

CONFORMED COPY

CREDIT NUMBER 1858 GH

(Transport Rehabilitation Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 18, 1988

CREDIT NUMBER 1858 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 18, 1988, between REPUBLIC OF GHANA (the Borrower) and 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) Part B of the Project will be carried out by the Ghana Railway Corporation (GRC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GRC the proceeds of the Credit allocated to Category (2) in Schedule 1 to this Agreement under a subsidiary loan agreement (the GRC Subsidiary Loan Agreement) to be entered into between the Borrower and GRC, as hereinafter provided;

(C) Part D (1) of the Project will be carried out by the Borrower through the Bank of Ghana (BOG) and the Social Security Bank Limited (SSB) with the Borrower's assistance and, as part of

such assistance, the Borrower will make available to BOG for relending to SSB the proceeds of the Credit allocated to Category (4) (a), (b) and (c) (i) in Schedule 1 to this Agreement under a subsidiary loan agreement (the SSB Subsidiary Loan Agreement) to be entered into between BOG and SSB, as hereinafter provided;

(D) Part C (4) of the Project will be carried out by the Borrower through the Accra Technical Training Centre (ATTC), the Kumasi Training Institute (KTI), the National Vocational Training Institute (NVTI) and the Management Development and Productivity Institute (MDPI), all with the Borrower's assistance, and, as part of such assistance, the Borrower will make available to ATTC, KTI, NVTI and MDPI the proceeds of the Credit allocated to Category (3) (c) (ii) in Schedule 1 to this Agreement under grant agreements (the Grant Agreements) to be entered into between the Borrower and ATTC, KTI, NVTI and MDPI, as hereinafter provided;

(E) Part D (2) of the Project will be carried out by the Technology Consultancy Centre (TCC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to TCC the proceeds of the Credit allocated to Category (4) (c) (ii) in Schedule 1 to this Agreement under an agreement (the TCC Agreement) to be entered into between the Borrower and TCC, as hereinafter provided;

(F) The Borrower has requested a loan from the Government of Japan (the Japanese Loan) in an amount equivalent to about \$48,000,000 to assist in financing Part A of the Project on the terms and conditions to be set forth in an agreement (the Japanese Loan Agreement) to be entered into between the Borrower and the Government of Japan;

(G) the Borrower intends to obtain from the Government of Canada a grant (the CIDA Grant) in an amount equivalent to about \$2,800,000 to assist in financing Part B of the Project on the terms and conditions to be set forth in an agreement (the CIDA Grant Agreement) to be entered into between the Borrower and Canada;

(H) the Borrower intends to obtain from the Government of Italy financing (the Italian Financing) in an amount equivalent to about \$30,000,000 to assist in financing Part B of the Project on the terms and conditions to be set forth in an agreement (the Italian Financing Agreement) to be entered into between the Borrower and the Government of Italy.

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 GRC;

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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Association and GRC 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;

(b) "GRC" means the Ghana Railway Corporation established and operating under the Ghana Railway Corporation Decree, 1977, as amended from time to time;

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

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

(e) "Subsidiary Loan Agreements" means the GRC Subsidiary Loan Agreement and the SSB Subsidiary Loan Agreement;

(f) "Grant Agreements" means the agreements referred to in Recital (D) and Section 3.01 (f) of this Agreement;

(g) "TCC Agreement" means the agreement referred to in Recital E and Section 3.01 (g) of this Agreement;

(h) "Project Executing Agencies" means with respect to:
(i) Part A of the Project, the Ministry of Roads and Highways (MRH) acting through the Ghana Highway Authority (GHA) and the Department of Feeder Roads (DFR), assisted by the Project Management Unit (PMU); (ii) Part C (1) to C (3) of the Project, the Ministry of Transport and Communications (MTC) assisted in the case of Part C (2) of the Project by the Ghana Civil Aviation Authority (GCAA); (iii) Part C (4) of the Project, MTC, ATTC, KTI, NVTI and MDPI assisted in the case of Part C (4) (A) of the Project by GCAA; (iv) Part D (1) of the Project, BOG and SSB; (v) Part D (2) of the Project, TCC assisted by the Bureau of Integrated Rural Development (BIRD) and Ghana Regional Appropriate Technology Industrial Services (GRATIS), and (vi) Part E of the Project, Office of the Chairman of Committee of Secretaries;

