

CONFORMED COPY

CREDIT NUMBER 3554-GH

Development Credit Agreement

(Road Sector Development Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 23, 2001

CREDIT NUMBER 3554-GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 23, 2001, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter, dated March 29, 2001, (hereinafter called the "Letter of Sector Policy") from the Borrower describing a program for the road sector to improve the condition of the road network to 70% good, 20% fair and not more than 10% poor by 2005 and manage the road network on a sustainable basis (hereinafter called the "Program");

WHEREAS (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 Borrower intends to contract or has contracted from other external sources of funding (the Cofinanciers) loans and grants (the Cofinancing) in an amount equivalent to approximately \$650,000,000 to assist in financing part of the Program on the terms and conditions set forth in agreements (the Cofinancing Agreements) entered into or to be entered into between the Borrower and the Cofinanciers; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

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

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) the second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "DFR" means the Department of Feeder Roads within MRH (as hereinafter defined);

(b) "DVLA" means the Borrower's Driver and Vehicle Licensing Authority, established pursuant to Driver and Vehicle Licensing Act, 1999 (Act 569);

(c) "DUR" means the Department of Urban Roads within MRH (as hereinafter defined);

(d) "Eligible Categories" means, in respect of the MRH Special Account, Categories 1(a), 2(a), 3(a), and 4(a) set forth in the table in Part A.1 of Schedule 1 to this Agreement; in respect of the GHA Special Account, Categories 1(b), 2(b), 3(b), and 4(b) set forth in said table; in respect of the DFR Special Account, Categories 1(c), 2(c), 3(c), and 4(c) set forth in said table; and in respect of the DUR Special Account, Categories 1(d), 2(d), 3(d) and 4(d) set forth in said table;

(e) "Eligible Expenditures" means, in respect of the MRH Special Account, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories; in respect of the GHA Special Account, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories; in respect of the DFR Special Account, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories; and in respect of the DUR Special Account, the expenditures for goods and services referred to in Section 2.02 of this Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories;

(f) "Environmental and Social Mitigation Plan" means the Borrower's plan dated April 27, 2001 for the implementation of the Project in accordance with appropriate environmental and social standards and guidelines, and including, inter alia, the preparation of plans of action to mitigate adverse environmental effects, and a resettlement and compensation policy framework for major rehabilitation, reconstruction and upgrading works under Part C of the Project;

(g) "GHA" means the Ghana Highway Authority, established pursuant to the Ghana Highway Authority Decree, 1974, (N.R.C.D. 298) of the Borrower, as continued

in existence by the Ghana Highway Authority Act, 1997 (Act 540);

(h) "IAPSO" means the Inter-Agency Procurement Services of the United Nations;

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

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

(k) "NRSC" means the Borrower's National Road Safety Commission, established pursuant to the National Road Safety Commission Act, 1999 (Act 567);

(l) "Program Implementation Manual" means the Manual to be adopted pursuant to Section 6.01(a) of this Agreement, specifying, inter alia, procedures and other arrangements for the purpose of implementation of the Project, satisfactory to the Association;

(m) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(n) "Road Fund" means the Borrower's fund designed to finance the rehabilitation and maintenance of roads and bridges established and operating pursuant to the Road Fund Act, 1997 (Act. 536); and

(o) "Special Accounts" means the MRH Special Account, the GHA Special Account, the DFR Special Account, and the DUR Special Account referred to in Part B of Schedule 1 to this Agreement, and "Special Account" means any of the Special Accounts.

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 one hundred seventy-five million, three hundred thousand Special Drawing Rights (SDR 175,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2005 June 30, 2006 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 (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, 2011 and ending March 1, 2041. Each installment to and including the installment payable on March 1, 2021 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.

Section 2.09 The Minister for Finance 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.

ARTICLE III

Execution of the Project

Section 3.01.(a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out through MRH Parts E(1), E(2)(a)(i), E(2)(g), E(2)(h), E(3)(b)(i), E(3)(c), and F(1) of the Project; through MTC Parts E(1)(d) and E(1)(f); through GHA Parts A(1), B(1), C(1), D(3)(a), E(2)(a)(ii), E(2)(f)(i), E(2)(h), E(3)(a)(ii), E(3)(b)(ii), and F(2); through DFR Parts A(2), B(2), C(2), D(3)(b), E(2)(a)(iii), E(2)(b)(ii), E(2)(c)(i), E(2)(d), E(2)(e), E(2)(f)(ii), E(2)(h), E(3)(b)(iii), E(3)(c), E(3)(d), and F(3) of the Project; and through DUR Parts A(3), B(3), C(3), D(3)(c), E(2)(a)(iv), E(2)(b)(i), E(2)(c)(ii), E(2)(e), E(2)(f)(iii), E(2)(h), E(3)(b)(iv), E(3)(c), and F(4) of 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) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Borrower shall otherwise agree, the Borrower

shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement and the Letter of Sector Policy.

