

CONFORMED COPY

CREDIT NUMBER 2877 GH

Development Credit Agreement

(Public Enterprise and Privatization Technical Assistance Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 24, 1996

CREDIT NUMBER 2877 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 24, 1996, between the REPUBLIC OF GHANA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) 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: (B) the Association has received a letter dated April 29, 1996, from the Borrower describing a program of actions, objectives and policies designed to implement the Borrower's public enterprise reform and privatization program (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

(C) the Borrower has contracted from the Overseas Development Administration (ODA) a grant (the ODA Grant) in an amount equivalent to two million six hundred thousand dollars (\$2,600,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the ODA Grant Agreement) to be entered into between the Borrower and ODA;

(D) the Borrower intends to contract from the European Development Fund (EDF) a grant (the EDF Grant) in an amount not exceeding five million six hundred thousand dollars (\$5,600,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the EDF Grant Agreement) to be entered into between the Borrower and EDF; and

WHEREAS, on the basis, inter alia, of the foregoing, the Association has agreed, in support of the Program 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, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank 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) "MOF" means the Borrower's Ministry of Finance;
- (b) "PCU" means the Project Coordination Unit established within MOF by the Borrower on May 1, 1996 for the purposes of coordinating the implementation of the Project;
- (c) "DIC" means the Divestiture Implementation Committee established by the Borrower under its Provisional National Defence Council Law Number 326 of 1993 for the purpose of carrying out the divestiture of SOEs as hereinafter defined;
- (d) "SEC" means the State Enterprises Commission established by the Borrower under its Provisional National Defence Council Law Number 170 of 1987 for the purpose of supervising the SOE sector;
- (e) "SOE" means State-Owned Enterprise; and
- (f) "Special Account" means each of the accounts referred to in Section 2.02 (b) 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 this Agreement, an amount in various currencies equivalent to eighteen million two hundred thousand Special Drawing Rights (SDR 18,200,000).

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 may, for the purposes of the Project, open and maintain in dollars two special deposit accounts (the MOF Special Account for Parts A and C of the Project and the DIC Special Account for Part B of the Project) 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 MOF Special Account and the DIC Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 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 per cent (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 January 15 and July 15 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 January 15 and July 15 commencing July 15, 2006 and ending January 15, 2036. Each installment to and including the installment payable on January 15, 2016 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. (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 the Project with due diligence and efficiency and in conformity with appropriate administrative and financial 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 Borrower and 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 the said plan.

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 four 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:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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 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.

ARTICLE V

Remedies of the Association

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

- (a) a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;
- (b) Subject to paragraph (c) of this Section:
 - (i) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(c) Paragraph (b) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) 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 (ii) 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 (d) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (b) (ii) of this Agreement shall occur, subject to the proviso of Section 5.01 (c) of this Agreement.

ARTICLE VI

Effective Date; Termination

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

- (a) the Borrower has appointed the Project accountant referred to in Paragraph 1 of Schedule 4 to this Agreement in accordance with the provisions of Section II of Schedule 3 to this Agreement;
- (b) the Borrower has appointed auditors in accordance with the provisions of Section II of Schedule 3 to this Agreement to audit the Project accounts; and

(c) the Borrower has developed and installed a system satisfactory to the Borrower and the Association for the maintenance of the Project accounts.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister responsible for finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of Finance
P.O. Box M40
Accra, Ghana

Cable address:	Telex:
ECONOMICON Accra	2205 MIFAEPGH

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/Ekwow Spio-Garbrah
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/Jean-Louis Sarbib

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) Consultants services for:		100%
(a) Parts A and C of the Project	4,060,000	
(b) Part B of the Project	9,460,000	
(2) Training under:		100%
(a) Parts A and C of the Project	760,000	
(b) Part B of the Project	120,000	
(3) Vehicles and equip- ment for:		100% of foreign expenditures and 90% of local expenditures
(a) Parts A and C of the Project	150,000	
(b) Part B of the Project	100,000	
(4) Operating costs under:		95%
(a) Parts A and C of the Project	220,000	
(b) Part B of the Project	160,000	
(5) Unallocated	3,170,000	
	<hr/>	
TOTAL	18,200,000 =====	

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 incremental costs to PCU and DIC incurred on account of Project implementation, management and

monitoring, including fuel, office supplies, maintenance and operation of office vehicles and equipment, telephone expenses and 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 except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,380,000 may be made on account of payments made for expenditures before that date but after July 1, 1996.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to implement the Program through broadening and sustaining public support for the Program, promoting private sector participation in the Program and strengthening the capacity of the Borrower's agencies in charge of implementing the Program.

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: Public Enterprise Reform Program

1. Strengthening the capacity of SEC to monitor and evaluate the performance of SOEs through:

(a) development of a comprehensive SOE database;

(b) strengthening the operation of SEC's performance contract system through the provision of technical advisory services and training; and

(c) increasing the accountability of SOEs through dissemination to the public of SEC's SOE sector reports.

2. Carrying out a review of the Borrower's policies for the future development of the SOE sector, including clarification of the Borrower's role with respect to SOEs both before and after privatization and, where appropriate, development and implementation of new policies to facilitate the development of the sector.

3. Strengthening the capacity of MOF to manage the Borrower's portfolio of equity investments, loans and guarantees through the provision of technical financial advisory services.

4. Preparation of selected SOEs for divestiture by SEC, including preparation of company profiles and identification of issues to be addressed prior to divestiture.

5. Provision of technical assistance and staff training to SEC to enable it to prepare company regulations in compliance with the Borrower's Statutory Corporations Act of 1993 (Act 461), and to develop diagnostic action plans for SOEs to facilitate their commercialization.

6. Carrying out a review of the Borrower's policies for its aviation, cocoa and petroleum sectors and, where appropriate, developing and implementing new policies in order to achieve improvements in sector performance and to encourage private sector participation.