(i) "Statement of Lending Policies and Procedures" means a statement of lending policies and procedures satisfactory to the Association and the Borrower as approved by SSB's Board of Directors;

(j) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 23, 1987 and May 11, 1987 between the Borrower and the Association;

(l) "Road Maintenance Accounts" means the GHA and DFR accounts referred to in Part A.3 (ii) of Schedule 5 to this Agreement; and

(m) "Road Fund" means the Road Fund referred to in Part A.3 (i) of Schedule 5 to this 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 forty-six million nine hundred thousand Special Drawing Rights (SDR 46,900,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars four special accounts in commercial banks on terms and conditions satisfactory to the Association. Deposits into, and payments out of: (A) the three Special Accounts to be respectively maintained for (i) Part A; (ii) Parts C, D (1) (b) and D (2); and (iii) Parts D (1) (a) and E of the Project shall be made in accordance with the provisions of Schedule 3 to this Agreement; and (B) the Special Account to be maintained for Part B of the Project shall be made in accordance with the provisions of Schedule 1 to the Project Agreement.

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

Section 2.03. The Closing Date shall be June 30, 1994, 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 at the rate of one-half of one percent ($1/2$ of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing May 1, 1998, and ending November 1, 2027. Each installment to and including the installment payable on November 1, 2007, 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. GRC with respect to Part B of the Project and BOG with respect to Part D (1) of the Project are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, C, D and E of the Project through the Project Executing Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and transportation practices. The Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause GRC to perform in accordance with the provisions of the Project Agreement all the obligations of GRC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable GRC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance. The funds to be provided by the Borrower pursuant to this Section shall include: (i) funds covering GRC's share of required counterpart funds for capital expenditures for each quarter of the year to be paid to GRC by the Borrower before the end of each quarter; (ii) operational subsidies; (iii) a subvention for bauxite and manganese traffic where, and to the extent, mining companies are unable to pay to GRC adequate freight to cover GRC's costs; and (iv) an annual foreign exchange provision to GRC of not less than \$1,500,000 equivalent to be used by GRC for purchase of railway spare parts during the period 1988 through 1992, said foreign exchange provision to be made in three installments of 40%, 30% and 30% each year on January 1, April 1 and October 1 during the said period.

(c) The Borrower shall maintain PMU and MTC's Planning and Implementation Division (PID) in a form and with functions and staffing satisfactory to the Association.

(d) The Borrower shall relend to GRC the proceeds of the Credit allocated to Category (2) in Schedule 1 to this Agreement under the GRC Subsidiary Loan Agreement the terms and conditions of which shall have been approved by the Association. The GRC

Subsidiary Loan Agreement shall include provisions requiring: (i) repayment of principal in 20 years (including 7 years of grace); (ii) interest of not less than 8% per annum; and (iii) the assumption of any foreign exchange risk by GRC.

(e) The Borrower shall through BOG relend to SSB the proceeds of the Credit allocated to Category (4) (a), (b) and (c) (i) in Schedule 1 to this Agreement under the SSB Subsidiary Loan Agreement the terms and conditions of which shall have been approved by the Association. The SSB Subsidiary Loan Agreement shall include provisions requiring: (i) the carrying out by SSB of Part D (1) of the Project in accordance with the Statement of Lending Policies and Procedures; (ii) repayment by SSB of principal in not less than 12 years (including 3 years of grace); (iii) annual interest payable by SSB of not less than BOG's lending rate; and (iv) SSB to enter into sub-loan agreements satisfactory to the Association with participants in programs included in Part D (1) of the Project, the terms and conditions of which shall require (A) repayment of principal in not more than 8 years (including 3 years of grace), (B) annual interest of not less than the prevailing commercial rate, and (C) assumption by the Borrower of any foreign exchange risk.

(f) The Borrower shall under the Grant Agreements the terms and conditions of which shall have been approved by the Association make available to ATTC, KTI, NVTI and MDPI, as grants, the proceeds of the Credit allocated to Category (3) (c) (ii) in Schedule 1 to this Agreement.

(g) The Borrower shall under the TCC Agreement the terms and conditions of which shall have been approved by the Association make available to TCC, as a grant, the proceeds of the Credit allocated to Category (4) (c) (ii) in Schedule 1 to this Agreement.