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. For the purposes 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 3.04. (a) The Borrower, prior to commencing works for major rehabilitation, reconstruction and upgrading under Part C of the Project, shall undertake the acquisition of all necessary land and other property, provide compensation therefor and resettlement, all in accordance with the Environmental and Social Mitigation Plan, in a manner satisfactory to the Association.

(b) The Borrower shall mitigate adverse environmental effects arising under the Project in accordance with the Environmental and Social Mitigation Plan, in a manner satisfactory to the Association.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts and the Road Fund for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, 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 were made on the basis of Project Management Reports or 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 was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
 - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or 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.
- (d) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (c)(i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports or 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; 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower 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 the Borrower, not later than January 31, 2002, 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, the Borrower 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(1) of the General Conditions, the

following additional events are specified:

(a) a situation shall have arisen which will prevent the Program or a significant part thereof from being carried out.

(b) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Road Fund or for the suspension of its activities.

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

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

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (c)(i)(B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (c)(ii) of that Section; and

(b) the events specified in paragraphs (a) and (b) 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 adopted the Program Implementation Manual satisfactory to the Association, setting forth the responsibilities, arrangements and procedures for Project implementation;

(b) MRH, GHA, DFR and DUR have established financial management and accounting systems satisfactory to the Association; and

(c) the Borrower has appointed an auditor satisfactory to the Association.

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister for Finance 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
Ministry of Finance
P.O. Box M40
Accra, Ghana

Cable address:

ECONOMICON
Accra

Telex:

2205 MIFAEP GH

Facsimile:

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:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

Telex:

Facsimile:

(202) 477-6391

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 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/ Peter C. Harrold

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works under Parts B, C, D and E of the Project		100% of foreign expenditures and
(a) MRH	1,600,000	90% of local

			expenditures
	(b) GHA	50,200,000	
	(c) DFR	24,900,000	
	(d) DUR	41,800,000	
(2)	Goods for		100% of foreign expenditures, 90% of local expenditures (factory cost), and 90% of local expenditures for other items procured locally
	(a) MRH	2,500,000	
	(b) GHA	4,800,000	
	(c) DFR	1,200,000	
	(d) DUR	2,800,000	
(3)	Consultants' services, including auditing and training for:		100%
	(a) MRH and MTC	7,400,000	
	(b) GHA	5,600,000	
	(c) DFR	4,100,000	
	(d) DUR	5,600,000	
(4)	Operating costs for:		100% of foreign expenditures and 90% of local expenditures
	(a) MRH	200,000	
	(b) GHA	500,000	
	(c) DFR	500,000	
	(d) DUR	500,000	
(5)	Unallocated	24,000,000	
	TOTAL	175,300,000	

2. For the purposes of this Schedule, the term "Operating costs" means the expenses incurred with respect to Project management and monitoring, including office supplies, vehicle operation, travel and supervision costs but excluding salaries of officials of the Borrower's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) civil works under contracts not exceeding \$1,000,000 equivalent; provided however, that in the case of civil works contracts for DFR such threshold for statements of expenditure shall not exceed \$500,000 equivalent; (b) goods under contracts not exceeding \$200,000 equivalent; (c) services of consulting firms under contracts not exceeding \$100,000 equivalent; (d) services of individual consultants under contracts not exceeding \$50,000 equivalent; and (e) all operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Accounts

1. The Borrower shall open and maintain in dollars four separate special deposit accounts: (the MRH Special Account, the GHA Special Account, the DFR Special Account and the DUR Special Account) in commercial banks, 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

Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Accounts shall be made as follows:

(a) until the Association shall have received (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals 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 (A) the records and accounts for any Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Association shall not be required to make further deposits into any 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 Accounts 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 any 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 said 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 any 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 any 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 a Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (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 Development Credit Agreement.