7. Strengthening the capacity of SEC to manage the SOE reform program through the provision of technical advisory services, the acquisition of updated office equipment and staff training.

Part B: Privatization

1. Developing and implementing a communications strategy for DIC to build and sustain public support and investor confidence in the divestitures to be undertaken under the Program.
2. Carrying out the divestiture of the Borrower's SOEs including provision of professional advisory services to assist DIC to prepare SOEs for sale and to negotiate such sales.
3. Assisting the Borrower to manage labor redundancy issues arising from the divestiture of SOEs through, among other things, (a) reviewing the Borrower's policy for dealing with redundant labor, (b) implementing a system for communicating with redundant workers; (c) improving the administrative arrangements for managing redundancies; and (d) implementing a retraining program for redundant employees.
4. Installation by DIC of a comprehensive financial and operational information management system.
5. Strengthening the capacity of DIC to carry out the divestiture of the Borrower's SOEs through the provision of technical advisory services, the acquisition of vehicles and equipment, and staff training.

Part C: Program Coordination

Improving MOF's capacity to coordinate the implementation of the Program through the provision of technical advisory services, the acquisition of equipment and the training of staff involved in implementing the Program.

* * *

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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. Preference for domestically manufactured goods.

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 procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

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 \$500,000 equivalent, may be

procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods 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 each contract estimated to cost the equivalent of \$100,000 or more and for the first contract procured under Paragraph C.2 above, 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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 Consultant Guidelines). For complex time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant 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 (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

Project Coordination

1. For the purposes of coordinating the implementation of the Project, the Borrower shall maintain the PCU until the completion of the Project

with competent staff in adequate numbers, including a Project Coordinator, a Project Accountant and appropriate support staff.

Project Implementation

1. The Borrower shall carry out Part A of the Project through SEC and MOF in conjunction with the ministries responsible for the sectors of operation of the relevant SOEs.

2. The Borrower shall carry out Parts B.1, B.2, B.4 and B.5 of the Project through DIC, in conjunction with the ministries responsible for the sectors of operation of the relevant SOEs.

3. The Borrower shall carry out Part B.3 of the Project through its Ministry of Employment and Social Welfare (or through such other agency or agencies as may be agreed upon between the Borrower and the Association), in conjunction with DIC.

4. The Borrower shall carry out Part C of the Project through MOF.

5. For the purposes of Parts A.1 (c) and B.1 of the Project, the Borrower shall ensure that the following information, in a form and with content acceptable to the Borrower and the Association, is made available publicly:

(a) the annual report and audited annual accounts of DIC and SEC;

(b) the audited annual accounts of all SOEs, together with the names of all SOEs not publishing such accounts within six months of their financial year end;

(c) a report on the aggregate performance of the SOE sector; and

(d) a report on the performance of the Borrower's portfolio of equity investments, loans and guarantees.

1. For the purposes of Part B.3 (a) of the Project, the Borrower shall:

(a) furnish to the Association for its review and comments the recommendations of the studies or reviews commissioned to determine its policy for dealing with redundant workers; and

(b) implement such recommendations as shall have been agreed between the Borrower and the Association on the basis of such studies and reviews.

Project Monitoring

1. Without limitation upon its obligations under Section 9.06 of the General Conditions, the Borrower shall 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 and shall carry out such monitoring and evaluation in a manner satisfactory to the Association.

2. Without limitation upon its obligations under Sections 9.01 and 9.06 of the General Conditions, the Borrower shall furnish to the Association for its review and comments not later than October 31 in each year during Project implementation, an updated annual implementation plan for the Project, including updated performance targets.

Midterm Review

1. The Borrower shall carry out, jointly with the Association, not earlier than 21 months and not later than 27 months after the Effective Date, a midterm review of the progress made in carrying out the Project (referred to in this Section as the Midterm Review). The Midterm Review shall cover, among other things:

(a) a review of the progress achieved in the implementation of the Project;

(b) an assessment of the impact of the Program and a discussion of actions needed to mitigate any negative impacts; and

(c) an examination of the proposal to establish a revolving fund using a portion of the proceeds of sale of SOEs to finance the remuneration of the private firms contracted under Part B.2 of the Project to prepare and negotiate the sale of SOEs.

1. The Borrower shall, at least four weeks prior to the Mid-Term Review, furnish to the Association:

(a) a report prepared under terms of reference satisfactory to the Borrower and the Association integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph 8 of this Schedule, 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

(b) a report describing the status of the items listed in paragraph (a) above and of Project implementation generally.

1. The Borrower shall, not later than four weeks after the Mid-Term Review, prepare an action program, acceptable to the Borrower and the Association and having regard to the findings of the Mid-Term Review, for the further implementation of the Project; and thereafter, implement such action program.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of the MOF Special Account, Categories (1) (a), (2) (a), (3) (a) and (4) (a); and, in the case of the DIC Special Account, Categories (1) (b), (2) (b), (3) (b) and (4) (b) 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 \$500,000 for the MOF Special Account, and an amount equivalent to US\$500,000 for the DIC Special Account, to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 for each Special Account until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,000,000.

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 Allocations and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocations, the Borrower shall furnish to the Association a request or requests for a deposit or deposits into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation for the Special

Account for which the deposit is requested. 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 in question 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 respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for 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 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a 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;
- (b) 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 the records and accounts for the Special Account in question;
- (c) 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 the provisions of Section 6.02 of the General Conditions; or
- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, 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 respective Authorized Allocations.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for the Special Account in question 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 such Special Account as of the date of such notice will be utilized in making payments for eligible expenditures under such categories.

6. (a) If the Association shall have determined at any time that any payment out of any 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 in question (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 such 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 a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(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 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.

