products and other financial instruments.

Part B. Access to Markets, Trade Facilitation and Entrepreneurship Development

1. Access to Markets

(a) Development of non-financial services in selected sectors to stimulate the market and build local capacity in the sector, through:

- (i) provision of BDS grants to eligible MSMEs to obtain enterprise support and non-financial services from external providers;
- (ii) provision of BDS Grants to eligible non-financial service providers to develop, innovate, upgrade and market specialized business development services to MSMEs; and
- (iii) provision of BDS Grants to eligible policy advocacy groups and business associations to strengthen public-private policy dialogue by measures such as developing sector strategies and implementing business linkage programs.

(b) Expansion and enhancement of access to the domestic and global markets, and facilitation of linkages between MSMEs and large-scale industries, through: (i) provision of BDS Grants to eligible MSMEs and intermediary organizations for comprehensive management development and business linkage services; (ii) provision of technical assistance to eligible public and private sector entities for setting up of pilot common service centers; (iii) provision of technical assistance and BDS Grants for promotion of “Made in Ghana Goods” for the domestic and external market, including the development of a web-based national product gallery; and (iv) provision of technical assistance and BDS Grants to build the capacity of small scale construction firms to link up with large scale construction companies, including activities under the Borrower’s sub-contracting and partnership exchange program.

(c) Provision of technical assistance to eligible public and private sector entities to identify and carry out interventions in priority sectors in which the Borrower has the potential to develop competitive industries, and prepare sector strategies that address specific bottlenecks in the flow of goods, services, and information.

2. Entrepreneurship Development

(a) Support for information and communication technology (ICT) based entrepreneurship development through: (i) establishment of an information and communication technology park (ICT Park) within the Borrower's Multi-Purpose Industrial Park at the port of Tema, through carrying out a comprehensive feasibility and implementation study, financing of key infrastructure and administrative costs, and building of a business and administrative center; (ii) initial implementation of measures identified under the Borrower's competitive assessment study of niche markets in the business process outsourcing and IT/ICT sector, including support for the training activities of the Kofi Annan ICT Center of Excellence; (iii) operationalization of the Ghana Information and Communications Technology Directorate to develop, oversee and coordinate the Borrower's programs for electronic government and commerce; and (iv) building capacity at the Ministry of Communications to participate in regional and sub-regional ICT harmonization efforts and coordinate implementation of activities under this Part B.2, including support for postal sector reform and operationalization of the Ghana Investment Fund for Telecommunications;

(b) (i) Support to MOTI to develop capacity building and training programs for MSMEs; (ii) building the capacity of the secretariats of the Borrower's catalytic interventions program and the Borrower's district industrialization program to deliver support to companies participating in the said programs; (iii) provision of technical assistance for the development of a framework for implementation of the Borrower's catalytic interventions program, including a government exit strategy; and (iv) building of the capacity of the Ghana Tourism Board to design and implement tourism development activities and support for community micro tourism business development.

(c) Set-up of pilot common service centers to improve efficiency and performance along the value chains in selected priority sectors, such as: (i) a small scale furniture producer center in the Multi-Purpose Industrial Park in Tema, including construction of workshop units, construction of a show room and administrative building, installation of common facilities and creation of a website for e-commerce; and (ii) a clothing technology and training center in the Multi-Purpose Industrial Park in Tema, including purchase of equipment, construction of administrative and training building, installation of common facilities and creation of a website for e-commerce.

3. Trade Facilitation Infrastructure Development

Support for building the Borrower's market access and trade facilitation infrastructure including: (a) development of a proactive trade information system and setting up of a one-stop MSME information resource center; (b) development of a public-private sector coordinated market development and export promotion program; (c) creation of an integrated institutional mechanism for trade facilitation and logistics management through establishment of a facilitating mechanism for export trade services such as the Ghana Export Roundtable and SME export trade houses; and

(d) support for building up the interface and integration of all components of the Borrower's trade development system.

