

CONFORMED COPY

CREDIT NUMBER 3282-GH

Project Agreement

(Second Community Water and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY WATER AND SANITATION AGENCY

Dated December 14, 1999

CREDIT NUMBER 3282-GH

PROJECT AGREEMENT

AGREEMENT, dated December 14, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and COMMUNITY WATER AND SANITATION AGENCY (CWSA).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Ghana (the Borrower) and the Association, the Association has agreed to lend to the Borrower an amount in various currencies equivalent to eighteen million seven hundred thousand Special Drawing Rights (SDR 18,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that CWSA agrees to undertake such obligations toward the Association as are set forth in this Agreement; and

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) CWSA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services, and other resources required for the Project.

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

Section 2.02. Except as the Association shall otherwise agree, procurement of the 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 2 to this Agreement.

Section 2.03. (a) CWSA shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, CWSA shall:

(i) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and CWSA, a plan for the future operation of the Project; and

(ii) afford the Association reasonable opportunity to exchange views with CWSA on said plan.

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

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

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

ARTICLE III

Management and Operations of CWSA

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

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

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

ARTICLE IV

Financial Covenants

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

(b) CWSA shall:

(i) have its records, accounts, and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing standards 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 the financial statements referred to in paragraph (a) above for such year as so audited, and (B) an opinion on such statements and a 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 such records, accounts, and financial statements and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, CWSA shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable CWSA, not later than twelve (12) months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, CWSA shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE V

Effective Date; Termination Cancellation and Suspension

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

Section 5.02. (a) This Agreement and all obligations of the Association and of CWSA thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate; or

(ii) the date twenty (20) years after the date of this Agreement. (b) If the Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify CWSA of this event.

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

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses 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:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For the Community Water and Sanitation Agency:

Private Mail Bag, K.I.A.
Accra
Ghana

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

Section 6.03. This Agreement may be executed in several counterparts, each of

which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Accra, Ghana, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jean-Louis Sarbib

Regional Vice President
Africa

COMMUNITY WATER AND SANITATION AGENCY

By /s/ Moses Asaga

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997, and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. Preference for Domestically Manufactured Goods and Domestic Contractors The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$100,000 equivalent per contract and more than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Contracts for drilling works estimated to cost less than \$250,000 equivalent per contract and more than \$50,000 equivalent per contract may be procured in accordance with the provision of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of national shopping procedures in

accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting/Procurement of Small Works

Contracts for drilling works costing \$50,000 equivalent or less may, with the Association's prior agreement, either be procured in accordance with the provisions of paragraph 3.7 of the Guidelines, or may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Community Participation

Goods and works required for Part A of the Project shall be procured in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of \$250,000 or more, including the first two contracts for each type of work per region, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more the procedures set forth in paragraph 2 (f), 2 (g) and 3 (g) Appendix 1 to the guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to

quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single-Source Selection.

Services which are estimated to cost less than \$100,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Least-Cost Selection

Services for drilling supervising consultants may be procured under contracts awarded in accordance with the provision of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more and the first two contracts costing less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more and the first two contracts costing less than the equivalent of \$50,000, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. CWSA shall carry out the Project in accordance with procedures set forth in the POM and, except as the Association shall otherwise agree, not amend or waive any

provision thereof if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. (a) CWSA shall, not later than February 15 of each year, commencing from February 15, 2000, carry out jointly with the Association, and in conjunction with the Borrower, a comprehensive annual project implementation review aimed at (i) documenting progress towards realization of the objectives of the Project; (ii) identifying and resolving obstacles to Project implementation; (iii) adjusting targets to reflect progress achieved in the implementation of the Project in the prior years and ensuring responsiveness to changes to effectively achieve the objectives of the Project; and (iv) discussing the work program and budget for the forthcoming year.

(b) CWSA shall, not later than four weeks prior to the review referred to in (a) above, furnish to the Association a report, in such detail as the Association shall reasonably request, including an evaluation of the progress achieved in Project implementation.

