

**CONFORMED COPY**

**CREDIT NUMBER 3889 GH**

# **Development Credit Agreement**

**(Second Urban Environmental Sanitation Project)**

**between**

**REPUBLIC OF GHANA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 13, 2004**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated August 13, 2004 between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter of sector policy dated December 30, 2003 describing a program of policies, goals and actions designed to improve the Borrower's urban sanitation and infrastructure services (the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) 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;

(C) the Nordic Development Fund proposes to make a loan to the Borrower in a principal amount of EUR 9,500,000 to assist in financing part of the Project;

(D) the Borrower intends to seek additional funds from the *Agence Française de Développement* and other donors to assist in the financing of the Project; and

(E) 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;

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 (as amended through October 6, 1999) (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) "Advance Account" means a subaccount of the Special Account referred to in Section Part B of Schedule 1 to this Agreement;

(b) "Affected Persons" means a person who on account of the acquisition of land, including plantation land, for purposes of establishing relocation sites under the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person;

(c) “Assembly” or “MA” means each Metropolitan or Municipal Assembly for Accra, Kumasi, Shama-Ahanta East, Tema and Tamale, established under the Borrower's Local Government Act (No. 462) of 1993;

(d) “Cedi” means the currency of the Borrower;

(e) “Environmental Management Plan” with respect to any storm drainage, sanitation, solid waste management or community infrastructure upgrading, means the set of mitigation, enhancement, monitoring, and institutional measures to be taken during design, implementation and operation of such storm drainage, sanitation, solid waste management or community infrastructure upgrading to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts;

(f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(g) “Grant Agreement” means each of the agreements to be entered into between the Borrower and each of the MAs pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Grant Agreements;

(h) “MLGRD” means the Ministry of Local Government and Rural Development of the Borrower;

(i) “Matching Fund Accounts” means the accounts referred to in Sections 3.01 (d) and (e) of this Agreement;

(j) “Project Cities” means the cities of Accra, Kumasi, Sekondi-Takoradi, Tema and Tamale;

(k) “Project Implementation Manual” means the manual referred to in Section 6.01 (c) of this Agreement;

(l) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on October 27, 2003 and on behalf of the Borrower on October 31, 2003;

(m) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.4 of Schedule 1 to this Agreement;

(n) “Resettlement Policy” means the Policy Framework for Land Acquisition, Resettlement and Rehabilitation of Affected Persons, satisfactory to the Association, approved by MLGRD dated November 28, 2003;

(o) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(p) “SSP” means a Strategic Sanitation Plan setting out strategies for providing comprehensive sanitation services including a priority listing of the mix of household, public and

school facilities needed to serve the city's low-income household, together with descriptions of management and financing arrangements for implementation; and

(q) "Steering Committee" means the committee referred to in Paragraph 3 of Schedule 4 of this Agreement and composed of representatives of each Assembly, MLGRD, Ministry of Works and Housing, Ministry of Health, Urban Roads Department of the Ministry of Roads and Transport, Ministry of Finance and Economic Planning, and Environmental Protection Agency.

## **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 forty-one million six hundred thousand Special Drawing Rights (SDR 41,600,000).

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 works, goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall:

- (i) open and maintain in dollars for each Assembly an Advance Account of the Special Account, in one or more commercial banks acceptable to the Association, on terms and conditions satisfactory to the Association (including appropriate protection against set-off, seizure or attachment), to be used by such Assembly exclusively for the purposes of financing works, goods and services under the Project to be carried out by such Assembly, under conditions specified in paragraphs 4 and 5 of Schedule 4 to this Agreement; and
- (ii) withdraw from the Special Account and deposit into each Advance Account an amount as specified in paragraph 3(a) of Annex A to Schedule 1, and thereafter replenish said Advance Accounts in accordance with paragraph 3 of Annex A to Schedule 1 of this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010, 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 canceled; 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 ( $\frac{3}{4}$  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 March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing September 1, 2014 and ending March 1, 2044. Each installment to and including the installment payable on March 1, 2024 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 cause MLGRD and the MAs to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make part of the proceeds of the Credit, allocated from time to time to the MAs as grants, under Grant Agreements to be entered into between the Borrower and each MA, respectively, under conditions which shall have been approved by the Association, which shall include those set forth in paragraphs 4 and 5 of Schedule 4 to this Agreement.