Part C. Business Environment

Carrying out of Subprograms in support of the Borrower's Private Sector Development Strategy for: (a) implementation of selected priority activities under the Borrower's Trade Policy; (b) implementation of market-oriented reforms of the system for standardization, certification, and accreditation of conformity assessment organizations; (c) carrying out of selected market-based studies of constraints in strategic export sectors; (d) reform of selected business legislation and regulations, including the Companies Code; (e) reform of the business registration system; (f) reform of local business licenses, levies, fees and fines; (g) assessment of the impact and dissemination of information on various firm-level initiatives; (h) involvement of the private sector in the governance process through public-private dialogue; (i) building of the capacity of the Borrower's MDAs to effectively serve private sector needs; and (j) monitoring and evaluation of activities implemented under the Private Sector Development Strategy.

Part D. Project Implementation, Monitoring and Evaluation

Provision of technical assistance to support the Borrower to coordinate the implementation, procurement, financial management, and comprehensive monitoring and evaluation of Project activities.

* * *

The Project is expected to be completed by June 30, 2011.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts for goods and works shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Works estimated to cost less than \$2,000,000 equivalent per contract, and goods estimated to cost less than \$250,000 equivalent per contract and may be procured under contracts awarded on the basis of National Competitive Bidding.

3. Shopping. Works and goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

5. Procurement from UN Agencies. Goods estimated to cost less than \$250,000 equivalent per contract may be procured directly from the United Nations Inter-Agency Procurement Services Office in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

6. Commercial Practices. Items estimated to cost less than \$250,000 equivalent per contract and to be financed under BDS Grants, may be procured in accordance with commercial practices acceptable to the Association.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Commercial Practices. Services estimated to cost less than \$100,000 equivalent per contract and to be financed under BDS Grants may be procured in accordance with commercial practices acceptable to the Association.

5. Single-Source Selection. Services which meet the requirements set forth in paragraph 3.9 of the Consultant Guidelines may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

Section IV. Training, Workshops and Study Tours

All contracts for training, workshops and study tours shall be carried out on the basis of training programs approved by the Association, which shall include the training purposes and activities, number of participants, and cost estimates.

Section V. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract procured on the basis of International Competitive Bidding, Limited International Bidding or Direct Contracting; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract procured under Single Source Selection, regardless of the amount. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Section I. Institutional Arrangements

1. Private Sector Oversight Committee

(a) The Borrower shall maintain, at all times during the implementation of the Project, PSOC with functions, composition and resources satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 1 (a) of this Section, PSOC shall be responsible for, *inter alia*: (i) facilitating the prompt and efficient coordination of Project activities among the MDAs and other beneficiaries involved in the implementation of the Project; (ii) providing strategic advice, reviewing progress made towards achieving the Project's objectives, and making recommendations for removal of any obstacles to the implementation of the Project; (iii) providing comments on reports and reviews prepared by the MDAs and other beneficiaries involved in the implementation of the Project for the benefit of the Association; (iv) endorsing and submitting to the Pooled Funding Partners for their approval the Annual Composite Work Plan and Budget for Part C of the Project; and (v) reviewing and approving BDS Grants which exceed the thresholds for approval by MOTI, as specified in the PIM.

2. MOTI

(a) The Borrower shall ensure that MOTI is maintained at all times during the implementation of the Project with staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient implementation of the Project.

(b) Without limitation to the provisions of paragraph 2 (a) of this Section, MOTI shall be responsible for: (i) the overall coordination, financial management, monitoring, reporting and evaluation of Project activities; and (ii) the review and approval of BDS Grants which fall below the thresholds for approval by PSOC and above the thresholds for approval by the BDS Grants Manager, and for non-objection to the approval of LOC Performance Grants, as specified in the PIM.

3. BDS Grants Manager

(a) The Borrower shall appoint and maintain, at all times during the implementation of the Project, a firm or individuals to serve as the BDS Grants Manager, with terms of reference and functions satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 3 (a) of this Section, the BDS Grants Manager shall be responsible for: (i) appraising all proposed BDS Sub-projects; (ii) approving, subject to MOTI's non-objection, BDS Grants which fall below the threshold for approval by MOTI, as specified in the PIM; (iii) disbursing, administering, monitoring and reporting to MOTI on all approved BDS Grants, and (iv) reviewing, approving subject to the non-objection of MOTI, IFC and the Association, and administering, monitoring and reporting on all LOC Performance Grants, all in accordance with the provisions and procedures set forth in Sections IV and V of this Schedule and further detailed in the PIM.