When Withdrawals Are Not Made
On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means:

- (i) in respect of the MRH Special Account, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 20,000,000;
- (ii) in respect of the GHA Special Account, an amount equivalent to \$2,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$1,000,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 20,000,000;
- (iii) in respect of the DFR Special Account, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 20,000,000; and
- (iv) in respect of the DUR Special Account, an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$500,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 20,000,000.

2. Withdrawals of a Special Account's Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

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

(b) For replenishment of said Special Account, the Borrower shall furnish to the Association requests for deposit into said 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 said 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 said Special Account for Eligible Expenditures.

Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in said 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 Made On the Basis of Project Management Reports

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

2. Each application for withdrawal from the Credit Account for deposit into a Special Account shall be supported by a Project Management Report.

3. 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 respective 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 Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in said Special Account, shall not exceed: (i) the equivalent of \$2,000,000 in respect of the MRH Special Account; (ii) the equivalent of \$8,000,000 in respect of the GHA Special Account; (iii) the equivalent of \$6,000,000 in respect of the DFR Special Account; and (iv) the equivalent of \$8,000,000 in respect of the DUR Special Account.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) finance a three year segment of the Program; (ii) achieve sustainable improvements in the performance of trunk roads, feeder roads, urban roads, and road transport services in all regions of the Borrower; (iii) strengthen the capacities for management and implementation in the road sector; and (iv) establish management systems that will ensure the upgrading and preservation of an improved road system, and the use thereof, in an environmentally, socially and financially sustainable fashion.

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: Routine Maintenance

Carrying out a program of routine maintenance, including patching of potholes; light grading; grass cutting; tree and bush clearing along the roadside; and cleaning of gutters, drains and culverts for: (1) trunk roads; (2) feeder roads; and (3) urban roads.

Part B: Periodic Maintenance, Minor Rehabilitation and Minor Upgrading

Carrying out a program of periodic maintenance and minor rehabilitation, including spot improvement; repairing and resurfacing of short stretches of roads; resealing; repairing of drains, culverts and slopes; regravelling; minor upgrading of gravel to bitumen; and placing asphalt concrete overlays on short stretches, for: (1) trunk roads; (2) feeder roads; and (3) urban roads.

Part C: Major Rehabilitation, Reconstruction and Upgrading

Carrying out a program of major rehabilitation and reconstruction, including reconstruction of heavily degraded road sections; upgrading from gravel to bitumen with adjustments in alignment or from bituminous-treated surface to asphaltic-concrete; placing asphalt concrete overlays on long stretches; and repairing and construction of bridges, culverts, and other structures; construction of access roads, upgrading of arterial roads to street standards, construction of pedestrian walkways, and construction of storm drains and bicycle paths for: (1) trunk roads; (2) feeder roads; and (3) urban roads.

Part D: Traffic Management and Safety

1. Strengthening the NRSC through: (a) establishment of a national accident data bank in the Borrower's Building and Road Research Institute; (b) acquisition of a computerized information system; (c) provision of training on road safety, management, planning programming, and budgeting; (d) acquisition of office equipment and vehicles; (e) provision of local and external training for NRSC staff and staff of the Police Motor Traffic Unit; (f) acquisition of equipment for the Motor Traffic Unit; (g) developing a comprehensive road safety strategy and implementation program; and (h) holding seminars and workshops to disseminate road safety related information.

2. Strengthening the DVLA through: (a) enhancing registration and testing systems for driver's licenses and introducing driver safety awareness programs; (b) acquisition of a management information system; (c) renovating facilities and equipment; (d) developing environmental compliance programs for vehicles, equipping DVLA's garages, and certifying private garages for testing and examination of vehicles; (e) acquisition of vehicles for DVLA; (f) provision of local and external training for DVLA staff; (g) holding seminars and workshops to increase driver awareness and responsibility; and (h) setting standards to ensure safety, reliability and efficiency in the road transport sector.

3. Improving the capacity of: (a) GHA; (b) DFR; and (c) DUR to undertake basic traffic management and road safety activities through placing road markings and installing road signs and signals, providing training on road safety management, planning, programming and budgeting; and acquisition of vehicles and office equipment for road safety patrols to strengthen axle load controls.

Part E: Institutional Strengthening

1. Carrying out of studies on: (a) the impact of the road sector on poverty reduction; (b) the institutional framework and enabling environment for private sector financing of roads; (c) technical specifications for works and bridges; (d) better integration of transport modes; (e) performance contracting; and (f) developing a national transport strategy encompassing rural and urban transport.

