

CONFORMED COPY

CREDIT NUMBER 2192 GH

(Second Transport Rehabilitation Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 21, 1990

CREDIT NUMBER 2192 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 21, 1990, 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 E of the Project will be carried out by Ghana Railway Corporation (GRC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to GRC part of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "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;

(c) "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 Subsidiary Loan Agreement;

(d) "GHA" means the Ghana Highway Authority;

(e) "MRH" means the Borrower's Ministry of Roads and Highways;

(f) "MTC" means the Borrower's Ministry of Transport and Communications;

(g) "DUR" means the Department of Urban Roads in MRH;

(h) "DFR" means the Department of Feeder Roads in MRH;

(i) "Road Fund" means the fund established under the Road Rehabilitation and Maintenance Project;

(j) "PMU" means the Project Management Unit established within MRH;

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

(l) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated June 14, 1989 and July 6, 1989 between the Borrower and the Association.

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 sixty-nine million Special Drawing Rights (SDR 69,000,000).

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 open and maintain in dollars three special deposit accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) Special Account PMU for the purposes of Parts A, B and D of the Project; (ii) Special Account GRC for the purpose of Part E of the Project; and (iii) Special Account MTC for the purposes of Part C of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this 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 September 30, 1996 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 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 semi-annual installments payable on each April 15 and October 15 commencing April 15, 2001 and ending October 15, 2030. Each installment to and including the installment payable on October 15, 2010 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.

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 through D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and transportation practices, and 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 to GRC pursuant to this paragraph shall include: (i) funds covering GRC's share of required counterpart funds for capital expenditures for each quarter of the year to be paid by the Borrower to GRC before the end of each quarter; (ii) operational subsidies; (iii) a subvention for freight and passenger traffic where, and to the extent, GRC cannot charge, due to public policy decisions, adequate tariffs based on full rail costs; and (iv) an annual amount of not less than \$1,500,000 equivalent in 1991 and 1992 for the purchase of spare parts, such amounts to be made available quarterly in advance, subject to GRC providing proof of spending and/or commitment in the following six months.

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

(d) The Borrower shall relend out of the proceeds of the Credit an amount not exceeding SDR 10,100,000 to GRC under a subsidiary loan agreement to be entered into between the Borrower and GRC, under terms and conditions which shall have been approved by the Association which shall include interest at the rate of 8% per annum, repayment of over 20 years, including seven years of grace, and the foreign exchange risk to be borne by GRC.

(e) The Borrower shall exercise its rights under the Subsidiary Loan 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 Agreement or any provision thereof.

Section 3.02. 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 this Agreement.

Section 3.03. 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 E of the Project shall be carried out by GRC pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall:

(a) maintain the existing Road Fund at at least its 1989 funding level in real terms;

(b) allocate a minimum of \$36 million equivalent in 1991, \$38 million equivalent in 1992 and \$39 million equivalent in 1993 from the Road Fund and the capital budget for the periodic road maintenance and minor works program of MRH;

(c) allocate a minimum of \$6,500,000 annually from the recurrent budget for the period of 1991-1993 for routine road maintenance materials and plant operating costs excluding wages;

(d) promptly pay into the accounts established by GHA and DFR for road maintenance works, on the basis of quarterly estimates of road maintenance needs: (i) accruals to the Road Fund, monthly in advance; and (ii) amounts allocated in the budget for road maintenance, as and when required; and

(e) ensure that the proceeds of the Road Fund shall be utilized exclusively for the payment to contractors and the Mobile Maintenance Units of GHA for road maintenance.

Section 3.05. The Borrower shall:

(a) furnish to the Association, not later than June 30, 1992, the findings of the study on the adequacy of road user charges; and

(b) thereafter increase said charges in accordance with a timetable acceptable to the Association so that full cost recovery from road users for road maintenance will be achieved by 1994.

Section 3.06. The Borrower shall maintain its Transport Policy Review Committee with functions and terms of reference acceptable to the Association.

Section 3.07. The Borrower shall establish, not later than June 30, 1991, a coordinating committee for improving the organization and efficiency of public transport facilities and operations in urban centers to be comprised of representatives of MTC, DUR, MRH, GRC, the Accra Metropolitan Authority and private vehicle owner associations.

Section 3.08. The Borrower shall:

(a) continue to hold with the Association annual joint reviews of its three-year public investment program and annual public expenditure programs in the transport sector; and

(b) consult with the Association before undertaking any new investment projects in the transport sector costing more than \$5 million equivalent and not included in the public investment program.

Section 3.09. The Borrower shall continue to enter into annual performance agreements with GRC incorporating performance targets acceptable to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts A through D of the Project of the departments or agencies of the Borrower responsible for carrying out Parts A through D of the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts 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 copy of 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 the audit thereof as the Association shall 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, the Borrower shall:

- (i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for 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;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

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

(A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for 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 event specified in paragraph (e) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by GRC, and is legally binding upon GRC in accordance with its terms.

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

Representatives 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:

Telex:

ECONOMICON
Accra

2205 MIFAEPGH

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.

