

CONFORMED COPY

CREDIT NUMBER 2858 GH

Development Credit Agreement

(Highway Sector Investment Program)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 1996

CREDIT NUMBER 2858 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 26, 1996, between REPUBLIC OF GHANA (the Borrower) and 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;

(B) the Association has received a letter dated February 9, 1996 from the Borrower describing a program of actions, objectives and policies designed to implement the Borrower's five-year, medium-term (1996-2000) Road Sector Expenditure Program (the Program) and declaring the Borrower's commitment to the execution of the Program; and

(C) 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, 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) "AMISU" means the Accounting and Management Information System Unit, a unit established within MRH vested with the responsibility of managing the financial aspects of the Project;
- (b) "cedis" means the currency of the Borrower;
- (c) "CML" means the Central Materials Laboratory owned and operated by GHA (as hereinafter defined);
- (d) "DUR" means the Department of Urban Roads within MRH;
- (e) "DFR" means the Department of Feeder Roads within MRH;
- (f) "GHA" means the Ghana Highway Authority established pursuant to the Borrower's N.R.C. Decree 298, as amended;
- (g) "Environmental Mitigation Plan" means the environmental mitigation plan, acceptable to the Association, to be adopted by the Borrower pursuant to Section 6.01 (a) of this Agreement, detailing the measures proposed to address the adverse environmental impact of investments under the Project;
- (h) "Implementation Manual" means the manual of procedures to be adopted by the Borrower pursuant to Section 6.01 (b) of this Agreement;
- (i) "MRH" means the Borrower's Ministry of Roads and Highways;
- (j) "MRH Advisory Board" means the Board established pursuant to Section 39 of the Civil Service Law (PNDC Law 327), whose functions include, inter alia, the management and administration of the Road Fund (as hereinafter defined);
- (k) "National Road Safety Committee" means the committee established under the Ministry of Transport and Communications with responsibility for road safety matters;
- (l) "NDPC" means the Borrower's National Development Planning Commission established pursuant to the National Development Planning Commission Act, 1994 (Act No. 479) for the purpose of coordinating all the development planning processes within the territory of the Borrower;
- (m) "Project Account" means either of the accounts referred to in Section 3.04 of this Agreement;
- (n) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 12, 1992 and June 16, 1992 between the Borrower and the Association;
- (o) "Road Fund" means the fund established by the Borrower pursuant to Section 4.06 of the Development Credit Agreement (the Road

Rehabilitation and Maintenance Project (Credit No. 1601 GH)) dated June 24, 1985 between the Borrower and the Association, as amended to the date of this Agreement (and as further amended herein); and

(p) "Special Account" means either 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 the Development Credit Agreement, an amount in various currencies equivalent to sixty-seven million eight hundred thousand Special Drawing Rights (SDR 67,800,000).

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 (Special Account A for MRH and Special Account B for GHA) 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, Special Account A and Special Account B shall be made in accordance with the provisions of Schedule 5 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 amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 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 1 and July 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 semiannual installments payable on each January 1 and July 1, commencing July 1, 2006 and ending January 1, 2036. Each installment to and including the installment payable on January 1, 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 of the Program and, to this end, shall carry out the Project through MRH and GHA with due diligence and efficiency and in conformity with appropriate technical, engineering, management 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitations 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. Without limitation on the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in cedis, in a commercial bank, two Project Accounts, on terms and conditions satisfactory to the Association, in the names of GHA and MRH, respectively, to be used by GHA and MRH exclusively for the purposes of the Project;

(b) deposit into said Project Accounts initial amounts of \$250,000 equivalent for GHA and \$50,000 equivalent for MRH; and

(c) thereafter deposit the remaining part of its contributions, quarterly in advance, in the amounts to be determined by the Borrower and the Association in accordance with the provisions of the Implementation Manual.

Section 3.05. The Borrower shall, not later than December 31, 1996, establish and thereafter maintain a budgeting and accounting system, satisfactory to the Association, for monitoring contracts under the Program.

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 Road Fund and the Special Accounts, audited for each fiscal year, 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:

- (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 a 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) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out;

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

(c) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GHA or for the suspension of its functions.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely, the events specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has adopted the Environmental Mitigation Plan, satisfactory to the Association, and has appointed an environmental specialist, in accordance with the provisions of Section II of Schedule 3 to this Agreement;

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

(c) the Borrower has appointed the members of, and inaugurated, the MRH Advisory Board; and

(d) the Borrower has deposited the initial deposits into the Project Accounts referred to in Section 3.04 of this Agreement.

