

CONFORMED COPY

CREDIT NUMBER 3971 GH

Project Agreement

(Small Towns Water Supply and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY WATER AND SANITATION AGENCY

Dated August 13, 2004

CREDIT NUMBER 3971 GH

PROJECT AGREEMENT

AGREEMENT dated August 13, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and COMMUNITY WATER AND SANITATION AGENCY ('CWSA').

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Ghana (the Borrower) and the Association, the Association has agreed to make a portion of the Credit available to the Borrower on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that CWSA agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary grant agreement to be entered into between the Borrower and CWSA, a portion of the proceeds of the credit provided for under the Development Credit Agreement will be made available to CWSA on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS CWSA, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) CWSA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, 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 Association and CWSA shall otherwise agree, CWSA shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Credit Agreement.

Section 2.02. 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 3 to the Development Credit Agreement.

Section 2.03. (a) CWSA shall carry out 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 (except for Part A of the Project), use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Parts B and C of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, CWSA shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Association and CWSA, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with CWSA on said plan.

Section 2.04. CWSA shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, CWSA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) CWSA shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

(b) CWSA shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, the Program, or the performance by CWSA of its obligations under this Agreement and under the Subsidiary Grant Agreement.

ARTICLE III

Management and Operations of CWSA

Section 3.01. CWSA shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CWSA shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. CWSA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice with respect to Parts B and C of the Project.

Section 3.04. In order to ensure the safety of any dams to be constructed or rehabilitated under the Project, CWSA shall ensure:

(a) that engineering experts, with qualifications, experience, terms of reference and resources acceptable to the Association, remain responsible for reviewing the adequacy of the design and construction of said dam and its associated structures, and for inspecting said dam and structures periodically following the construction thereof;

(b) ensure that said engineering experts shall, on the basis of guidelines acceptable to the Association: (i) undertake periodic reviews of said dam and its associated structures and their design, throughout the period of design and construction thereof; (ii) prepare and furnish to the Association upon completion of each said review, a report on the results of said review, together with any proposed changes to be introduced in the design or construction of said dam or its associated structures; and (iii) promptly introduce such changes, taking into account the comments of the Association on the matter; and

(c) (i) with the assistance of independent engineering experts whose qualifications and experience shall be acceptable to the Association, ensure that: (A) said dam (including waterways, earthworks and reservoir banks) and its associated structures shall be periodically inspected, in accordance with sound engineering and dam safety practices and under arrangements acceptable to the Association, in order to identify any

deficiencies in the condition of said dam and its associated structures, or in the quality and adequacy of their maintenance or methods of operation, which may endanger their safety; (B) the results of each such inspection, together with the recommendations of said engineering experts based on said inspection, shall be furnished to the Association promptly upon the completion of such inspection; and (C) all necessary repairs of said dam and its associated structures, modifications to the maintenance or method of operation of the same and other measures based on said recommendations and the comments of the Association thereon shall be promptly taken in order to rectify any such deficiencies; and

- (ii) to this end, prepare a program for the appropriate maintenance, operation and inspection of said dam and its associated structures, and promptly furnish the same to the Association and thereafter, promptly implement said program and arrangements, taking into account the Association's views on the matter.

Section 3.05. CWSA shall, prior to commencing work on any water supply system and prior to any displacement of any Affected Persons from such works:

- (a) undertake the acquisition of all necessary land and other property, compensation therefor and resettlement for such works in accordance with the principles and institutional procedures established in the Resettlement Policy;

- (b) ensure that Affected Persons from such works shall be compensated, resettled and rehabilitated in accordance with the Resettlement Policy;

- (c) prepare and furnish to the Association, a detailed resettlement action plan acceptable to the Association documenting the implementation arrangements for resettlement arising from such works, including compensation, relocation and rehabilitation of Affected Persons;

- (d) complete the implementation of such resettlement action plan in a manner satisfactory to the Association; and

- (e) prepare and furnish to the Association, an Environmental Management Plan, satisfactory to the Association, and thereafter implement such Plan accordingly.

ARTICLE IV

Financial Covenants

Section 4.01. (a) CWSA shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) CWSA shall:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, 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 such 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 statements of expenditure, CWSA 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) evidencing such expenditures;

- (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) CWSA 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 funds provided under the Credit, 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 the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of CWSA thereunder shall terminate on the date on which the Development Credit Agreement shall terminate in accordance with its terms.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For CWSA:

Private Mail Bag
Kotoka International Airport
Accra
Ghana

Facsimile:
23321 779475

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CWSA, may be taken or executed by the Chief Executive or such other person or persons as CWSA shall designate in writing, and CWSA shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mats Karlsson

Authorized Representative

COMMUNITY WATER AND SANITATION AGENCY

By /s/ Kofi Asamoah

Authorized Representative