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

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/ Joseph L. S. Abbey
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									
Part A of the Project:											
(1) Civil works	35,530,000	100% of foreign expenditures and 60% of local expenditures									
(2) Equipment, materials and vehicles	5,700,000	100% of foreign expenditures and 90% of local expenditures									
(3) Consultants' services, audit services and training	5,110,000	100%									
Part B of the Project:											
(4) Civil works	130,000	90%									
(5) Equipment, materials and vehicles	320,000	100% of foreign expenditures and 90% of local expenditures									
<table border="1"> <thead> <tr> <th>Category</th> <th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th> <th>% of Expenditures to be Financed</th> </tr> </thead> <tbody> <tr> <td>(6) Consultants' services, audit services and training</td> <td>2,000,000</td> <td>100%</td> </tr> <tr> <td>(7) Operating costs</td> <td>200,000</td> <td>100%</td> </tr> </tbody> </table>			Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed	(6) Consultants' services, audit services and training	2,000,000	100%	(7) Operating costs	200,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed									
(6) Consultants' services, audit services and training	2,000,000	100%									
(7) Operating costs	200,000	100%									
Part C of the Project:											
(8) Civil works	200,000	100% of foreign expenditures and 90% of local expenditures									
(9) Equipment, materials and vehicles	780,000	100% of foreign expenditures and 90% of local expenditures									
(10) Consultants' services, audit services and training	1,020,000	100%									
(11) Operating Costs	70,000	100%									
Part D of the Project:											
(12) Civil works	1,170,000	95%									
(13) Equipment, materials and vehicles	200,000	100%									

(14)	Consultants' services, audit services and training	130,000	100%
(15)	Operating Costs	70,000	100%
	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
Part E of the Project:			
(16)	Civil works	2,330,000	100% of foreign expenditures and 90% of local expenditures
(17)	Equipment, materials and vehicles	3,690,000	100% of foreign expenditures and 90% of local expenditures
(18)	Consultants' services, audit services and training	3,020,000	100%
(19)	Refunding of Project Preparation Advance	540,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(20)	Unallocated	6,790,000	
	TOTAL	69,000,000 =====	

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;

(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; and

(c) the term "operating costs" means the expenses incurred with respect to Project management and monitoring, including office expenses, travel costs and in-house studies excluding salaries.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 700,000 may be made on account of payments made for expenditures before that date but after October 1, 1990; and

(b) payments made for expenditures with respect to Categories (16), (17) and (18) unless: (i) the financing agreement for the purchase of at least seven new mainline locomotives and for the rebuilding of at least eight existing locomotives or, if GRC has decided against rebuilding of the locomotives, for the purchase of at least four new mainline locomotives of the 1651 class has been signed; (ii) GRC has submitted to the Association its audited

financial statements for fiscal years 1988 and 1989; (iii) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and GRC; and (iv) the Association has been furnished with a legal opinion stating that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and GRC and is legally binding upon the Borrower and GRC in accordance with its terms.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to further improve the Borrower's transportation system through better maintenance and rehabilitation of the road and railway infrastructure; (ii) to increase the transport sector efficiency through the promotion of market-oriented policies, strengthening of transport sector institutions and introduction of appropriate low-cost technology; and (iii) to contribute to poverty alleviation in the rural areas through a community-based program of labor-intensive road rehabilitation and other infrastructure and environmental improvements.

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:
 - (a) periodic maintenance and rehabilitation of about 2,600 km of paved and gravel-surfaced trunk roads;
 - (b) rehabilitation of about seven bridges; and
 - (c) engineering design work for periodic maintenance/rehabilitation of about 3,000 km of trunk roads, including major rehabilitation of four primary trunk roads (360 km) and seven bridges.
2. Strengthening of GHA in planning, control and contract management.
3. Training program for GHA staff, including acquisition of training equipment and training aids and provision of fellowships.
4. Acquisition of road maintenance equipment, spare parts, laboratory equipment and tools.
5. Construction of about 40 housing units for GHA's engineers.

Part B: Ministry of Roads and Highways

Strengthening of MRH's planning, programming and monitoring capabilities through the provision of training, the acquisition of office equipment and the improvement of office facilities.

Part C: Transport Sector Institutions

1. Strengthening of MTC's operational capabilities through the provision of training, the acquisition of office equipment and the improvement of office facilities.
2. Training programs for the private sector vehicle-servicing industry, including driver training.
3. Development of road safety and traffic management programs.

Part D: Northern Region Pilot Scheme

1. Development and implementation of a pilot scheme in the Northern Region, involving local communities, non-governmental organizations and, in particular, women, for:

(a) the construction of about 150 km of rural access roads and about 50 hand-dug wells;

(b) the improvement and maintenance of the local infrastructure and environment; and

(c) other self-help activities of benefit to local communities.

