

CONFORMED COPY

CREDIT NUMBER 2502 GH

Project Agreement

(Private Enterprise and Export Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANK OF GHANA

Dated July 26, 1993

CREDIT NUMBER 2502 GH

PROJECT AGREEMENT

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

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 twenty-nine million six hundred thousand Special Drawing Rights (SDR 29,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BOG agree to undertake such obligations toward the Association as are set forth in this Agreement; and

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

WHEREAS BOG, 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 and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project;
Management and Operations of BOG

Section 2.01. (a) BOG 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 or cause to be carried out Parts A, B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, banking, technical and management practices, and with due regard to ecological and environmental factors, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and BOG shall otherwise agree, BOG shall carry out Parts A, B and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 2.02. For the purpose of carrying out Part A of the Project, BOG shall provide to PFIs the equivalent of the Credit allocated to Part A of the Project under participation agreements (the Participation Agreements) to be entered into between BOG and each PFI, under terms and conditions which shall have been approved by the Association and which shall include those set forth in Schedules 1 and 2 to this Agreement.

Section 2.03. (a) BOG undertakes that, unless the Association shall otherwise agree, Sub-loans shall be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedules 1 and 2 to this Agreement.

(b) BOG shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Association and of BOG; (ii) comply with its obligations under this Agreement and the Subsidiary Administration Agreement; and (iii) achieve the purposes of the Project.

Section 2.04. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A and C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 2.05. BOG 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 Parts A, B and C of the Project.

Section 2.06. BOG shall duly perform all its obligations under the Subsidiary Administration Agreement. Except as the Association shall otherwise agree, BOG shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Administration Agreement or any provision thereof.

Section 2.07. (a) BOG shall together with the Borrower, review with the Association, at least once every six months, progress in carrying out the Export Refinance Program under Part A of the Project and the Export Guarantee Program under Part B of the Project. In connection therewith and with the consent of the Association, BOG shall effect such changes as may be required to ensure the successful implementation of the Project, including (i) any adjustment required in the onlending terms and conditions set forth in Schedules 1 and 2 to this Agreement to ensure that interest rates remain positive in real terms and reflect market conditions, and (ii) on an annual basis, the eligibility of PFIs under Schedule 2 to this Agreement. To that end, BOG shall furnish to the Borrower and the Association every six months a report on the progress achieved in carrying out Parts A and B of the Project, in such detail as the Association shall reasonably request.

(b) BOG shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A, B and C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Administration Agreement, and other matters relating to the purposes of the Credit.

(c) BOG shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A, B and C of the Project, the accomplishment of the purposes of the Credit, or the performance by BOG of its obligations under this Agreement and under the Subsidiary Administration Agreement.

Section 2.08. (a) BOG shall carry out, jointly with the Association and the Borrower, not earlier than July 31, 1995 and not later than September 30, 1995, and in accordance with the provisions of Section 3.05 of the Development Credit Agreement, a mid-term review of the progress made in carrying out Parts A, B and C of the Project. This review shall cover, among other things: (i) implementation of the Export Refinance Program and the Export Guarantee Program, (ii) the interest rates being charged by BOG on PFI Subsidiary Loans and by PFIs on Sub-loans, (iii) adequacy of institutional arrangements for Project implementation, (iv) review of the results of the studies conducted under Part C of the Project and recommendations for follow-up actions, (v) evaluation and impact of training programs under Part C of the Project; (vi) status of procurement under Parts A and C of the Project; and (vii) review of the monitoring indicators agreed upon with the Association.

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

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

ARTICLE III

Financial Covenants

Section 3.01. (a) BOG shall maintain procedures and records adequate to monitor and record the progress of Parts A, B and C of the Project and of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of BOG.

(b) BOG shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 relating to the Project 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 IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of BOG 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 20 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 BOG of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. 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:

Telex:

INDEVAS
Washington, D.C.

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

For BOG:

Bank of Ghana
P.O. Box 2674
Accra
Ghana

Cable address:

Telex:

GHANA BANK
Accra

2541 GHANABANK GH
2052

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of BOG, or by BOG on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Governor of BOG or such other person or persons as the Governor of BOG shall designate in writing, and BOG shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. 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

BANK OF GHANA

By /s/ Joseph Abbey
Authorized Representative

SCHEDULE 1

Procedures for and Terms and Conditions of Sub-loans

A. Terms

1. Currency

All Sub-loans shall be made and denominated in Cedis (Cedis Sub-loan) or Dollars (Dollar Sub-loan). In the case of any Dollar Sub-loan, the Investment Enterprise shall bear any foreign exchange risk.

2. Interest Rates

Interest on Sub-loans to Investment Enterprises shall be charged at a fixed rate determined by PFIs, but shall in any event

be no less than the EFO Reference Interest Rate applicable at such time.