(c) Promptly after completing such reviews, CWSA shall carry out recommendations arising out of said reviews with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

3. CWSA shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, a report integrating the results of the monitoring and evaluation activities performed, pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30 or such later date as the Association shall request, the report referred to in paragraph (b) of this Section and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

4. (a) CWSA shall be responsible for providing overall guidance and for promoting, facilitating, supervising, monitoring, evaluating, and reporting on all Project activities. CWSA shall carry out Parts B and C of the Project directly through its own agents and staff.

(b) The District Assemblies or small towns, as the case may be, shall be responsible for the execution of Subprojects on behalf of, and in close coordination with, the communities.

5. CWSA shall, not later than six (6) months after the Effective Date, furnish to the Association for approval, (a) a staff development plan, (b) a staff compensation plan, and (c) terms of reference of heads of departments.

6. Eligibility for Subprojects:

(a) All districts, communities, and small towns which meet the following criteria shall be eligible for Grants under the Project and shall be allocated an investment ceiling each year by the regional water and sanitation team (RWST), in consultation with the regional authorities:

(i) in the case of districts, DAs shall have (A) contributed 5% of the investment cost of the anticipated Subprojects for the district, (B) appointed qualified technical staff to manage the implementation of Subprojects, (C) prepared a rolling district water and sanitation

plan (DWSP), and (D) submitted proposals and associated procurement plans criteria described in the POM.

acceptable community Subproject which meet the

(ii) in the case of communities or small towns, (A) the communities or small towns shall have been selected initially by the DA based on criteria including poverty, service coverage, and conformity to the district development plans, and (B) the community or small towns shall have expressed willingness to contribute 5% of the cost, and to assume full responsibilities for, the operation and maintenance of selected facilities. Only communities or small towns that have submitted an application shall receive technical assistance to prepare a funding proposal. Proposals that fully meet the appraisal criteria shall be funded, on a first-come, first-serve basis.

(b) All Subprojects shall include technical assistance and community development activities to enable the community to make informed choices, organize and ensure Subproject implementation (including contracting and works supervision) in a participatory manner, administer funds, and achieve the effective and sustained use of their facilities and, in the case of the community school proposals, to include clearly defined hygiene and sanitation promotion activities.

(c) The Subproject shall comply with the environmental requirements described in the POM.

(d) Notwithstanding the provisions of subparagraphs (a) through (c) above, the investment cost of water and sanitation Subprojects shall be financed through a 10% contribution from the DA and the community (the community paying at least 5%).

7. CWSA shall ensure that Beneficiaries are involved in all stages of the Subproject cycle. To that effect, each time a decision affecting a Subproject is made by the DA, on behalf of the Beneficiary, the Beneficiary shall be consulted and involved, through the appropriate channels, and in accordance with procedures specified in the POM, in approving all official documentation pertaining to Subproject implementation (contract award, payment certificates, completion certificates). In this respect, CWSA shall enter into a Subproject Agreement with a DA as specified in the POM.

8. Subproject Agreement

In financing Subprojects, CWSA shall enter into a Subproject Agreement with a DA. The terms and conditions of the Subproject Agreement shall include provisions pursuant to which:

(a) the DA shall be responsible for Subproject implementation with full Beneficiary participation;

(b) financing shall be on a grant basis;

(c) each DA shall be responsible for (i) implementing the Subproject in accordance with the provisions of the Subproject Agreement and the POM, with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards; and (ii) maintaining adequate records;

(d) each DA shall have the obligation to report to CWSA on the progress made in the implementation of the Subprojects;

(e) CWSA shall have the right to obtain all such information as CWSA or the Association shall reasonably request regarding Subproject implementation, administration, operations, and the financial condition of the DA and the benefits to be derived from the Subproject;

(f) the goods, civil works and services to be financed out of the proceeds of the Credit for Subprojects shall be procured in accordance with the provisions of Schedule 2 to this Agreement; and

(g) CWSA shall have the right to suspend or terminate the right of the DA to use the proceeds of the Credit for a Subproject upon failure by any such DA to perform any of its respective obligations under the Subproject Agreement.