(c) The Borrower shall exercise its rights under each Grant 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 Grant Agreements or any provision thereof.

(d) Without limitation upon its obligations under paragraphs (a) and (e) of this Section, the Borrower shall: (i) provide in its annual budget, in each year during the carrying out of the Project, amounts sufficient to cover its counterpart contributions to the cost of the Project; (ii) open and maintain in cedis in a commercial bank, a MLGRD Matching Fund Account, on terms and conditions satisfactory to the Association, in the name of MLGRD, to be used by MLGRD exclusively for the purposes of the Project; and (iii) deposit into said MLGRD Matching Fund Account: (A) an initial amount of \$25,000 equivalent, and (B) the remaining part of its contributions, quarterly in advance, in the amounts to be determined by the Borrower and the Association.

(e) The Borrower shall cause each MA to: (i) open and maintain in cedis, in a commercial bank, a Matching Fund Account, on terms and conditions satisfactory to the Association, in the name of each Assembly to be used by such Assembly as the Assembly's counterpart contribution to the costs of the Project; and (ii) deposit into each MA Matching Fund Account: (A) an initial amount equivalent to \$5,000 for each MA; and (B) the remaining part of its contributions, quarterly in advance, in the amounts determined by the Borrower and the Association.

(f) 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 the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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 shall, prior to commencing work on any storm drainage, sanitation, solid waste management or community infrastructure upgrading and prior to any displacement of any Affected Persons from such works:

(a) undertake the acquisition of all necessary land and other property, compensation therefor and resettlement for such works in accordance with the principles and institutional procedures established in the Resettlement Policy;

(b) ensure that Affected Persons from such works shall be compensated, resettled and rehabilitated in accordance with the Resettlement Policy;

(c) for the sanitary landfill at Kwabenya, the sanitary landfill in Tema, rehabilitation of refuse dumps at Mallam, Oblogo, Kpone, and Essipon, and community infrastructure upgrading in all Project Cities, prepare and furnish to the Association, a detailed resettlement action plan acceptable to the Association documenting the implementation arrangements for resettlement arising from such works, including compensation, relocation and rehabilitation of Affected Persons;

(d) complete the implementation of such resettlement action plan in a manner satisfactory to the Association; and

(e) for construction of the sanitary landfill in Tema, rehabilitation of refuse dumps at Mallam, Oblogo, Kpone and Essipon, prepare and furnish to the Association, an Environmental Management Plan, satisfactory to the Association, and thereafter implement such Plan accordingly.

Section 3.04. For the purpose of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

(a) 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 Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.05. (a) The Borrower shall carry out, jointly with the Association and the Assemblies, not later than June 30, 2007, a midterm review of the progress made in carrying out the Project. This review shall cover, among other things: (i) the performance of the Borrower and

the Assemblies in carrying out the Project; (ii) the extent to which the institutional objectives of the Project have been achieved; (iii) the performance of the private contractors employed by the Assemblies under the Project; (iv) compliance with the financial, audit and other obligations of the Borrower included in this Agreement; (v) the structure and level of cost recovery measures; (vi) procurement under the Project; (vii) the provision of counterpart funds for the Project by the Borrower; and (viii) plans for the further implementation of the Program.

(b) The Borrower shall transmit to the Association, at least 30 days prior to such review, a report, in scope and detail satisfactory to the Association, prepared by MLGRD and each Assembly, describing the status of progress regarding the items listed in paragraph (a) above and of Project implementation generally.

(c) Based on such review, the Borrower shall, jointly with MLGRD and the Assemblies, promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project and shall thereafter implement such action plan.