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

Section 3.02. The Borrower shall carry out the actions described in Schedule 5 to this Agreement to the satisfaction of the Association, said Schedule being subject to modification from time to time by agreement between the Borrower and the Association.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. 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 Part B of the Project shall be carried out by GRC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) 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 sound accounting practices, separate records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
 - (iii) enable the Association's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts, the Road Maintenance Accounts and the Road Fund 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 the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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) GRC shall have failed to perform any of its obligations under the Project Agreement.
- (b) 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 GRC will be able to perform its obligations under the Project Agreement.
- (c) the Ghana Railway Corporation Decree, 1977, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of GRC to perform any of its obligations under the Project Agreement.
- (d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GRC or for the suspension of its operations.
- (e) Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified, namely, that subject to paragraph (f) of this Section:
 - (i) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the

financing of the Project (including the Japanese Loan, the CIDA Grant and the Italian Financing) shall have been suspended, cancelled or terminated, in whole or in part, pursuant to the terms of the agreement providing therefor, or

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

(f) Paragraph (e) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or 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 the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) 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;

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) the events specified in paragraph (e) of Section 5.01 of this Agreement shall occur, subject to the proviso of Section 5.01 (f) hereof.

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, namely, that the Borrower has paid into the Road Maintenance Accounts: (i) not less than 70% of the funds the Borrower has agreed to provide to GHA and DFR for periodic road maintenance during 1987; and (ii) an initial amount of seven hundred million Cedis to meet the estimated cost of road maintenance needs for the first quarter of 1988.

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. The PNDC Secretary 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:

PNDC Secretary 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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Eric Otoo

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
(1) Part A of the Project:		
(a) Civil works under Part A (1) (i) and (ii) of the Project	20,520,000	100% of foreign expenditures and 60% of local expenditures
(b) Bridge rehabi- litation under	4,620,000	100% of foreign expenditures

	Part A (1) (iv) of the Project		and 75% of local expendi- tures
(c)	Vehicles, equip- ment and materials under Part A (1) (i), (ii) and (iv) of the Project	390,000	100% of foreign expenditures for directly imported items and 85% for locally pur- chased items
(d)	Consultants' ser- vices, audit services, studies and training programs	3,440,000	100%
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2)	Part B of the Project:		
(a)	Vehicles, equipment and materials ex- cluding items under Part B (1) (i) and (ii) of the Project	3,990,000	100% of foreign expenditures for directly imported items and 85% for locally pur- chased items
(b)	Consultants' services, studies and training programs	2,820,000	100%
(3)	Part C of the Project:		
(a)	Vehicles, equip- ment and mate- rials	740,000	100% of foreign expenditures for directly imported items and 85% for locally pur- chased items
(b)	Consultants' services, audit services and studies	1,180,000	100%
(c)	Training programs:		
	(i) MTC and GCAA	630,000	100%
	(ii) Others	630,000	100%
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
	Category		

(d)	Operating costs and project related travel expenses	40,000	90%
(e)	Building works	240,000	90%
(4)	Part D of the Project:		
(a)	Office equipment and materials for SSB	80,000	100% of foreign expenditures for directly imported items and 85% for locally purchased items
(b)	Credit facility	860,000	100% of amounts disbursed
(c)	Consultants' services and studies:		
(i)	Part D (1) (b) of the Project	80,000	100%
(ii)	Part D (2) of the Project	240,000	100%
(5)	Part E of the Project: Consultants' services, studies and training	700,000	100%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(6)	Refunding of Project Preparation Advance	1,110,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	4,590,000	
	TOTAL	46,900,000	

2. For the purposes of this Schedule:

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

(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.

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;

(b) expenditures under Category (4) (b) unless the SSB Subsidiary Loan Agreement has been duly signed;

(c) expenditures under Category (2) unless: (i) the Association has been furnished with an opinion or opinions stating that the Project Agreement has been duly authorized or ratified by GRC, and is legally binding upon GRC in accordance with its terms; (ii) the GRC Subsidiary Loan Agreement has been duly signed; (iii) the Association has been furnished with GRC's audited financial statements for fiscal years 1983 through 1985; and (iv) GRC has appointed a high level expert to be in charge of traffic management, and commercial and marketing functions; and

(d) expenditures of a project executing agency under Category (3) (c) (ii) unless a Grant Agreement has been duly signed by that agency.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) better maintenance and further rehabilitation of transport infrastructure to remove physical bottlenecks to expanding exports, farm production and labor mobility; (ii) increasing transport sector efficiency through the promotion of market-oriented policies, increased involvement of the private sector, strengthening of transport sector institutions, and improving productivity; (iii) improving rural transport through the promotion of appropriate low cost technology; and (iv) reducing transportation costs for goods and passengers.