3. Maturities

The maximum term of any Sub-loan shall be 360 days, and shall not be extended.

4. Maximum Size

The maximum size of any Sub-loan shall be \$500,000 equivalent, except as the Association may otherwise agree. No Sub-loan shall be made to any Investment Enterprise if the aggregate of such proposed Sub-loan and the outstanding balances under all other Sub-loans to such Investment Enterprise financed out of the proceeds of the Credit exceeds \$500,000, except as the Association may otherwise agree.

5. Prepayment

Any Sub-loan or any part of any such Sub-loan may be repaid to a PFI in advance of maturity without penalty.

B. Procedures

1. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Credit unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the application and information required under paragraph 2(a) of this Part in respect of such Sub-loan; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Association has authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association shall have received the request and information required under paragraph 2(b) of this Part in respect of such free-limit Sub-loan. For the purposes of the Development Credit Agreement and this Agreement, a free-limit Sub-loan shall be a Sub-loan to an Investment Enterprise for an Investment Project in an amount to be financed out of the proceeds of the Credit which (i) shall not exceed \$200,000 equivalent, and (ii) shall also not exceed \$500,000 equivalent, when added to the outstanding balances under all other free-limit Sub-loans to such Investment Enterprise financed or proposed to be financed out of the proceeds of the Credit, the foregoing amounts being subject to change from time to time as determined by the Association.

2. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Association for approval, BOG shall furnish to the Association an application, in form satisfactory to the Association, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Association shall reasonably request.

(b) Each request by BOG for authorization to make withdrawals from the Credit Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit, and (ii) the terms and conditions of the Sub-loan.

C. Conditions

1. Sub-loans shall be made on conditions whereby BOG shall cause each PFI, by written contract with the Investment Enterprise or by other appropriate legal means, to (i) obtain rights adequate to protect the interests of the Borrower, the Association and BOG, and (ii) obtain the following rights and impose the following requirements:

(a) that the Investment Enterprise be required to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records and accounts;

(b) the requirement that:

- (i) unless otherwise permitted under paragraphs (ii) through (iv) below, goods and services estimated to cost the equivalent of \$100,000 or less per contract, and to be financed under a Sub-loan, shall be purchased at a reasonable price, account being taken also of other relevant factors such as the time of delivery and efficiency and reliability of the goods, and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them;
- (ii) standardized equipment and proprietary items required for compatibility, and estimated to cost the equivalent of \$1,000,000 or less per contract, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association;
- (iii) goods estimated to cost the equivalent of \$1,000,000 or less per contract, and to be financed under a Sub-loan, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), in accordance with procedures acceptable to the Association;
- (iv) goods to be financed under a Sub-loan may be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines (or, if the Association shall otherwise agree, under procedures acceptable to the Association for direct contracting with suppliers or for limited international bidding);
- (v) all contracts for goods estimated to cost the equivalent of more than \$100,000 per contract shall be reviewed by the PFI prior to award to determine compliance with the foregoing provisions;
- (vi) such goods and services shall be used exclusively to carry out the Investment Project; and
- (vii) the Investment Enterprise shall provide to the PFI at the time of application for a Sub-loan a list of the goods and services to be procured under such Sub-loan and their method of procurement;

(c) the right to inspect, by itself or jointly with representatives of the Association if the Association shall so

request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) the requirement that: (i) the Investment Enterprise take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and (ii) without any limitation upon the foregoing, such insurance cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(e) the right to obtain all such information as the Association or BOG shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) the right to suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with the PFIs.

D. Eligibility Criteria for Investment Enterprises and Investment Projects

1. Only Investment Enterprises that qualify as Private Enterprises shall be eligible to receive Sub-loans from PFIs to carry out Investment Projects.

2. For any Investment Project to be eligible for financing under a Sub-Loan:

(a) the Investment Enterprise must submit to the PFI either (i) an irrevocable documentary letter of credit issued by the importer's bank relating to the export of goods or services to be prepared under the Investment Project, or (ii) sufficient documented and verified purchase orders in the case of any Investment Enterprise with at least two recent years of active export experience, as determined by the PFI under guidelines issued by BOG and satisfactory to the Association;

(b) the Investment Enterprise must contribute at least 15% of the cost of the Investment Project from internally-generated resources;

(c) the Investment Project must be financially and technically viable, consistent with existing environmental policies and environmentally sound, as determined in accordance with guidelines satisfactory to the Association; and

(d) the Investment Project must not involve the export of gold, diamonds, cocoa, electricity or raw timber (except as the Association may otherwise agree).

SCHEDULE 2

Principal Terms and Conditions
of PFI Subsidiary Loans and Participation Agreements

Except as the Association shall otherwise agree, the principal terms and conditions set forth in this Schedule shall apply for the purposes of Section 2.02 of this Agreement with respect to Participation Agreements.