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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 reports referred to in Part A.4 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, 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;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) The Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 225 days after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first six month period; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent semi-annual period, and shall cover such semi-annual period.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) The MAs shall have failed to perform any of their respective material obligations under their respective Grant Agreements.

(b) The Local Government Act (No. 462) of 1993 shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely the ability of MAs to perform any of their respective obligations under their respective Grant Agreements.

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the MAs or for the suspension of their respective operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that any event specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has appointed the external auditor referred to in Section 4.01(a) (i) pursuant to Section II of Schedule 3 to this Agreement; and

(b) the Borrower has adopted a Project Implementation Manual, in form and substance satisfactory to the Association, specifying, inter alia, performance indicators, procedures and other arrangements for the purpose of implementation of the Project.

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 Minister responsible 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:

Minister for Finance and Economic Planning

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

Cable address:

Telex:

Facsimile:

ECONOMICON  
Accra

2205 MIFAEP GH

233-21-667069  
233-21-663854

For the Association:

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

Cable address:	Telex:
INDEVAS	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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.

REPUBLIC OF GHANA

By /s/ Yaw Osafo-Mafo

Authorized Representative

INTERNATIONAL  
DEVELOPMENT ASSOCIATION

By /s/ Mats Karlsson

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

Part A Disbursement Schedule

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:

<u>Category</u>	<u>Amount of the Credit to be Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works		
(a) Other than for Part B(1)	29,000,000	100% foreign expenditures and 90% local expenditures
(b) Project Cities, for Part B(1)	1,800,000	50%
(2) Vehicles, equipment and spare parts		100% foreign expenditures and 90% local expenditures
(a) Project Cities	1,300,000	
(b) MLGRD	150,000	
(3) Consultants' services studies and training		90%
(a) Project Cities	2,750,000	
(b) MLGRD	250,000	
(4) Operating costs for:		
(a) Sanitary landfills and refuse collection	1,150,000	50% up to December 31, 2006, 35% up to December 31, 2008, and 25% thereafter
(b) Others	350,000	90%
(5) Refunding of Project Preparation Advance	400,000	Amounts due pursuant to Section 2.02 (d) of this Agreement
(6) Unallocated	4,450,000	
	<u>=====</u>	
TOTAL	<u>41,600,000</u>	

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: (i) for Category 4 (a), costs associated with operation of landfills and refuse collection services to be carried out by private contractors; and (ii) for Category 4 (b), costs on account of project implementation for office expenses, utilities, fuel, supplies and vehicle maintenance, excluding salaries of the Borrower's civil servants.

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 4,000,000, may be made on account of payments made for expenditures before that date but after May 1, 2003; and (b) payments made for expenditures under Category (1) (a) for solid waste landfills for each MA until land for such landfills for such MA concerned has been acquired in a manner satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts not exceeding \$200,000 equivalent, (b) works under contracts not exceeding \$500,000 equivalent, (c) services with consultants' firms under contracts not exceeding \$100,000 equivalent, (d) expenditures for individual consultants under contracts not exceeding \$50,000 equivalent, and (e) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

#### Part B Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial Bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.4 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to \$4,000,000, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 6,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account or the Advance Accounts shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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 or into the Advance Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. (a) The Borrower shall withdraw from the Special Account and deposit into each Advance Account funds to assist the beneficiary of such account to pay for works, goods and services under the Project. Such withdrawals and deposits shall be in amounts sufficient to assist each beneficiary, in the manner contemplated in Schedule 4 to this Agreement, to pay for such goods, works and services in due course, provided that at no time shall the Borrower cause the amount held in any Advance Account to exceed: (i) the equivalent of \$400,000 each for Shama-

Ahanta East, Tema and Tamale, provided, however, that unless the Association shall otherwise agree, the Advance Accounts for such Assemblies shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 900,000 for such Assemblies; and (ii) \$800,000 for each of Accra and Kumasi, provided, however, that unless the Association shall otherwise agree, the Advance Account for Accra and Kumasi shall be limited to an amount equivalent to \$400,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,900,000 for each of Accra and Kumasi.

