

CONFORMED COPY

CREDIT NUMBER 2555 GH

Development Credit Agreement  
(Agricultural Sector Investment Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 7, 1994

CREDIT NUMBER 2555 GH

DEVELOPMENT CREDIT AGREEMENT  
AGREEMENT, dated February 7, 1994, between REPUBLIC OF GHANA  
(the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the  
Association).

WHEREAS 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;

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 Deve-  
lopment Credit Agreements" of the Association, dated January 1,  
1985, with the last sentence of Section 3.02 deleted (the General  
Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Beneficiary" means a Rural Association, a District Assembly, or a Village Community Organization (each as hereinafter defined);

(b) "Beneficiary Contribution" means a contribution by a Beneficiary in cash, kind or labor, calculated in accordance with the provisions contained in Part G of Schedule 5 to this Agreement;

(c) "cedi" means the currency of the Borrower;

(d) "District Assembly" means an assembly operating in accordance with the Borrower's Constitution of 1992 and which meets the eligibility criteria contained in Part A of Schedule 5 to this Agreement;

(e) "District Executive Committee" means a committee of the District Assembly established in accordance with the Provisional National Defense Council Law 207, as amended from time to time;

(f) "FA Agreement" means an agreement for Financial Assistance (as hereinafter defined) between the Borrower, through the PU (as hereinafter defined), and a Beneficiary for providing a portion of the financing for a Sub-Project (as hereinafter defined) on terms and conditions satisfactory to the Association, including those contained in Part I of Schedule 5 to this Agreement satisfactory to the Association;

(g) "Financial Assistance" means a loan or grant to be financed out of the proceeds of the Credit, made or proposed to be made by the PU, to a Beneficiary for a Sub-Project;

(h) "MOFA" means the Borrower's Ministry of Food and Agriculture;

(i) "NGO" means a nongovernmental organization operating in the Borrower's territory for the purposes of agricultural development;

(j) "PPMED" means the Policy Planning, Monitoring and Evaluation Department within MOFA;

(k) "Project Coordinating Committee" means the committee to be established by MOFA to coordinate the Project;

(l) "Project Preparation Advances" means the project preparation advance granted by the Association pursuant to an exchange of letters dated July 17, 1989 between the Borrower and the Association, together with the project preparation advance granted by the Association pursuant to an exchange of letters dated August 31, 1992 between the Borrower and the Association, together with the project preparation advance granted by the Association pursuant to an exchange of letters dated December 30, 1992;

(m) "PU" means the unit in MOFA established by the Minister of Food and Agriculture on November 18, 1992, pursuant to the Memorandum of Understanding (MOU) between MOFA and the PU dated October 22, 1993, to perform the functions contained in Part E of Schedule 5 to this Agreement;

(n) "Rural Association" means a group of rural people engaged in agricultural activities which meets the eligibility criteria specified in Part A of Schedule 5 to this Agreement;

(o) "Small-Scale Water Schemes" means conservation structures including small dams, dugouts, reservoirs, stream diversions, valley bottom schemes, community pump schemes, and other

water supply and water harvesting systems;

(p) "Special Account" means the account to be established in accordance with Section 2.02 (b) of this Agreement;

(q) "Sub-Project Approval Committee" means any of the committees established for the purposes of assisting the PU in the evaluation of Sub-Project proposals for an amount of \$75,000 or more, to advise on the feasibility of Sub-Projects, to carry out the functions, and to be composed of the members, referred to in Part D of Schedule 5 of this Agreement;

(r) "Sub-Project" means a sub-project which meets the eligibility criteria contained in Part C of Schedule 5 to this Agreement;

(s) "Technical Support Agency" means an agency which meets the eligibility criteria for a technical support agency contained in Part B of Schedule 5 to this Agreement;

(t) "Technical Assistance Agreement" means an agreement between a Technical Support Agency and a Beneficiary to assist in the carrying out of a Sub-Project, and to be made on terms and conditions satisfactory to the Association; and

(u) "Village Community Organization" means an organization carrying on agricultural activities in the territory of the Borrower which meets the eligibility criteria contained in Part A of Schedule 5 of this Agreement.

## 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 fifteen million and three hundred thousand Special Drawing Rights (SDR 15,300,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account (the Special Account) in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amounts of the Project Preparation Advances withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of both Project Preparation Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be November 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1, commencing June 1, 2004 and ending December 1, 2033. Each installment to and including the installment payable on December 1, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. 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 the Project through MOFA with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and engineering practices, and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall: (i) provide in its budget amounts sufficient to cover its counterpart contributions to the costs of the Project; (ii) open and maintain in cedis in a commercial bank a project account (the Project Account) in the name of MOFA to be used by PU exclusively for purposes of the Project; and (iii) deposit into the Project Account (A) an initial amount of \$50,000 equivalent in accordance with the provisions of Section 5.01 (a), and (B) the remaining part of its counterpart contributions, quarterly in advance, in the amounts determined by the Borrower and the Association.