A. Terms

1. Amount and Currency

BOG shall onlend to any PFI from the proceeds of the Credit

for the purpose of making any Sub-loan an amount (the PFI Subsidiary Loan) of Cedis (in the case of any Cedis Sub-loan) or Dollars (in the case of any Dollar Sub-loan) equal to the amount of such Sub-loan. In the case of any Dollar Sub-Loan, the PFI shall bear any foreign exchange risk.

2. Interest Rates and Service Charge

(a) Interest on a PFI Subsidiary Loan shall be charged on the principal amount thereof outstanding from time to time at a fixed reference interest rate (the EFO Reference Interest Rate) determined as follows (subject to such adjustments as may be required under Section 2.07 of this Agreement):

- (i) for Cedis Sub-loans, the average of the 180-day deposit rate of each commercial bank reported to BOG, calculated at least on a quarterly basis; and
- (ii) for Dollar Sub-Loans, 2.625 percentage points above the prevailing Eurodollar London Interbank Offered Rate for the term of the Sub-loan, determined at the time the PFI Subsidiary Loan is made.

(b) Interest on any PFI Subsidiary Loan shall be paid upon maturity and, in the case of any prepayment in full, at the time of such prepayment. The service charge for any PFI Subsidiary Loan provided for under the preceding paragraph shall be paid at the time such loan is made.

3. Maturities

Each PFI Subsidiary Loan shall be repaid in full on the maturity date of the related Sub-loan.

B. Conditions

1. Each Participation Agreement shall contain provisions pursuant to which each PFI shall undertake to continue:

(a) to be duly established and to operate under the laws of the Borrower, and to comply with all applicable law, regulations and guidelines;

(b) to maintain a sound financial structure and a healthy portfolio, and maintain adequate organization, management, staffing and other resources required for the efficient execution of its activities;

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

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

- (i) appraise the financial, technical and environmental feasibility of Investment Projects and make Sub-loans to Investment Enterprises in accordance with said lending and investment policy and on the basis of the criteria, procedures and principal terms and conditions set forth in Part C of this Schedule and Schedule 1 to this Agreement; and
- (ii) supervise, monitor and report on the execution by Investment Enterprises of Investment Projects, including the procurement of goods and services thereunder, and the costs and benefits thereof.

2. Each Participation Agreement shall also contain provisions requiring each PFI:

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

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

(c) (i) to maintain records and accounts adequate to reflect the goods and services procured with proceeds from the Sub-loans and the method under which such goods and services were procured, and (ii) to review with BOG prior to award all contracts for goods estimated to cost the equivalent of \$1,000,000 or more per contract and to be financed from a Sub-loan;

(d) (i) to maintain records and accounts adequate to monitor and record the operations, resources, expenditures and progress of each Investment Project and withdrawals of the Sub-loans, and to reflect, in accordance with consistently maintained sound accounting practice, its operations and financial condition relating thereto;

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

(iii) to furnish to BOG 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 certified copies of the audit reports required under paragraph (ii) above; 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-loan accounts and PFI Subsidiary Loan accounts and compliance by PFIs with eligibility criteria of Investment Projects) as BOG or the Association shall have reasonably requested; and

(iv) within six weeks of the end of the first and the second six months of the calendar year, furnish to BOG semiannual progress reports, in form satisfactory to the Association, which shall include a report on the operation of the Sub-loan accounts and PFI Subsidiary Loan accounts and all other information requested by BOG.

C. Eligibility Criteria for PFIs

Any bank or other financial institution operating in Ghana shall become and remain eligible to be designated by BOG as a PFI if it shall have satisfied the following criteria during the preceding twelve month period:

(a) in the case of banks:

(i) compliance with monetary regulations and banking

laws and regulations, and membership in the clearing house system of BOG;

(ii) compliance with the capital adequacy ratio requirements of BOG; and

(iii) favorable rating by BOG, including with respect to (A) applicable liquidity reserve requirements, (B) adequate provisions for bad and doubtful accounts, and (C) audited annual financial statements for its most recent fiscal year certified by independent auditors satisfactory to BOG; and

(b) in the case of other financial institutions, compliance to the satisfaction of BOG and the Association with the principles set forth in paragraph (a) (iii) above;

(c) compliance with the conditions set forth in paragraph 1 of Part B of this Schedule;

(d) implementation of financing policies and operating procedures satisfactory to BOG and the Association, relating, among other things, to credit policy and to asset review and loan recovery procedures;

(e) technical, financial and administrative capacity for managing its lending activities, and operating policies, procedures, organization and staffing for evaluating and supervising loans, satisfactory to BOG and the Association; and

(f) for purposes of any PFI Subsidiary Loan to be made after December 31, 1994, qualification as a Private Enterprise (except as the Association may otherwise agree).