(b) Payments out of Advance Accounts shall only be made for eligible expenditures in respect of Categories (1) to (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) Any withdrawal from any Advance Account must be justified to the Borrower by the same documentation and other evidence regarding eligible expenditures provided for under paragraph 3 of this Schedule.

(d) If the Association or the Borrower shall have determined at any time that any amount outstanding in any Advance Accounts will not be required to cover further payments for eligible expenditures, the beneficiary of such Advance Account shall, promptly upon notice from the Association or the Borrower, refund to the Special Account such outstanding amount.

4. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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 the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.



**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to improve urban living conditions in Accra, Kumasi, Sekondi-Takoradi, Tamale, and Tema in regard to environmental health, sanitation, drainage, vehicular access, and solid waste management in a sustainable fashion, with special emphasis on the poor.

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: Storm Drainage

The dredging, and lining of primary and secondary drains, construction of small bridges, and erosion control measures.

#### Part B: Sanitation

1. Construction of household latrines in all Project Cities.
2. Construction of new, and rehabilitation of existing, public sanitation facilities in all Project Cities.
3. Construction of new and rehabilitation of existing sanitation facilities at primary and junior secondary schools in all Project Cities, and provision of water supply and hygiene education at such schools.
4. (a) Completion of a septage treatment facility in Tema, with provision of an access road, and (b) rehabilitation and expansion of a septage treatment facility in Accra.
5. (a) Carrying out studies for the alternative collection, treatment, and management of sewage in Tema, and (b) rehabilitation and construction of small works and restoration of lagoons in Tema.

#### Part C: Solid Waste

1. Provision of technical and financial support for waste collection in the Project Cities, including support for private solid waste collection.
2. Construction of sanitary landfills in Accra and Tema, and completion of the sanitary landfill in Sekondi-Takoradi
3. Acquisition of equipment for disposal of solid waste.
4. Provision of assistance for effective operation and monitoring of landfills in Kumasi, Tamale, and Sekondi-Takoradi.
5. Improved use, closure, and rehabilitation of existing refuse dumps.

Part D: Community Infrastructure Upgrading

Improvement of basic infrastructure in selected low-income areas of Accra, Kumasi, Sekondi-Takoradi, Tamale, and Tema inter alia through rehabilitation of access roads, storm water drainage, sanitation facilities, solid waste management facilities, water supply and street lighting.

Part E: Institutional Strengthening

1. Provision of technical advisory services and training on environmental sanitation and municipal finance inter alia, to: (a) MLGRD, and (b) each of the Assemblies.
2. Acquisition of vehicles and equipment for MLGRD and the Assemblies.
3. Provision of technical advisory services to prepare a SSP for Accra, and review of the SSP's for the other Project Cities.
4. Monitoring of Project implementation.
5. Carrying out a program of capacity building in MLGRD and in each of the MA's for the Project Cities, including malaria vector and HIV/AIDS prevention and control activities and house numbering.
6. Monitoring of landfills and reconditioning of waste management equipment in each of the MA's for the Project Cities.

\* \* \*

The Project is expected to be completed by December 31, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with 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 the following provisions of Section I of this Schedule.

##### Part B: International Competitive Bidding

1. 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.
2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

##### (a) Grouping of contracts

To the extent practicable, contracts for civil works shall be grouped in bid packages estimated to cost \$2,000,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$250,000 equivalent or more each.

##### (b) 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

Goods estimated to cost less than \$250,000 equivalent per contract, and works estimated to cost less than \$2,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Software, spare parts and accessories which are of a proprietary nature may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least 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.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 \$500,000 or more, and each contract for goods estimated to cost the equivalent of \$250,000 or more, the procedures set forth in paragraphs 2 and 3 of 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

Consultants' services shall be procured in accordance with the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Under a Fixed Budget

Services for simple assignments may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services which are estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. 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.