Section II. Implementation Arrangements

1. Project Implementation Manual

(a) The Borrower shall adopt a PIM in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) capacity building activities for sustained achievement of the Project's objectives; (iii) disbursement and financial management; (iv) procurement; (v) a BDS Grants manual defining eligibility criteria, environmental and social screening guidelines, and approval, disbursement, administration and monitoring arrangements for BDS Sub-projects together with a sample BDS Grant Agreement format; (vi) an LOC Performance Grants manual defining performance criteria, review and approval procedures, disbursement, administration and other arrangements for LOC Performance Grants; (vii) monitoring, evaluation and reporting; and (viii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

(b) The Borrower shall carry out the Project in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Environmental Action Plan

The Borrower shall carry out any construction, rehabilitation and maintenance activities under the Project in accordance with the guidelines, procedures, timetable and other specifications set forth in the Environmental Action Plan, and shall not amend, abrogate or waive any provision of the EAP without the prior concurrence of the Association.

Section III. Subprograms

1. Memorandum of Understanding

(a) Without limitation upon the provisions of Sections I and II of this Schedule, the Borrower shall implement the Subprograms under Part C of the Project in accordance with the arrangement and procedures set out in the MOU; provided, however, that in case of any conflict between the provisions of the MOU and of this Agreement, the provisions of this Agreement shall prevail.

(b) Except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision of the MOU, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of Part C of the Project.

2. Annual Work Plan and Budget

The Borrower shall, prepare and furnish to Association for its joint approval with the other Pooled Funding Partners, not later than November 1 of each year during the implementation of the Project, or such later date as the Association may agree in consultation with the other Pooled Funding Partners, an Annual Composite Work Plan and Budget containing eligible activities and expenditures under each proposed Subprogram to be carried out under Part C of the Project in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter.

Section IV. BDS Grants

1. General

Without limitation upon the provisions of Section I of this Schedule, the Borrower shall appraise, approve and monitor the BDS Sub-projects, and administer the BDS Grants in accordance with the provisions and procedures set forth in this Section IV and in more detail in the PIM and the EAP.

2. Eligibility Criteria and Procedures for BDS Sub-projects

(a) No proposed BDS Sub-project shall be eligible for financing under a BDS Grant out of the proceeds of the Credit unless the BDS Grants Manager, MOTI or PSOC, as the case may be, have determined, on the basis of an appraisal conducted by the BDS Grants Manager in accordance with this Section and the guidelines set forth in the PIM and the EAP, that the proposed BDS Sub-project satisfies the eligibility criteria specified below and in more detail in the PIM and the EAP, which shall include, *inter alia*, the following:

- (i) the proposed BDS Sub-project shall be initiated by a BDS Beneficiary which has been registered as a legal entity and has the capacity to enter into a binding contract under the laws of the Borrower, and which has met the other eligibility criteria specified in the PIM, including the BDS Beneficiary's agreement and ability to provide a matching contribution as specified in the PIM;
- (ii) the BDS Beneficiary has the required technical, financial management and procurement capacity to implement the proposed BDS Sub-project in compliance with the guidelines set forth in the PIM; and
- (iii) the BDS Beneficiary shall be eligible to receive subsequent BDS Grants if it has completed the BDS Sub-project in the preceding Fiscal Year to the satisfaction of MOTI, in accordance with the terms of the BDS Grant Agreement.

(b) The Borrower shall cause the BDS Grants Manager to carry out an appraisal of the compatibility of each proposed BDS Sub-project with the eligibility criteria and the technical, financial, procurement, and environmental guidelines and procedures set forth in the PIM and the EAP and, based on such appraisal: (i) approve BDS Sub-projects whose investment cost falls below the threshold for approval by MOTI and PSOC; and (ii) recommend BDS Sub-projects which exceed the threshold for approval by BDS Grants Manager for approval by MOTI or the PSOC, as the case may be, in accordance with the thresholds set forth in the PIM.