Section 3.03. 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 3.04. Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower, through PU, shall:

- (i) enter into FA Agreements (approved by the Sub-Project Approval Committee, if appropriate,) and carry out the Sub-Project in accordance with the procedures contained in Part F of Schedule 5 to this Agreement and on terms and conditions satisfactory to the Association, including those contained in Part I of Schedule 5 to this Agreement; and
- (ii) ensure, in cases where a Technical Support Agency is to provide technical assistance for a Sub-Project, that the Technical Support Agency enters into a Technical Assistance Agreement with the Beneficiary carrying out the Sub-Project.

Section 3.05. Except as the Association shall otherwise agree, the Borrower, through PU, shall not amend, waive, abrogate or fail to enforce the provisions of any FA Agreement, and the Borrower, through PU, shall exercise its rights under each FA Agreement in such manner as to:

- (i) pursue the purposes of the Sub-Project;
- (ii) protect the interests of the Borrower and the Association; and
- (iii) comply with its obligations under this Agreement and ensure that Beneficiaries comply with FA Agreements and that Beneficiaries ensure compliance by each Technical Support Agency with each Technical Assistance Agreement.

Section 3.06. Without any limitation upon its general reporting obligations under the General Conditions, the Borrower shall cause MOFA in each year of the Project to:

(a) review Project implementation twice a year, each review to include, inter alia, details concerning Sub-Project activities (including those of Technical Support Agencies, as appropriate), disbursements, key monitoring and management efficiency indicators, financial projections and the result of Sub-Project impact studies:

- (i) for the period October 1 to March 31 (the First

Review);

- (ii) from April 1 to September 30 in each year (the Second Review); and

(b) prepare a report, of such scope and detail as is satisfactory to the Association, and provide a copy to the Association not later than:

- (i) April 30, in the case of the report based on the First Review; and
- (ii) October 31, in the case of the report based on the First Review and the Second Review.

Section 3.07. Throughout the implementation of the Project, and until implementation of all Sub-Projects has been completed:

- (i) the Borrower, through MOFA, shall maintain the PU and ensure that the PU is monitored through PPMED in accordance with the provisions contained in Part E of Schedule 5 of this Agreement; and
- (ii) the Borrower shall maintain the Sub-Project Approval Committee, and the Project Coordinating Committee, in a manner satisfactory to the Association.

Section 3.08. In order to review the implementation and development impact of the Project: (i) the Borrower shall prepare a report on the Project and provide a copy to the Association, not later than April 30, 1996, for discussion at a midterm review; and (ii) the Borrower and the Association shall carry out, not later than June 30, 1996, a midterm review evaluating, inter alia, the physical and financial Project implementation and its development impact; and (iii) thereafter the Borrower shall implement changes agreed at the midterm review in a timely manner.

Section 3.09. Not later than August 31, 1994, the Borrower shall engage a consultant, with qualifications and experience and on terms of reference satisfactory to the Association, to review the technical and procurement procedures followed (A) in each of the first two Sub-Projects entered into in respect of: (i) Small-Scale Water Schemes; (ii) rural markets; (iii) roads to improve access to markets; and (iv) small-scale agro-processing under Part A of the Project; and (B) thereafter, on a sample basis throughout the implementation of the Project, or, on such basis, and for such period, as the Borrower and the Association shall agree, taking into account the findings of the consultant.

#### 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 of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall, and shall cause the PU to:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have established the Project Account referred to in Section 3.02 of this Agreement and shall have deposited therein an initial amount in cedis equivalent to \$50,000.

Section 5.02. 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 VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable address:

Telex:

ECONOMICON  
Accra

2205 MIFAEP GH

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (RCA)  
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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Joseph L.S. Abbey  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

#### SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	7,080,000	100% of foreign expenditures and 90% of local expenditures
(2) Goods and equipment	2,690,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' services	2,830,000	100%
(4) PU:		
(a) operating costs	220,000	85% of expen- ditures until



Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(b) goods and equipment	180,000	December 31, 1996 and 75% thereafter  100% of foreign expenditures and 90% of local expenditures
(5) Refunding of Project Preparation Advances	1,070,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	1,230,000	
TOTAL	15,300,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means the PU's expenditures for vehicle operation and maintenance, travel, office supplies and materials and salaries for temporary contractual staff only incurred in respect of the Project.

