

CONFORMED COPY

CREDIT NUMBER 2157 GH

(Urban II Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

HOME FINANCE COMPANY LTD.

Dated December 21, 1990

CREDIT NUMBER 2157 GH

PROJECT AGREEMENT

AGREEMENT, dated December 21, 1990, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and HOME FINANCE COMPANY (HFC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Ghana (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-three million seven hundred thousand Special Drawing Rights (SDR 53,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that HFC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a financing agreement to be entered into between the Borrower and HFC, part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to HFC on the terms and conditions set forth in said Financing Agreement;

and

WHEREAS HFC, 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) HFC 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 Part C of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, engineering and housing practices and in accordance with the Housing Policy Statement, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part C of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and HFC shall otherwise agree, HFC shall carry out Part C of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) For the purposes of carrying out Part C.2 of the Project, HFC shall provide to OSIs the equivalent of the Credit allocated to Part C.2 of the Project under Participation Agreements to be entered into between HFC and each OSI, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedule 2 to this Agreement.

(b) HFC undertakes that Sub-loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 2 to this Agreement.

(c) HFC shall exercise its rights in relation to each Participation Agreement in such manner as to: (i) protect the interests of the Association and of the HFC; (ii) comply with its obligations under this Agreement and the Financing Agreement; and (iii) achieve the purposes of the Project.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part C.1 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.04. HFC 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, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part C of the Project.

Section 2.05. HFC shall duly perform all its obligations under the Financing Agreement. Except as the Association shall otherwise agree, HFC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Financing Agreement or any provision thereof.

Section 2.06. (a) HFC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part C of the Project, the performance of its obligations under this Agreement and under the Financing Agreement, and other matters relating to the purposes of the Credit.

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

ARTICLE III

Management and Operations of HFC

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

Section 3.02. HFC 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) HFC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) HFC shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

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 HFC thereunder shall terminate on the earlier of

the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date thirty-five years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify HFC of this event.

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, telegram, cable, telex or radiogram 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. 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:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For HFC:

Home Finance Company Limited
Swanmill, Kwame Nkrumah Av.
P.O. Box 401
Accra, Ghana

Telex:

2191 MERBAN GH

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 HFC may be taken or executed by General Manager or such other person or persons as General Manager shall designate in writing, and HFC 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/ Edward V.K. Jaycox
Regional Vice President
Africa

HOME FINANCE COMPANY

By /s/ Joseph L. S. Abbey
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: Procurement Procedures

Goods may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

1. (a) With respect to each contract, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of any Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to the Development Credit Agreement.

(b) The provisions of the preceding subparagraph (a) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

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

Section II: Employment of Consultants

In order to assist HFC in carrying out Part C of the Project, HFC 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 2

Implementation Program

1. HFC shall carry out Part C of the Project under the overall policy guidance of HFIC and in accordance with the Housing Policy Statement. HFIC and the Association shall annually exchange views on HFC's performance based on HFC's quarterly progress reports.

2. In carrying out Part C.2 of the Project, HFC shall follow its operational guidelines furnished to the Association pursuant to Section 6.01 (c) of the Development Credit Agreement and shall apply the criteria, procedures, terms and conditions set forth or referred to in this Schedule.

3. Sub-loans under Part C.2 of the Project shall be made by OSIs which have been designated as such by HFC and which have entered into a Participation Agreement with HFC.

4. Each Participation Agreement shall contain provisions pursuant to which each OSI shall continue to:

(a) be duly established and operating under the laws of the Borrower;

(b) maintain a sound financial structure, a healthy portfolio, and the organization, management, staff and other resources required for the efficient carrying out of its activities;

(c) conduct its operations and affairs including interest rate policies in accordance with sound financial principles and practices;

(d) maintain a lending and investment policy acceptable to the Association and HFC, and suitable procedures and an adequate number of suitably qualified staff to enable it effectively to:

(i) appraise the proposed housing construction and to make Sub-loans to Beneficiaries in accordance with said lending and investment policy and on the basis of the criteria, procedures and principal terms and conditions set forth in this Schedule to this Agreement; and

(ii) supervise, monitor and report on the carrying out by Beneficiaries of the housing construction.

5. Each Participation Agreement shall also contain provisions requiring each OSI to:

(a) exercise its rights in respect of Sub-loans, in such a manner as to protect the interests of the Borrower, the Association and HFC and to comply with its obligations under its Participation Agreement in order to achieve the purposes of Part C.2 of the Project;

(b) undertake not to assign, amend, abrogate or waive any of its agreements providing for Sub-loans or any provision thereof without the approval of HFC;

(c) (i) maintain records and accounts adequate to monitor and record the operations, resources, expenditures and progress with respect to each Sub-loan and withdrawals from the Sub-accounts and to reflect in accordance with consistently maintained sound accounting practices its operations and financial conditions relating thereto;

(ii) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) including Sub-accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(iii) furnish to HFC as soon as available, but in any case not later than six months after the end of

each such year: (A) certified copies of its statutory financial statements and accounts for such year as so audited; and (B) with respect to the Project, supplementary audited statements by said auditors of such scope and in such detail, including the status of Sub-accounts and compliance by OSIs with eligibility criteria, as HFC or the Association shall have reasonably requested;

- (iv) within six weeks of the end of the first and the second six months of the calendar year, furnish to HFC Semi-Annual Progress Reports on its lending operations under Part C.2 of the Project; and
- (v) furnish to HFC monthly reports on the operation of the Sub-accounts.

6. Sub-loans under Part C.2 shall be made only to a Beneficiary:

- (a) which is determined to be creditworthy;
- (b) which is a contributor to the Social Security and National Insurance Trust or other recognized pension scheme;
- (c) which owns no dwelling other than the dwelling to be financed under the Sub-loan;
- (d) which intends to utilize this dwelling as its principal residency; and
- (e) which has made at least a 20% down payment of the price of the house from its own resources.

7. Sub-loans under Part C.2 shall be made only if the housing unit:

- (a) meets the housing standards set forth in the Housing Policy Statement and is in compliance with EPC's environmental standards, if applicable; and
- (b) has been constructed by an individual or a developer on the basis of a conditional commitment by OSI to a Beneficiary to provide a Sub-loan upon completion of the construction.

8. Sub-loans under Part C.2 of the Project shall be made on the following principal terms and conditions:

- (a) The Sub-loans shall have a maturity not exceeding 30 years.
 - (b) The outstanding principal of the Sub-loans shall be adjusted monthly on the basis of changes in the Consumer Price Index by applying the average increase/decrease during the last three months for which data are available.
 - (c) The Sub-loans shall carry an interest rate not exceeding 3.5% per annum.
 - (d) The aggregate amount of the monthly payment of interest, fees and principal by the Beneficiary shall be fixed at 25% of the total salary income of the household. These payments shall be secured through an appropriate pay-roll deduction scheme.
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