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:

ECONOMICON
Accra

Telex:

2205 MIFAEPGH

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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) Civil works:		

(a)	roads and bridges	39,980,000	100% of foreign expenditures and 70% of local expenditures
(b)	other	3,660,000	100% of foreign expenditures and 90% of local expenditures
(2)	Equipment, spare parts, vehicles and materials for:		100% of foreign expenditures and 90% of local expenditures
(a)	GHA	4,610,000	
(b)	MRH	1,290,000	
(3)	Consultants' services and training for:		100%
(a)	GHA	7,900,000	
(b)	MRH	4,210,000	
(4)	Operating costs for:		100% until June 30, 1998 and 70% thereafter
(a)	GHA	680,000	
(b)	MRH	550,000	
(5)	Refunding of Project Preparation Advance	510,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	4,410,000	
	TOTAL	67,800,000	=====

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 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 \$300,000 equivalent, (b) goods and services of consulting firms under contracts not exceeding

\$100,000 equivalent, (c) services of individual consultants under contracts not exceeding \$50,000 equivalent, and (d) all 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 increase economic growth, thereby promoting poverty alleviation through the reduction of vehicle operating costs by: (a) maintaining, rehabilitating and reconstructing roads, and (b) ensuring sustained improvements in the road sector by: (i) developing and implementing cost recovery policies, (ii) building indigenous capacity in the public and private sectors, and (iii) improving financial management control.

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: Road Maintenance and Rehabilitation

1. Carrying out of a road maintenance program consisting of about 990 km of roads.
2. Carrying out of a road rehabilitation program consisting of about 90 km of roads in central and eastern regions of the territory of the Borrower.
3. Rehabilitation of bridges in Brong Ahafo and other selected regions in the territory of the Borrower.
4. Carrying out of road safety improvement work including minor realignment, as well as installation of warning signs, appropriate road markings and speed-breakers.
5. Carrying out engineering design and feasibility studies for about 2,600 km of trunk-road improvement works and other future highways projects.

Part B: Institutional Strengthening and Capacity Building

1. Strengthening professional capacities of MRH to enable it to advise and assist the different road agencies and the Road Fund in financial planning for multi-year contracts, preparation of annual budgets and monitoring and control of annual expenditures.
2. Acquisition and installation of permanent weigh-bridge stations at five locations, and acquisition of transport vehicles, office equipment, computers and photocopiers for MRH.
3. Installation of a Management Information System (MIS) within GHA and training of GHA staff in its application.
4. Development of a bridge condition and maintenance system within GHA.
5. Training of GHA staff in the management and monitoring of road maintenance contracts, including all the relevant environmental aspects of such contract works.
6. Carrying out studies on: (a) the privatization of quarries, workshops and ferry operations, (b) staffing needs of GHA, and (c) axle load regulations.
7. Acquisition of road maintenance and communications equipment, and vehicles and motorcycles for GHA, and material testing equipment for CML.
8. Carrying out a review of the systems of accounting of MRH and GHA and establishing appropriate procedures and practices for the Special Accounts and other accounts for the Project, including the Road Fund.
9. Carrying out by NDPC of field studies, research, organization of

workshops, training and the preparation of a five-year development plan.

10. Strengthening of the capacity of private domestic construction industries through the training of local contractors, inter alia, in the areas of business management, finance, accounting, and planning and programming of field operations.

11. Construction of new training center at East Legon in Accra including acquisition of equipment and material.

12. Construction of an annex building at CML.

13. Construction of about 25 additional housing units at the GHA regional and district offices.

14. Strengthening the capacity of the National Road Safety Committee in implementing road safety measures through: (a) carrying out of a review of its function and composition, and (b) provision of technical advisory services.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 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 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.

3. 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.

4. Grouping of Contracts

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

5. 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.

6. Preshipment Inspection

Goods procured in accordance with this Part A shall be exempt from pre-shipment inspection for price.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$42,700,000 equivalent, and goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,400,000 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 \$600,000 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.

3. Direct Contracting

Spare parts and accessories which are of a proprietary nature and costing \$500,000 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.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$1,000,000 or more, and for goods estimated to cost the equivalent of \$100,000 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

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, shortlists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) the employment of consulting firms under contracts estimated to cost less than \$100,000 equivalent each, or (b) the employment of individuals under contracts estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior review by the

