

CONFORMED COPY

CREDIT NUMBER 1911 GH

(Financial Sector Adjustment Credit)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 14, 1988

<BH=1

CREDIT NUMBER 1911 GH

<EH=1>

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 14, 1988, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated March 11, 1988 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's financial sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports and services required during such execution;

(B) the Borrower intends to obtain from the Government of the Swiss Confederation (Switzerland) a non-reimbursable contribution in an amount of fifteen million Swiss Francs

(SwF 15,000,000) (the Swiss Contribution) to assist in the financing of the Program on the terms and conditions set forth in a bilateral agreement (the Swiss Contribution Agreement) to be entered into between the Borrower and Switzerland;

(C) Switzerland intends to appoint the Association to administer the Swiss Contribution in accordance with the provisions of the Procedural Arrangements dated April 9, 1987 (the Arrangement) between Switzerland and the Association; and

(D) on the basis, inter alia, of the foregoing, the Association has decided, in support of the Program, to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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,

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with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

(b) "Cedi" means the currency of the Borrower;

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

(d) "Swiss Contribution Account" means the account established by Switzerland for the purpose of the Swiss Contribution;

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(e) "Procedural Arrangements" means the agreement between the Government of Switzerland and the Association for cooperation in the cofinancing of specific projects or programs within the framework of the Eighth Replenishment, dated April 9, 1987; and

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 11, 1988 and February 5, 1988 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 seventy-two million one hundred thousand Special Drawing Rights (SDR 72,100,000).

Section 2.02. (a) The amount of the Credit and the amount of the Swiss Contribution may be withdrawn from the Credit Account and the Swiss Contribution Account, respectively, 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 during the execution of the Program and to be financed out of the proceeds of the Credit and the Swiss Contribution.

(b) Except as the Association and Switzerland shall otherwise agree, the allocation and withdrawal of the Swiss Contribution shall be governed mutatis mutandis by the provisions of the General Conditions.

(c) The Borrower shall: (i) for the purposes of the Program, open and maintain in dollars up to six special accounts (IDA Special Accounts) and an additional special account for the proceeds of the Swiss Contribution (Swiss Special Account) in commercial banks on terms and conditions satisfactory to the Association; and (ii) for the purposes identified in Section 3.03 of this Agreement, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

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(d) 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, 1990, 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 a 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; (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 as of the next payment date in that year specified in Section 2.06 of this Agreement, except that the rate set as of June 30, 1988 shall be applied as of July 1, 1988.

(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 and service charges shall be payable semiannually on January 15 and July 15 in each year.

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Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 1998, and ending January 15, 2028. Each installment to and including the installment payable on January 15, 2008 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 at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. (a) The Bank of Ghana is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Bank of Ghana with responsibility for

the preparation of withdrawal applications under the Credit and the Swiss Contribution for the collection of the documents and other evidence to be furnished to the Association in support of such applications; such withdrawal applications, with respect to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than SDR 350,000 equivalent.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit and the Swiss Contribution shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) In order to strengthen the institutional capabilities of the agencies and organizations engaged in the carrying out of the Program and referred to herein below, the Borrower shall, in accordance with a plan acceptable to the Association:

- (i) implement a technical assistance program for the Bank of Ghana designed to improve its regulatory and supervisory functions;
- (ii) initiate a training program for the Institute of Chartered Accountants;
- (iii) provide training to banking personnel in, inter alia, technical skills required in the banking sector, recently developed techniques in financial markets and management skills;
- (iv) provide technical assistance to the Consolidated Discount House Ltd.;
- (v) examine the potential for capital market development; and
- (vi) assess the need for restructuring financially distressed enterprises and prepare a pilot program for corporate restructurings.

(b) In carrying out the activities set forth in paragraph (a) of this Section, the Borrower shall, in accordance with the plan referred to in paragraph (a) above: (i) provide equipment, vehicles, training and fellowships to the relevant agencies and organizations; and (ii) 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 the 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.

(c) The Borrower shall, in addition to the consultants referred to in paragraph (b) above, employ, not later than September 30, 1988, an adviser on bank restructuring in accordance with the procedures referred to in paragraph (b) above.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit and the Swiss Contribution.