2. Promotion of the use of appropriate non-motorized transport vehicles in rural areas.

3. Institutional support for the pilot activities, including impact and evaluation studies.

Part E: Railway Rehabilitation

1. Improving the rail capacity through the rebuilding and acquisition of locomotives, wagons, other equipment and spare parts, the renewal of sleepers in some sections and axle-load strengthening of some bridges.

2. Strengthening of GRC's operational capabilities through the provision of training and management support.

3. Studies on line improvements, containerization and other aspects of railway improvements.

* * *

The Project is expected to be completed by March 31, 1996.

SCHEDULE 3

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. Bidders for the road, bridge and railway works estimated to cost more than \$5 million equivalent per contract included in Parts A and E of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

3. 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. Civil works estimated to cost less than the equivalent of \$1,000,000 per contract, up to an aggregate amount not to exceed the equivalent of \$13,100,000, and goods estimated to cost less than the equivalent of \$300,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,200,000, 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 estimated to cost less than the equivalent of \$60,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,800,000, 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. Goods of a proprietary nature may be procured by direct contracting from the supplier in accordance with procedures satisfactory to the Association, provided, however, that the aggregate amount of goods so procured may not exceed the equivalent of \$600,000.

4. Civil works under Part D of the Project, including tree planting and other environmental works, up to an aggregate amount not to exceed the equivalent of \$300,000 may be procured by direct contracting with non-governmental organizations in accordance with procedures satisfactory to the Association.

5. The construction of housing units under Part A.5 of the Project may be procured by direct contracting with existing housing corporations based on established and published market rates in accordance with procedures acceptable to the Association, provided, however, that the aggregate amount of civil works so procured may not exceed the equivalent of \$600,000.

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 the Special Accounts, 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 the Special Accounts 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 the Special Accounts, 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 this Agreement.

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

3. The figure of 15% is hereby specified for purposes of para-

graph 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, consultants shall be employed 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 4

Implementation Program

Overall Coordination

1. Overall Project coordination for Parts A, B and D of the Project shall rest with MRH. To this end, MRH shall appoint, not later than April 1, 1991, consultants in accordance with Section II of Schedule 3 to this Agreement for the PMU established within MRH. PMU's functions shall include inter alia assistance in procurement matters, financial accounting, Project monitoring and progress reporting and such other Project related functions assigned to it by MRH.

Mid-term Review

2. A mid-term review shall be carried out by the Borrower, the Association and all entities involved in carrying out Parts of the Project, not later than December 31, 1993, in order to evaluate the overall progress of the Project and to modify Project implementation procedures, if necessary.

Part A of the Project

3. Part A of the Project shall be carried out by GHA.

4. GHA shall:

(a) furnish to the Association, not later than June 30, 1991, a plan for reducing the direct labor operations in routine maintenance and for the reduction of its own work force, including targets for manpower reduction up to 1994 acceptable to the Association; and

(b) implement such plan thereafter.

5. GHA 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 trunk road maintenance program.

Part B of the Project

6. Part B of the Project shall be carried out by MRH.

7. MRH shall furnish to the Association timely estimates of its projected annual and quarterly Project expenditures.

8. MRH shall furnish to the Association, not later than June 30, 1991, a schedule for submission of reports and key indicators for monitoring progress of Parts A, B and D of the Project acceptable to the Association.

Part C of the Project:

9. MTC shall carry out Part C of the Project.

10. MTC shall furnish to the Association, not later than June 30,

1991, its arrangements with local institutions for the training of mechanics and drivers under Part C.2 of the Project.

11. MTC shall:

(a) furnish to the Association, not later than December 31, 1992, the findings of the public passenger transport study; and

(b) implement thereafter the recommendations of the study in accordance with an action program acceptable to the Association.

12. MTC, through its Planning and Implementation Division, shall furnish to the Association:

(a) timely estimates of its projected annual and quarterly Project expenditures; and

(b) not later than June 30, 1991, a schedule for submission of reports and key indicators for monitoring progress of its part of the Project acceptable to the Association.

Part D of the Project:

13. Part D of the Project shall be carried out under the supervision of the Department of Feeder Roads (DFR) in MRH.

14. MRH shall enter, not later than June 30, 1991, into subsidiary grant agreements acceptable to the Association with non-governmental organizations pursuant to which such non-governmental organizations will organize the involvement of the local communities and particularly the women in the pilot activities.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of Special Account PMU, Categories (1) through (7), and (12), through (15); (ii) in the case of Special Account GRC, Categories (16) through (18); and (iii) in the case of Special Account MTC, Categories (8) through (11) as such Categories are 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 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 an amount to be withdrawn from the Credit Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule, equivalent to \$2,000,000 in the case of Special Account PMU, equivalent to \$600,000 in the case of Special Account GRC and equivalent to \$300,000 in the case of Special Account MTC.

2. Payments out of any 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 shall be made as follows:

(a) For withdrawals of any Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the respective Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower,

withdraw from the Credit Account and deposit into said Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of any Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

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 said documents and other evidence.

4. For each payment made by the Borrower out of any Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, 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

(b) once 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 equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 any Special Account 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 any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into any 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. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any 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.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in any Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