2. Strengthening the policy framework in the road sector through: (a) improving the institutional capacities of: (i) MRH; (ii) GHA; (iii) DFR; and (iv) DUR in planning, coordination, regulation, supervision, and accounting; (b) ensuring environmental and social sustainability of the road sector through expansion of environmental policies to: (i) urban; and (ii) feeder roads, and preparation of directives for social assessment and gender equity; (c) extending the capacity for environmental and social mitigation analysis to: (i) DFR; and (ii) DUR; (d) developing a strategy to maximize employment for construction and maintenance of rural roads; (e) promoting the use of non-motorized transport; (f) developing GIS capability in the: (i) GHA; (ii) DFR; and

(iii) DUR; (g) expansion of MRH's Accounting Division to include oversight of the accounting and financial management activities in GHA, DFR, and DUR; and (h) preparation of programs for institutional reforms and restructuring of road sector institutions.

3. (a) Construction of a materials laboratory; (b) acquisition of office equipment, computers, peripherals, and software for: (i) MRH; (ii) GHA; (iii) DFR; and (iv) DUR, and DUR; (c) acquisition of vehicles and housing for agency staff; and (d) construction of an office building for DFR.

Part F: Program Operation

Planning, management, coordination and reporting on the Project by: (1) MRH; (2) GHA; (3) DFR; and (4) DUR.

* * *

The Project is expected to be completed by June 30, December 31, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. 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.

2. In paragraphs 1.6 and 1.8 of the 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: 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 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 \$200,000 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.

(c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, and works estimated to cost less

than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$58,000,000, 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, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Contracts for spare parts and accessories which are of a proprietary nature and costing \$2,000,000 equivalent or less in the aggregate, 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, up to an aggregate amount not to exceed \$2,000,000 equivalent, 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.

5. Procurement from UN Agencies

Readily available off-the-shelf goods may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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

With respect to the first contract each for: (i) MRH, (ii) GHA, (iii) DFR and (iv) DUR for goods awarded by national competitive bidding, each contract for goods estimated to cost the equivalent of \$200,000 or more, each contract for works estimated to cost the equivalent of \$1,000,000 or more, and each contract for works in the case of DFR estimated to cost the equivalent of \$500,000 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

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 Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) 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 \$200,000 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. Least-cost Selection

Services for auditors may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

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 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded to individual consultants 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

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 each contract for: (i) the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, (ii) training, and (iii) workshops, 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, 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.

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.

Implementation Program

1. The Borrower shall implement the Project or cause the Project to be implemented in accordance with the procedures set out in the Program Implementation Manual, and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision thereof which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.
2. MRH shall be responsible for the overall coordination of the Project including, inter alia, coordinating the sector-wide expenditures among GHA, DFR and DUR, coordinating financial assistance to the Program and ensuring the smooth functioning of the Road Fund.
3. For the purpose of ensuring the proper execution of the Program and Project, the Borrower shall maintain a certified accountant in each of MRH, GHA, DUR and DFR, all with qualifications and terms of reference satisfactory to the Association.
4. MRH shall:
 - (a) furnish to the Association no later than November 30 in each year, estimates of its projected annual Project expenditures; and
 - (b) develop and apply budgeting and accounting systems, acceptable to the Association, in each one of its agencies to monitor the performance of each contract.
5. The Borrower shall:
 - (a) not later than October 31 in each year, furnish to the Association for review and comments a draft annual work program and training program and supporting budget for its road sector, including the road works to be carried out under Part A of the Project, for the succeeding calendar year;
 - (b) not later than November 30 in each year: (i) review with the Association the documents referred to in paragraph (a) above; (ii) identify implementation issues and propose appropriate solutions; and (iii) update Project timetables and performance indicators;
 - (c) not later than December 31 in each year, furnish to the Association for its comments and final approval the work program and budget referred to in paragraph (a) hereof, as such program and budget shall have been revised to the satisfaction of the Association in the course of the review referred to in paragraph (b) hereof and, except as the Association shall otherwise agree, carry out the Project in the year in question on the basis of the said work program and budget as so revised; and
 - (d) not undertake any new investment in its road sector not specified in the annual work program without prior consultation with the Association.
6. The Borrower 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 each year, under terms of reference satisfactory to the Association, and furnish to the Association, by March 31, 2003, 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 April 30, 2003, 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.