D. Processing Sub-Loan Applications

BOG shall ensure that PFIs adopt the following procedures when processing Sub-loan applications for Investment Projects:

(a) PFIs shall carry out the appraisal of Investment Projects in accordance with procedures acceptable to the Association, which shall include: (i) a review of the financial and technical viability of the Investment Project and of the financing plan, (ii) an assessment of the management capacity of the Investment Enterprise, and (iii) a determination that the Investment Project complies with existing policies pertaining to the environment and is environmentally sound; and

(b) PFIs shall determine the eligibility of the Investment Enterprise and Investment Project for Sub-loan financing under Schedule 1 to this Agreement.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency

component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

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

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

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

2. Items or groups of items for (i) goods under Part A of the Project, estimated to cost the equivalent of \$1,000,000 or less per contract, or (ii) goods under Part C of the Project, estimated to cost the equivalent of \$75,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Contracts under Part A of the Project (i) for goods estimated to cost the equivalent of \$100,000 or less per contract, or (ii) for standardized equipment and proprietary items required for compatibility, estimated to cost the equivalent of \$1,000,000 or less per contract, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

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

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

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

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

Section II: Employment of Consultants

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

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review or approval requirements shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single-source hiring of firms, to assignments of a critical nature as reasonably determined by the Association, and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program Parts A, B and C of the Project

1. In carrying out Parts A, B and C of the Project, BOG shall operate the Export Finance Office under terms of reference, and with staffing (including their qualifications and experience), satisfactory to the Association, which terms of reference shall specify, inter alia, the responsibility of such office for: (a) supervising execution by the PFIs of their obligations under their respective Participation Agreements, and (b) providing semiannual reports to the Association regarding export activity.

2. In carrying out Part A of the Project, BOG shall operate the Export Refinance Program under an operational plan satisfactory to the Association, which shall incorporate the requirements of Schedules 1 and 2 to this Agreement.

3. In carrying out Part A of the Project, BOG shall promptly forward to the Association all audit reports, and all other documents requested by the Association, to be provided by PFIs pursuant to the Participation Agreements.

4. In carrying out Part B of the Project, BOG shall operate the Export Guarantee Program under an operational plan satisfactory to the Association which shall provide, inter alia, that:

(a) a fund of at least \$5,000,000 equivalent be established to pay claims under the Export Guarantee Program, of which (i) the Borrower shall provide \$1,000,000 equivalent not later than February 1, 1994, and (ii) BOG shall provide not less than \$4,000,000 equivalent through the prompt deposit of 100% of the repayments of the principal of PFI Subsidiary Loans;

(b) only PFIs shall be eligible for guarantee coverage;

(c) guarantee coverage shall only be provided to PFIs for pre-shipment loans meeting the eligibility criteria applicable to Sub-loans;

(d) guarantee coverage shall be offered (i) in Dollars for underlying loans made and denominated in Dollars, or (ii) in Cedis;

(e) guarantee coverage shall be provided for a percentage of the face value of the underlying loan (the coverage percentage) of

65% or less;

(f) payments under a guarantee for an underlying loan shall equal the loss multiplied by the coverage percentage, where such loss shall equal the difference between the face value of such loan and the amount received (or that will be received) by the PFI in payment of such loan;

(g) the fee to be charged the PFI by BOG for guarantee coverage shall equal 2% per annum of the face value of such coverage for the relevant period, but shall under no circumstances be less than \$100 equivalent;

(h) repayment to the PFI of 25% of the guarantee fee if no claim is made under the guarantee;

(i) the guarantee shall be coterminous with the relevant preshipment risk;

(j) BOG payments on guarantees shall be made promptly;

(k) no exporter shall be permitted to have guarantee coverage outstanding at any time aggregating more than \$125,000 equivalent;

(l) no exporter shall be eligible for guarantee coverage if there shall have been two claims previously paid under the Export Guarantee Program for loans made to such exporter; and

(m) guarantee coverage shall be distributed across export sectors.

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

6. In carrying out Part C.2 of the Project, BOG shall adopt, not later than February 28, 1994, an action plan, satisfactory to the Association, for the preparation and distribution of export guidebooks, and shall complete the preparation and distribution of guidebooks under such plan not later than July 31, 1994.

7. In carrying out Part C.3 of the Project, BOG shall adopt and thereafter implement an action plan, satisfactory to the Association, for the establishment of an international payments settlement system for banks.

8. BOG shall carry out the studies under Part C of the Project under terms of reference satisfactory to the Association, and shall complete, not later than June 30, 1994, the following studies: (a) a feasibility study regarding the establishment of a forward foreign exchange market under Part C.4 of the Project, and (b) a feasibility study regarding establishment and operation of a credit reference agency under Part C.5 of the Project.