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; and (b) in respect of Financial Assistance for a Sub-Project unless the Financial Assistance is for a Sub-Project which has been prepared in accordance with the requirements and procedures and on the terms and conditions contained in Schedule 5 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding \$75,000 equivalent, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) increase availability of technical and financial resources in rural areas for agricultural infrastructure; (ii) improve agricultural productivity and access to markets; (iii) strengthen the capacity of agricultural communities to develop, manage and maintain agricultural infrastructure; and (iv) alleviate poverty in rural areas.

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: Sub-Projects

The financing of a portion of Sub-Projects to upgrade and develop Small-Scale Water Schemes, rural markets, small-scale agro-processing and roads to improve access to markets through the provision of financial assistance to Beneficiaries.

Part B: Studies and Technical Assistance

1. Assisting Beneficiaries to identify, formulate and implement Sub-Projects.
2. Prepare studies relating to such Sub-Projects, including feasibility studies for future Sub-Projects.
3. Carrying out a training program for Beneficiaries in irrigation, rural business, marketing and management.

Part C: PU

Assisting the PU in carrying out the Project, including, inter alia: (i) recruitment of administrative and technical staff; (ii) provision of logistical and operational support; (iii) carrying out of technical studies and supervision; and (iv) employment of farmer facilitators to liaise with Beneficiaries.

\* \* \*

The Project is expected to be completed by May 31, 1999.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: Procurement Procedures

1. Works estimated to cost the equivalent of \$40,000 or more for each contract shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Works estimated to cost less than the equivalent of \$40,000, up to an aggregate amount equivalent to \$7,600,000, may be procured on the basis of comparison of price quotations obtained from at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).
3. Works under Sub-Projects may be carried out by the Beneficiaries under arrangements acceptable to the Association.
4. Goods estimated to cost the equivalent of \$40,000 or more for each contract shall be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
5. Goods estimated to cost less than the equivalent of \$40,000, up to an aggregate amount equivalent to \$3,500,000, may be procured on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines.
6. Goods, estimated to cost less than the equivalent of \$5,000, up to an aggregate amount equivalent to \$1,200,000, may be procured directly from the suppliers, under arrangements acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

(a) With respect to: (i) contracts for works estimated to cost the equivalent of \$75,000 or more, and (ii) contract for goods estimated to cost the equivalent of \$40,000 or more, the procedures

set forth in paragraphs 2 and 4 of Appendix 1 of the Guidelines shall apply. Where payments for such contracts are to be made out of the proceeds of the Special Account, the two conformed copies of the contract required to be furnished to the Association, pursuant to paragraph 2 (d) of Appendix 1 to the Guidelines, shall be furnished to the Association prior to the making of the first payment of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply to review of all procurement decisions in respect of the Project. Where payments for the relevant contracts are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

## Section II. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultants' Guidelines).

2. For complex, time-based assignments, the Borrower shall employ or cause to be employed such consultants under contracts using the standard form of contract for consultants' services issued by the Association, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, the Borrower shall use or cause to be used other standard forms agreed with the Association.

3. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants' Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$15,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association, to amendments of contracts raising the contract value to \$15,000 equivalent or above, and to the first ten contracts to be awarded.

## SCHEDULE 4

### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of

this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

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

All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of 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.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have

been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

## SCHEDULE 5

### Eligibility Criteria

#### Part A. Eligibility Criteria for Beneficiaries

The following groups may be Beneficiaries for the purposes of this Agreement if the following eligibility criteria for each such group are met:

##### Rural Association

A Rural Association shall meet the following criteria:

- (i) the District Executive Committee shall have confirmed that the members of the Rural Association form a group with a common agricultural development purpose and shall have provided facts supporting this confirmation;
- (ii) it has carried out relevant business activities for more than one year, or such other period as the Association may agree, and has provided evidence of its ability to contribute the Beneficiary Contribution in accordance with Part G of this Schedule;
- (iii) it has a minimum of 10 members with a clearly identified leader, subject to membership control, and of which the Chairman, the Secretary and the Treasurer and at least two other members will sign and enter into an FA Agreement; and
- (iv) it intends to enter into a Technical Assistance Agreement with an acceptable Technical Support Agency.

District Assembly

A District Assembly, in order to be eligible, shall meet the following criteria:

(a) its budget includes provision for the proposed Sub-Project; and

(b) it provides evidence satisfactory to the PU that it has made adequate financial provision for the proposed Beneficiary Contribution.