(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;

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(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 and 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 or the Swiss Contribution 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 report for the fiscal year in which the last withdrawal from the Credit Account or the Swiss Contribution 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 audits 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.

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ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely,

that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower has taken the actions referred to in paragraph 1 of Schedule 3 to this Agreement.

Section 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. In the event that Switzerland or the Association terminate the functions of the Association pursuant to paragraph 5 of the Procedural Arrangements, the Association shall notify the Borrower promptly of the date on which Switzerland shall assume the rights and obligations of the Association under this Agreement.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 (a) of this Agreement, the Provisional National Defense Council 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.

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Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

PNDC Secretary for Finance
and Economic Planning
Ministry of Finance and Economic Planning
P.O. Box M40
Accra, Ghana

Cable address:

ECONOMICON
Accra

Telex:

2205 MIFAEP GH

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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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/ Kwesi Botchwey
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

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SCHEDULE 1

Withdrawal of the Proceeds of the Credit
and the Swiss Contribution

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit and the Swiss Contribution, the allocation of the amounts of such proceeds 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)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs Equivalent)	% of Expenditures to be Financed
(1) Goods (other than goods to be utilized for the purposes identified in Section 3.03 of this Agreement)	68,480,000	15,000,000	100% of foreign expenditures
(2) Goods to be utilized for the purposes identified in Section 3.03 of this Agreement	370,000		100%
(3) Training and fellowships	720,000		100%

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Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Swiss Contribution Allocated (Expressed in Swiss Francs Equivalent)	% of Expenditures to be Financed
(4) Consultants'	1,980,000		100%

services

(5) Refunding of Project Prepara- tion Advance of this	550,000	Amount due pursant to Section 2.02(d) Agreement
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TOTAL	72,100,000	15,000,000
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2. For the purposes of this Schedule 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.

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

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)

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Group	Sub-group	Description of Items
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi- precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores gold concentrates)

(b) payments made for expenditures prior to the date of this Agreement;

(c) expenditures in respect of Category (1) and to be financed from the Swiss Contribution unless all conditions precedent to the initial disbursement of the Swiss Contribution have been met;

(d) expenditures in respect of Category (1) for goods

procured under contracts costing less than \$50,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or para-military purpose or for luxury consumption;

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(g) expenditures in excess of an aggregate amount equivalent to SDR 20,000,000 for petroleum products from the Credit Account; and

(h) expenditures for foodstuffs, crude fertilizers, crude minerals and petroleum products from the Swiss Contribution Account.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit and the Swiss Contribution allocated to Category (1) in the table set forth in paragraph 1 of this Schedule:

(a) after the aggregate of the proceeds of the Credit and the Swiss Contribution withdrawn from that Category and the total amount of such commitments shall have reached the equivalent of: (i) SDR 32,500,000 from the Credit; and (ii) SwF 5,000,000 from the Swiss Contribution, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (A) with the progress achieved by the Borrower in the carrying out of the Program, and (B) that the actions described in paragraph 2 of Schedule 3 to this Agreement have been taken and are satisfactory to the Association; and

(b) after the aggregate of the proceeds of the Credit and the Swiss Contribution withdrawn from that Category and the total amount of such commitments shall have reached the equivalent of: (i) SDR 54,100,000 from the Credit; and (ii) SwF 12,000,000 from the Swiss Contribution, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (A) with the progress achieved by the Borrower in the carrying out of the Program; and (B) that the actions described in paragraph 3 of Schedule 3 to this Agreement have been taken and are satisfactory to the Association.

5. If, after any exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel

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the unwithdrawn amount of the Credit and the Swiss Contribution allocated to Category (1) in the table set forth in paragraph 1 of this Schedule or any part thereof.

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SCHEDULE 2

Procurement

1. Except as provided in paragraph 2 hereof, contracts for the procurement of goods shall be awarded through international

competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

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(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of \$2,000,000 each may be awarded: (a) in case of procurement of goods by the Borrower, its political subdivisions or state-owned enterprises, on the basis of the Borrower's or the state-owned enterprise's procedures which have been reviewed and found acceptable to the Association; and (b) in case of procurement by private entities, on the basis of their normal procurement procedures.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account and the Swiss Contribution Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Accounts, the copies of such contract

or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 3 or paragraph 4 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

6. The provisions of the preceding paragraphs 3, 4 and 5 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account and the Swiss Contribution Account on the basis of statements of expenditure.