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: Road Rehabilitation and Maintenance

(1) Road rehabilitation and maintenance program consisting of:

- (i) regravelling of about 1,900 km, resealing of about 150 km, resurfacing and improvement of about 780 km of trunk roads and regravelling and resurfacing of about 1,800 km of feeder roads;
- (ii) intensive routine maintenance of trunk and feeder road networks;
- (iii) rehabilitation of about 512 km of the Kumasi-Paga road;
- (iv) rehabilitation and reconstruction of about 20 priority bridges; and
- (v) provision of audit services to GHA and DFR.

(2) Strengthening of GHA in field supervision; assisting PMU in supporting an expanded road rehabilitation and maintenance work program; strengthening of DFR in in-house planning and contract management; training programs for DFR staff; and providing institutional support for MRH, GHA and DFR.

(3) Provision of vehicles for use by GHA and DFR staff for purposes of the rehabilitation and road maintenance program.

(4) Provision of limited housing (about 25 units) for DFR staff (mainly field staff).

Part B: Railway Rehabilitation

(1) Railway rehabilitation program consisting of: (i) rehabilitation of weak sections of the Eastern and Central lines track; (ii) installation of an improved signalling and telecommunication system on the Eastern and Central lines track; (iii) provision of essential equipment, tools and materials for repairs and maintenance on the Western line track and for GRC's workshops; and (iv) overall system support including provision of three new main line locomotives and 20 oil tank wagons, spare parts for the rehabilitation and repair of rolling stock, replacement of journal bearings of about 200 old wagons by roller bearings, and replacement of overaged and obsolete machine tools in GRC's workshops with modern equipment.

(2) Program to strengthen GRC's management including measures to improve the management of GRC's financial, traffic, workshop, engineering, commercial and marketing business and operations.

(3) Program of local and overseas training for GRC's middle management and senior staff and training at GRC's training school of lower level GRC staff.

Part C: Transport Sector Institutions Support

(1) Program to strengthen MTC including: (i) assistance to PID in the exercise of MTC's general statutory supervising functions in respect of transport parastatals, in particular, the exercise of MTC's financial oversight and advisory functions and implementation of transport policies and projects (not including Part A of the Project) involving MTC; (ii) assistance to PID in policy formulation and transport planning including the preparation of an organization and management study of MTC, and sector policy and project evaluation studies; (iii) the provision of essential office equipment and office facilities (including building works); and (iv) the provision of audit services.

(2) Program to strengthen GCAA including assistance to GCAA in the formulation and carrying out of financial and tariff policy and cost recovery measures, and the setting up of a commercial accounting system.

(3) Road safety and traffic management program.

(4) Training programs including (i) courses and seminars for (A) middle and upper level staff of MTC and GCAA in planning and management skills, (B) officials of private sector road transport and garage associations in road transport organization and road management, and (C) small garage owners, mechanics and bus/truck drivers in vehicles maintenance and road safety; (ii) a manpower and training needs study for the transport sector; and (iii) provision of training equipment, materials and vehicles.

Part D: Road Transport and Low Cost Rural Transport Pilot Programs

(1) (a) Establishment of a credit facility for use by SSB to finance on commercial terms and conditions road transport pilot programs including (i) the purchase of tools and small equipment required by about 400 small workshops in the garage complexes at Kumasi and Accra; (ii) the establishment and operation of a spare parts reclamation unit in the private sector; (iii) provision of equipment to the private sector for license plate manufacturing; (iv) the establishment of the first phase of a multi-modal freight terminal in Kumasi to be operated by the private sector; (v) commercial production and assembly of low cost, nonmotorized transport vehicles; and (vi) such other pilot programs as the Borrower and the Association may agree.

(b) Improving SSB's capability to handle small-scale credit including provision to SSB of office equipment and training for staff of SSB; and provision, as necessary, of technical assistance

to SSB and the other parties involved in carrying out Part D (1) (a) of the Project.

(2) Program to be carried out principally by TCC to facilitate low cost nonmotorized transport including introduction for use in rural areas and small towns of: (i) small farm vehicles specially designed for production and use in Ghana, and (ii) bicycle-trailers and other adaptations.