Village Community Organization

A Village Community Organization in order to be eligible shall meet the following criteria:

- (i) it demonstrates common economic activities;
- (ii) it can provide documentation on the way the community is organized (e.g., by-laws, minutes of meetings, membership records);
- (iii) it has provided evidence of its ability to contribute its Beneficiary Contribution in accordance with Part G of this Schedule; and
- (iv) it has provided evidence, satisfactory to the PU, of its ability to manage and maintain the Sub-Project.

Part B. Eligibility Criteria for Technical Support Agencies

A Technical Support Agency, in order to be eligible:

- (i) shall be an NGO or a consulting agency which helps communities to implement and manage Sub-Projects;
- (ii) shall have, in the opinion of the PU, the required experience to assist in carrying out the relevant Sub-Project;
- (iii) shall have, in the opinion of the PU, sufficient managerial capacity to assist the communities; and
- (iv) shall be willing and able to enter into a Technical Assistance Agreement with the Beneficiary.

In each year, in agreement with the Association, the PU shall:  
(i) review the existing prequalified Technical Support Agencies; and  
(ii) invite technical and financial proposals from other Technical Support Agencies and prequalify them for eligibility.

Part C. Eligibility Criteria for Sub-Projects

A Sub-Project shall relate to one of the following activities:

- (i) Small-Scale Water Schemes within (a) below;
- (ii) construction and rehabilitation of marketing infrastructure within (b) below;
- (iii) construction and rehabilitation of market access roads within (c) below; and
- (iv) storage and agro-processing infrastructure and equipment within (d) below.

Sub-Projects shall be prepared with due regard to ecological and environmental factors, and Sub-Projects involving resettlement shall not be eligible for financing.

(a) Small-Scale Water Schemes. A Sub-Project shall be established by a Village Community Group or Rural Association for a Small-Scale Water Scheme if:

- (i) the scheme is managed and maintained by a Village Community Group or Rural Association;
- (ii) the Village Community Group or Rural Association provides written evidence of usufruct rights on land;
- (iii) the scheme is technically feasible and construction costs and equipment purchases shall not exceed \$150,000 equivalent unless the Association otherwise agrees;
- (iv) costs per irrigable hectare shall not exceed \$5,000 equivalent unless the Association otherwise agrees;
- (v) the financial rate of return of the scheme exceeds 10%;
- (vi) a feasibility study has been completed and concludes that the scheme does not create environmental hazards or water shortages elsewhere; and
- (vii) the Village Community Group or Rural Association shall enter into a Technical Assistance Agreement with a Technical Support Agency.

(b) Markets. A Sub-Project shall be established for market infrastructure if:

- (i) agreement, satisfactory to the Association, has been reached between the Beneficiaries and the traders on market design, layout, cost sharing, responsibility for maintenance, cost recovery methods and user fees;
- (ii) market design includes sufficient sanitary utilities, water supply and refuse collection; and
- (iii) the Sub-Project costs shall not exceed \$150,000 equivalent unless the Association otherwise agrees.

(c) Roads. A Sub-Project shall be established for construction and rehabilitation of farm-to-market access roads if:

- (i) the relevant district authority and Beneficiary proposes an acceptable maintenance plan;
- (ii) the construction is technically feasible to pre-established construction standards and at a maximum cost of \$10,000 equivalent per km;
- (iii) the total cost shall not exceed \$150,000 equivalent unless the Association otherwise agrees; and
- (iv) the proposed roads either (A) complement the feeder roads system targeted for development by the Department of Feeder Roads within the Ministry of Roads and Highways and are situated in high and medium priority areas designated by

the Department of Feeder Roads, or (B) the PU is satisfied as to the economic viability of the proposed road.

(d) Storage and Agro-Processing Units. A Sub-Project shall be established by a Village Community Group or Rural Association for storage and agro-processing related infrastructure and equipment if:

- (i) there is sufficient primary produce and market opportunity for output;
- (ii) storage units are technically feasible at a capacity below 25% of storable community production;
- (iii) there is agreement on procedures for access by the Village Community Group or Rural Association and on cost recovery of user fees for facilities;
- (iv) cost per unit does not exceed \$50,000 equivalent unless the Association otherwise agrees;
- (v) financial rates of return to investment exceed 10%; and
- (vi) the Village Community Group or Rural Association shall enter into a Technical Assistance Agreement with a Technical Support Agency which has agreed to assist the Village Community Group or Rural Association with cost recovery.

Part D: Membership and Functions of a Sub-Project Approval Committee

The Sub-Project Approval Committee shall:

- (i) assist the PU in the evaluation of Sub-Project proposals estimated to cost more than \$75,000 equivalent;
- (ii) decide upon the eligibility of the Sub-Project and the Beneficiaries; and
- (iii) provide a second and decisive opinion on the feasibility of Sub-Projects in cases where the PU has reservations concerning Sub-Project feasibility.