5. Individual Consultants

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

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the

Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

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, the procedures set forth in paragraphs 2, 3 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, the report on the comparison of the qualifications and experience of candidates, 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 the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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 4

### Implementation Program

#### Project Implementation

1. MLGRD shall have overall responsibility for Project implementation and shall coordinate the activities of the Assemblies. MLGRD shall appoint key Project staff, consisting of the Project manager, Project engineer, Institutional or training specialist, and Project accountant, with qualifications and experience satisfactory to the Association, no later than November 30, 2004. At all times until completion of the Project, MLGRD shall maintain key Project staff with qualifications and experience satisfactory to the Association.

2. The Borrower shall implement the Project in accordance with the procedures set out in the Project Implementation Manual, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any provision thereof so as to materially and adversely affect the implementation of the Project.

3. (a) Not later than November 30 of each year, the Steering Committee shall meet with the Association to review the progress made in respect of Project implementation, institutional issues, procurement, disbursements, the involvement of the private sector, the achievements of the MAs according to the performance criteria referred to in the Project Implementation Manual during the preceding year, and progress towards the objectives for the preceding year. MAs that have performed satisfactorily shall be allocated additional amounts from the unallocated category of the Credit for the following year.

(b) The Borrower shall transmit to the Steering Committee, with a copy to the Association, at least 30 days prior to such review, a report, in scope and detail satisfactory to the Steering Committee and to the Association, prepared by MLGRD and each Assembly, describing the status of progress regarding the items listed in paragraph (a) above and of Project implementation generally.

#### Terms and Conditions of Grant Agreements Required Pursuant to Section 3.01 (c) of this Agreement

4. The terms and conditions of the Grant Agreements shall include the following obligations of the MAs to:

(a) carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and engineering practices, with due regard to environmental factors, and in accordance with the Project Implementation Manual; and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for said Parts of the Project, including their counterpart contributions at levels satisfactory to the Association.

(b) comply with the procedures for hiring of consultants and the procurement of goods and works set forth in Schedule 3 to this Agreement;

(c) comply with the record keeping, auditing and report requirements set forth in Section 4.01 of this Agreement, including the annual auditing of its accounts and financial



statements (balance sheets, statements of income and expenses and related statements) required by the Borrower to meet its obligations under Section 4.01 of this Agreement;

(d) carry out their own operations and conduct their affairs in accordance with sound administrative, financial and engineering practices;

(e) take out and maintain with reputable 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;

(f) in accordance with Section 3.04 of this Agreement, (i) participate in the review of the progress made in carrying out the Project, and (ii) thereafter prepare and implement an action plan, satisfactory to the Association, for the further implementation of the Project;

(g) at the request of the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of the Project and the performance of their obligations under their respective Grant Agreements;

(h) promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project or the performance by the MAs of their obligations under the respective Grant Agreements; and

(i) except as the Borrower and the Association shall otherwise agree, neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving their respective Grant Agreements.

5. Prior to implementation of the Project, each Assembly shall execute a Grant Agreement with the Borrower. The Grant Agreements shall include provisions to the effect that each Assembly shall:

(a) prior to signing works or goods contracts for the Project: (i) establish and maintain a financial management system satisfactory to the Association; (ii) establish a project team, with staff in adequate numbers and with qualifications and experience satisfactory to the Association; (iii) appoint key staff, with qualifications and experience satisfactory to the Association, in their respective Waste Management Department; and (iv) make the initial deposit into the Matching Fund Account referred to in Section 3.01 (e) of this Agreement;

(b) within one year of effectiveness, establish and maintain a cost accounting system for: (i) solid waste management, including collection and disposal; (ii) liquid waste management; and (iii) drain maintenance;

(c) prior to commencing work on Part A of the Project for storm drainage, establish and maintain institutional and financial arrangements for drain maintenance satisfactory to the Association;

(d) provide the required information to MLGRD for the preparation of the Financial Monitoring Report referred to in Section 4.02 within thirty days of the end of each quarter.