Part E: Infrastructural Support

Strengthening long-term infrastructural planning capabilities of the Borrower's National Planning Commission, including staff training and the carrying out of necessary studies.

* * * *

This Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A, C, D and E of the Project 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; and

(c) the term "Authorized Allocation" means the following amounts to be withdrawn from the Credit Account and deposited in the Special Accounts for Parts A, C and D of the Project pursuant to paragraph 3 (a) of this Schedule as follows:

- (i) for the Special Account for Part A of the Project, an amount equivalent to \$2,500,000;
- (ii) for the Special Account for Parts C, D (1) (b) and D (2) of the Project, an amount equivalent to \$300,000; and
- (iii) for the Special Account for Part D (1) (a) and E of the Project, an amount equivalent to \$300,000.

2. Except as the Association shall otherwise agree, payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests on behalf of the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account concerned such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of a Special Account at such intervals as the

Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures; provided that the Association may refrain from making deposits into the Special Account for Part A of the Project upon failure by the Borrower to make for a period longer than one month any of the payments for road maintenance required under Part A (3) (ii) in Schedule 5 to this Agreement. 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of a Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into a Special Account shall be made by the Association when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories 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 the Project, shall be equal to an amount equivalent to twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories 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 concerned 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 a Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in a 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 for crediting to the Credit Account.

SCHEDULE 4

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works 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 1985 (the Guidelines).

2. (a) Bidders for roads and bridge works included in Part A (1) (i), (ii) and (iv) of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

(b) Goods shall be exempted from pre-shipment price inspection by any 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: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1. hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Goods estimated to cost an amount equivalent to \$60,000 or more but less than \$200,000 per contract and works estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not exceeding \$8,000,000 equivalent for works and \$500,000 equivalent for goods, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Goods estimated to cost less than \$60,000 equivalent per contract, up to an aggregate amount not exceeding \$1,500,000 equivalent, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. With the prior agreement of the Association and for the purposes of standardization, additional items of spare parts and accessories compatible with existing equipment, parts or accessories may be purchased, subject to paragraph 5 of this Part, by direct contracting from the original supplier of such existing equipment, parts or accessories in accordance with paragraph 3.5 (b) of the Guidelines.

4. Goods of a proprietary nature obtainable from one source may, with the prior agreement of the Association and subject to paragraph 5 of this Part, be procured by direct contracting from that source in accordance with procedures satisfactory to the Association.

5. The additional items of spare parts and accessories and goods of a proprietary nature to be procured under paragraphs 3 and 4 of

this Part shall not exceed in the aggregate an amount of \$3,000,000 equivalent.

6. Items relating to the road transport and low cost rural transport pilot programs under Part D of the Project estimated to cost an amount equivalent to \$300,000 or less per contract, up to an aggregate amount not exceeding \$1,500,000 equivalent, may be procured in accordance with standard commercial practices.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2. hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a 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 paragraph 2 (d) of said Appendix shall be furnished to the Association prior to the making of the first payment out of a 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 a 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 paragraph 3 of said Appendix shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a) (ii) of the Development Credit Agreement.

3. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

In order to assist the Borrower and GRC in carrying out the Project, the Borrower and GRC 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.

SCHEDULE 5

Actions Required under Section 3.02

A. Road Maintenance

1. The Borrower shall make the following budgetary allocations

for road maintenance during the period 1988 through 1990: (i) not less than \$18 million equivalent for 1988; (ii) not less than \$19 million equivalent for 1989; and (iii) not less than \$25 million equivalent for 1990, the said amounts being expressed in mid-1987 prices.

2. The Borrower shall furnish to the Association one month before the commencement of each quarter of the year MRH's quarterly work programs and estimates of expenditures for road maintenance by contract.

3. The Borrower shall: (i) maintain the existing Road Fund at at least its present funded level; and (ii) promptly pay into the accounts established by GHA and DFR for road maintenance works (the Road Maintenance Accounts), on the basis of quarterly estimates of road maintenance needs: (A) accruals to the Road Fund, monthly in advance, and (B) amounts allocated in the budget for road maintenance, quarterly in advance.

4. The Borrower shall: (i) by June 30, 1988 (A) appoint consultants for supervising and monitoring the Borrower's road maintenance program being undertaken by GHA, and (B) appoint and assign to PID a technical advisor (implementation); and (ii) by March 31, 1988, appoint and assign to MTC a training adviser.