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SCHEDULE 3

Actions Referred to in Section 5.01 and Paragraph 4 of Schedule 1 to this Agreement

1. Actions referred to in Section 5.01 of this Agreement

The Borrower has submitted to the Association, in form and substance satisfactory to the Association:

- (a) proposals for amendments of the Banking Act and other relevant regulations covering, inter alia, prudential rules relating to the capital adequacy of banks, reserve requirements, limits on loans, penalties and reporting requirements to the Bank of Ghana; and
- (b) proposals for establishing uniform auditing and accounting standards for banks.

2. Actions referred to in paragraph 4 (a) of Schedule 1 to this Agreement

(a) The amendments to the Banking Law and other regulations referred to in paragraph 1 (a) (i) above have been enacted.

(b) The monitoring of compliance of banks with the uniform auditing and accounting standards has been commenced by the Bank of Ghana.

(c) A timetable for the phased decontrol of banking charges has been submitted to the Association.

(d) The amendment to the Social Security Decree expanding the investment opportunities for the Social Security and National Insurance Trust has been enacted.

(e) A statement has been submitted to the Association detailing the modalities for the restructuring of banks and in particular: (i) the restructuring or conversion of loans and deposits extended to banks by the Borrower, the Bank of Ghana and external lenders; (ii) dealing with banks' portfolios of non-performing loans; and (iii) additional measures for dealing with non-performing loans to state-owned enterprises.

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(f) Plans for the reduction by at least 50% of doubtful loans and off-balance sheet items in the aggregate portfolio of the banks have been submitted to the Association.

(g) Restructuring plans for banks accounting for at least 50% of commercial banks' assets and 50% of development banks' assets have been submitted to the Association.

(h) An action program for the strengthening of the Consolidated Discount House Ltd. has been prepared and is being implemented.

(i) A study on the potential for capital market development and related requirements has been completed.

(j) A study on exchange risk protection has been completed.

3. Actions referred to in paragraph 4 (b) of Schedule 1 to this Agreement

(a) The lending floor for the agricultural sector imposed on banks has been reviewed in consultation with the Association and the agreed-upon changes, if any, have been implemented.

(b) The plans for the reduction of non-performing loans and off-balance sheet items in the portfolio of banks referred to in paragraph 2 (f) above and the banking restructuring plans referred to in paragraph 2 (g) above have been implemented.

(c) A program for the residual portfolio of non-performing loans and off-balance sheet items and restructuring plans for the remaining commercial and development banks have been submitted to the Association.

(d) The recommendations of the study on the capital market referred to in paragraph 2 (i) have been implemented.

(e) The Credit Clearing House has been established.

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SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in the case of the Special Accounts referred to in Section 2.02 (c)(i), Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) in the case of the Special Account referred to in Section 2.02 (c)(ii), Categories (2), (3) and (4) set forth in said table;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Program and to be financed out of the proceeds of the Credit and the Swiss Contribution 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 Special Accounts pursuant to paragraph 3 (a) of this Schedule: (i) not exceeding an aggregate amount equivalent to \$18,000,000 in the case of the IDA Special Accounts referred to in Section 2.02 (c)(i) of this Agreement; (ii) equivalent to SwF 3,000,000 in the case of the Swiss Special Account referred to in Section 2.02 (c)(i) of this Agreement; and (iii) equivalent to \$1,000,000 in the case of the Special Account referred to in Section 2.02 (c)(ii) of this Agreement.

2. Except as the Association shall otherwise agree, payments out of a Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of

the Borrower, withdraw from the Credit Account and the Swiss

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Contribution Account and deposit into the appropriate Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of a Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and the Swiss Contribution Account and deposit into the appropriate Special Account such amounts as shall be required to replenish said Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account and the Swiss Contribution Account in the respective equivalent amounts as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

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

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

- (i) the Association shall have determined that all further withdrawals can be made by the Borrower directly from the Credit Account or the Swiss Contribution Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit or the Swiss Contribution, minus 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 Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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(b) Thereafter, withdrawal from the Credit Account or the Swiss Contribution Account of the remaining unwithdrawn amount of the Credit or the Swiss Contribution 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 a 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 a Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit

by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account or the Swiss Contribution Account.