Each Sub-Project's approval shall require a simple majority of the Sub-Project Approval Committee's members present at the meeting to be in favor of the Sub-Project.

Each Sub-Project Approval Committee (one in Accra and one in Tamale) shall be composed of a maximum of nine experts including representatives from MOFA, Ministry of Local Government, Department of Feeder Roads within the Ministry of Roads and Highways, Ministry of Works and Housing and other appropriate agencies. At least two committee members shall be women.

Part E: Functions of the PU

Status: The PU shall be a unit within MOFA responsible for implementing the Project. The PU's activities shall be monitored by PPMEED. The PU shall establish offices in Accra and Tamale and other places, as may be necessary.

Functions: The PU's functions shall be to:

- (a) plan, organize, direct and control project operations;
- (b) act as representatives for the carrying out of the Project to assist third parties and the Association;



- (c) manage Project information and promotion campaigns to local communities;
- (d) elaborate and review standard Sub-Project documents and procedures and enter into FA Agreements;
- (e) analyze and approve Sub-Project proposals;
- (f) convene and report on Sub-Project Approval Committee meetings;
- (g) carry out Sub-Project disbursement and accounting;
- (h) review qualifications of, and evaluate, Technical Support Agencies and consultants;
- (i) elaborate work plans and cash flow projections;
- (j) introduce a Sub-Project cost data monitoring system; and
- (k) report quarterly to MOFA, and semiannually to the Project Coordination Committee and the Association.

Part F: Procedures for Sub-Projects

The Sub-Project processing cycle shall consist of five steps. The Beneficiaries shall:

- (i) identify Sub-Projects;
- (ii) present the Sub-Projects to the District Executive Committee for evaluation;
- (iii) present the Sub-Project to the PU (or Sub-Project Approval Committee, as appropriate) for approval;
- (iv) carry out the feasibility studies; and
- (v) implement the Sub-Project in accordance with the FA Agreement and in a manner satisfactory to the Association.

Projects above \$75,000 equivalent would be submitted to the Sub-Project Approval Committee for approval.

Part G: Beneficiary Contribution

In respect of each Sub-Project, Beneficiaries shall make a Beneficiary Contribution in accordance with the following table:

Investment Categories	Beneficiary Contribution Shown as Percentage of Sub-Project Costs
Small-Scale Water Schemes	10% for infrastructure, 25% for moveable equipment
Markets	25%
Access roads	10%
Storage and agro-processing	10% for infrastructure, 25% for equipment
Feasibility studies	5%
Technical assistance	15%

Part H: Cost Recovery

Cost Recovery of a portion of Sub-Project costs shall be required in the case of Sub-Projects for the purposes of Small-Scale Water Schemes (recovery of the cost of moveable equipment) and Sub-Projects for storage and agro-processing (recovery of the cost of agro-processing equipment) in the following manner:

- (i) an amount equal to 25% of the cost of such items shall be paid to the PU by the Beneficiaries on entering into the relevant FA Agreement; and
- (ii) an amount equal to the remaining 75% of such cost shall be paid over the following three-year period with interest calculated at a rate satisfactory to the Association.

Part I: Terms and Conditions of FA Agreements

FA Agreements shall be entered into between each Beneficiary and the PU for the purposes of each Sub-Project and shall provide the PU with rights adequate to protect the interests of the Borrower and the Association and on terms and conditions which shall include the following rights for the PU to:

- (i) require the Sub-Project to be carried out and operated with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards, policies and procedures, including those agreed between the Borrower and the Association;
- (ii) require that the Beneficiary maintain adequate financial accounts and records in respect of the Sub-Project;
- (iii) in cases of provision of Financial Assistance which includes amounts to be repaid by a Beneficiary, require a satisfactory schedule of amortization or repayment;
- (iv) require that the goods and services to be financed out of the proceeds of the Credit shall be used exclusively in the carrying out of the Sub-Project;
- (v) require that the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 3 to this Agreement;
- (vi) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, all goods and the sites, works, plants and construction included in the Sub-Project, the operation thereof and any relevant records and documents;
- (vii) require that the Beneficiaries and the Technical Support Agency, as appropriate, concerned with the Sub-Project shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with appropriate practices;
- (viii) obtain all such information as the Association or the PU shall reasonably request relating to the foregoing; and
- (ix) suspend or terminate the use of the proceeds of the Credit upon failure by the Beneficiary to perform its obligations under its FA Agreement.