B. Fuel Tax and Road User Charges

1. The Borrower shall take the necessary actions to ensure that road users adequately bear road maintenance and rehabilitation costs. To that end the Borrower shall: (i) by June 30, 1989: (A) prepare and furnish to the Association for joint review by the Association and the Borrower the full details of progress made by the Borrower in increasing the level, and improving the structure, of road user charges; (B) prepare and furnish to the Association an action plan (including a timetable) satisfactory to the Association enabling the Borrower to achieve adequate recovery of road user costs; and (ii) by June 30, 1990, promptly carry out the action plan in accordance with the said timetable.

C. Road Transport Sector Study

The Borrower shall: (i) jointly review with the Association by January 31, 1988, the report of the Road Transport Sector Study which it has prepared; (ii) on the basis of the findings of the Report, prepare and furnish to the Association by September 30, 1988, an action program satisfactory to the Association, including a timetable for carrying out the program; and (iii) promptly carry out the action program in accordance with the said timetable.

D. Performance Contract

The Borrower shall by September 30, 1988, conclude a performance contract with GRC the terms and conditions of which shall assure GRC adequate autonomy in key areas of its operations including tariff setting and staff reduction.

E. Ghana Civil Aviation Authority (GCAA)

The Borrower shall: (i) by June 30, 1988, cause GCAA with the help of accounting consultants to be employed by the Borrower (A) to complete a financial information study of GCAA; and (B) to draw up the outline of a new accounting system which can be readily developed into a commercial accounting system for GCAA; and (ii) by December 31, 1989, cause GCAA with the help of management consultants employed by the Borrower to study GCAA's tariff structure and to provide a cost recovery program for GCAA satisfactory to the Association.

F. Transport Policy Review Committee

The Borrower shall by June 30, 1988, establish and thereafter maintain a Transport Policy Review Committee consisting of repre-

sentatives of the Borrower, the Chamber of Commerce and other private transport agencies. The members of the Committee shall meet at least every quarter to review questions relating to the improvement of transport services, the transport market and its operations.

G. Public Investment Program and Annual Public Expenditure Program

The Borrower shall: (i) until 1992 continue to hold with the Association annual joint reviews of its three-year public investment program and annual public expenditures programs in the transport sector; and (ii) consult the Association before undertaking any new investment project in the transport sector costing more than \$5 million equivalent and not included in the public investment program or the annual public expenditures programs.

H. Road Rehabilitation and Maintenance Program

1. The Borrower shall by March 31, 1988, furnish to the Association, a list of the priority road sections to be included in the Borrower's 1988 road rehabilitation and maintenance program.

2. The Borrower shall adopt economic criteria acceptable to the Association (including a minimum of 15% economic rate of return) in the selection of road sections to be included in the road rehabilitation and maintenance program.

3. The Borrower shall: (i) no later than October 31, 1988, prepare and furnish to the Association for its review and comments details of (A) its 1989 road maintenance program, (B) a five-year road maintenance and rehabilitation strategy and program for 1989 through 1993, and (C) funding increases needed to finance the road maintenance program; and (ii) no later than June 30, 1989, put into operation a management, information and control system in MRH, GHA and DFR satisfactory to the Association.

I. Miscellaneous

1. The Borrower shall furnish to the Association for its review and comments the details of the program of assistance which it shall agree with UNDP to support transport sector institutions participating in Part C (1) of the Project including details of the composition and time schedules established for the program.

2. The Borrower shall employ by January 31, 1988, a qualified accountant to assist MTC in carrying out its project functions.

3. The Borrower shall appoint a training officer who will be assigned as a counterpart to MTC's training adviser.

4. The Borrower shall by April 30, 1988, establish a Training Steering Committee consisting of representatives of the training institutes participating in the Project and beneficiary organizations.

5. The Borrower shall before the end of the first month of each quarter of the year provide promptly, as needed, the local funds required by GHA, DFR and GRC to meet their project expenditures for the quarter.

6. PMU and PID shall jointly prepare and furnish to the Association consolidated quarterly reports, based on progress reports, furnished by the Project Executing Agencies. PMU and PID shall also furnish to the Association for its approval no later than June 30, 1988, reporting requirements and key indicators for monitoring progress of the Project.

8. MTC shall, additionally, prepare and furnish to the Association semiannual reports highlighting: (i) progress made in meeting the Borrower's transport sector reform measures; and (ii) general policy and institutional changes affecting the

sector.