3. Terms and Conditions of BDS Grants

(a) A BDS Sub-project shall be carried out pursuant to a BDS Grant Agreement, to be concluded between the BDS Grants Manager, on behalf of the Borrower, and the BDS Beneficiary, under terms and conditions described in more detail in the PIM and the EAP and satisfactory to the Association, which, *inter alia*, shall include the following:

- (i) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the BDS Sub-project;
- (ii) the modalities of transfer of funds by the BDS Grants Manager to the BDS Beneficiary for the financing of the BDS Sub-project;

- (iii) the obligation of the BDS Beneficiary to contribute, in cash and/or in-kind, a minimum percentage of the projected BDS Sub-project costs as specified in the PIM;
- (iv) the obligation of the BDS Beneficiary to: (A) carry out the BDS Sub-project with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the BDS Sub-project;
- (v) the requirement that the goods, works and consultants' services to be financed from the proceeds of the BDS Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the BDS Sub-project; and
- (vi) the right of the BDS Grants Manager, on behalf of the Borrower, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the BDS Sub-project, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of BDS Sub-projects; and (iii) suspend or terminate the right of any BDS Beneficiary to use the proceeds of the BDS Grant upon failure by the BDS Beneficiary to perform any of its obligations under the BDS Grant Agreement.

(b) The Borrower shall cause the BDS Grants Manager to exercise its rights under the BDS Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Borrower shall not permit the BDS Grants Manager to assign, amend, abrogate or waive the BDS Grant Agreement or any substantial provision thereof.

Section V. LOC Performance Grants

Without limitation upon the provisions of Section I of this Schedule, the Borrower shall, through the BDS Grants Manager, review, approve subject to the non-objection of MOTI, IFC and the Association, disburse and administer all LOC Performance Grants in accordance with the performance criteria, disbursement mechanisms, and other arrangements and procedures set forth in the PIM and further

detailed in an LOC Performance Grant agreement to be entered into between each respective LOC Performance Grant recipient, the BDS Grants Manager and IFC, on terms and conditions satisfactory to MOTI and the Association.

Section VI. Monitoring, Evaluation and Reporting Arrangements

1. General

The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement and in more detail in the PIM, the carrying out of the Project and the achievement of its objectives.

2. Bi-Annual and Mid-Term Progress Reports and Reviews

(a) The Borrower shall submit to the Association, on or about January 31 and July 31 of each year until the completion of the Project, a bi-annual progress report, and, on or about the date twenty-four (24) months after the Effective Date, a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of said report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, 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.

(b) The Borrower shall review with the Association and other interested parties the reports referred to in paragraph 2 (a) of this Section, on or about the date one month after the submission of said reports, and thereafter take all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Association's views on the matter.

Section VII. Other Undertakings

1. (a) The Borrower shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors in accordance with the provisions of Section III of Schedule 3 to this Agreement, with qualifications, experience and terms of reference acceptable to the Association, for reviewing the procurement of goods, works and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.

(b) The Borrower shall, not later than six months after the end of each Fiscal Year, or such later date as the Association may agree, furnish to the Association an audit

report on the procurement of goods, works and consultants' services carried out under the Project, prepared by the said independent procurement auditors.

2. The Borrower shall, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section III of Schedule 3 to this Agreement.

Schedule 5

Key Performance Indicators

1. Number of banks participating in the PCG, LOC and BDS grants programs.
2. Percentage increase in volume of SME loans extended by participating banks.
3. Percentage increase in volume of SME term loans extended by participating banks.
4. Number of MSMEs that have received BDS grants and reporting increased in market share and/or profits resulting from direct project interventions/services.
5. At least 3 comprehensive supply chain strategies in priority sectors developed by the end of 2007.
6. At least 100 MSMEs are incubated in the furniture city.
7. ICT Park set up within the Tema Multi-Purpose Industrial Park and connected to SAT 3.
8. At least 10 ICT companies are hosted in the ICT Park.
9. Number of MSMEs accessing services from a one-stop information resource center.
10. Number of SMEs using the export round table and export trading house facilities.
11. Number of days required to register a new business is reduced from 82 days currently to not more than 30 days by the end of the project.