Association 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

Overall Coordination

1. The Borrower shall implement the Project in accordance with the procedures set out in the 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, overseeing the sector policy reform and coordinating the sector-wide expenditure subprograms among GHA, DUR and DFR, coordinating financial assistance to the Program and ensuring the restructuring as well as smooth functioning of the Road Fund.
3. AMISU shall assist MRH in the financial and budgetary management of the road sector expenditures under the Program and shall be responsible, in particular, for establishing and streamlining all accounting, monitoring and reporting procedures in MRH, GHA, DUR and DFR, as well as managing a cofinancier-specific information system.
4. For the purpose of carrying out its responsibilities under this Project, MRH shall continue to maintain, until completion of the Project, the position of Program Coordinator within its organization. The Borrower shall appoint an accounting consultant, in accordance with the provisions of Section II of Schedule 3 to this Agreement, whose functions shall include, inter alia: (i) reviewing the accounting system of GHA and MRH; and (ii) establishing procedures and practices for the Special Accounts as well as the project accounts, statement of expenditures and Road Fund-related accounts.
5. MRH shall:
 - (a) furnish to the Association timely 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.
6. The Borrower shall: (a) by June 30, 1996, appoint the accounting consultant referred to in paragraph 4 of Schedule 4 to this Agreement under terms of reference satisfactory to the Association, and (b) by November 30, 1996, appoint independent auditors referred to in Section 4.01 (b) of this Agreement, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Quarterly Reports

7. The Borrower shall, commencing on September 30, 1996:
 - (a) prepare and furnish to the Association, for its review and comments, quarterly reports on the progress of Project implementation, including:
 - (i) procurement and disbursements,
 - (ii) progress on civil works, supply of goods, technical studies and institutional accomplishments,
 - (iii) trunk road sector related issues,

- (iv) contributions made by the Borrower from its budget, and
- (v) the status of the Road Fund; and

(b) carry out the Project for the quarters in question, taking into account the comments of the Association.

Annual Review

8. 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 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 Program without prior consultation with the Association.

Midterm Review

9. (a) The Borrower shall, not later than November 30, 1998, carry out, jointly with the Association, a midterm review of the progress made in the carrying out of the Project.

(b) The review shall cover, inter alia, (i) the implementation of measures designed to strengthen the financial reporting, monitoring, accounting and auditing capabilities of the different agencies of the Borrower involved in the implementation of the Project; (ii) the overall progress made in the Project implementation, (iii) the performance of MRH and GHA as executing agencies for the Project; (iv) the adequacy of the Borrower's counterpart funding as well as the level of budgetary allocations and actual expenditure for routine maintenance; (v) the working of the Road Fund; and (vi) the need for redesign and restructuring of Project components experiencing implementation difficulties.

(c) Not later than one month prior to such midterm review, the Borrower shall, through MRH, furnish to the Association, for its review and comments, a report covering items specified in paragraph 9 (b) above, including an evaluation of the progress achieved in complying with Project implementation pursuant to the terms of this Agreement and recommendations resulting from the studies conducted under the Project.

(d) Promptly after completing such review, the Borrower shall carry out the recommendations emanating from the said review, as agreed between the Borrower and the Association.

Road Works

10. GHA shall:

(a) adopt economic criteria, acceptable to the Association, (including a minimum of 15% economic rate of return) in the selection of road sections to be included in the road maintenance program referred to in the Implementation Manual. GHA shall ensure that no road project under the Program would be undertaken unless and until the

results of adequate engineering studies including accurate bills of quantities and cost estimates are available. Roads design standards and specifications shall be agreed between GHA and the selected firm before execution of the engineering studies;

(b) establish arrangements, satisfactory to the Association, to ensure: (i) diligent control of cost and duration of civil works contracts under the Program, (ii) that cumulative variation orders for any road contract under the Program shall not exceed a maximum of 25 percent of the original contract ceiling, and (iii) that contractors implementing projects under the Program are paid in regular installments for road works completed in order to facilitate their proper cash flow; and

(c) in order to streamline GHA's operations and improve its cost effectiveness, the Borrower shall cause GHA to reduce the number of its staff work force to no more than 3,100 by December 31, 1998. Thereafter, the Borrower and the Association shall jointly review the staffing levels of GHA taking into account the implementation of the Borrower's policy of contracting out road maintenance works.

11. The Borrower shall, not later than August 1, 1996, issue the invitation to bid to prequalified contractors for the rehabilitation program to be carried out under Part A.2 of the Project, in accordance with the provisions of Schedule 3 to this Agreement.

Road Fund

12. The Borrower shall, not later than August 1, 1996, take appropriate measures, satisfactory to the Association, to restructure the Road Fund with the objective of enabling the Road Fund to operate on sound accounting principles for the Road Fund to function effectively. Said measures shall include, inter alia: (a) establishing a Road Fund Secretariat under the MRH Advisory Board to manage and administer the Road Fund, (b) ensuring that the private sector is adequately represented on the MRH Advisory Board, (c) increasing revenues paid into the Road Fund through road user charges, and (d) ensuring that the Road Fund shall be used exclusively to finance routine and periodic maintenance of roads.

13. The Borrower shall appoint, by August 1, 1996, a qualified accountant for the Road Fund, in accordance with Section II of Schedule 3 to this Agreement.

Environmental Assessment

14. In carrying out Part B.5 of the Project, the Borrower shall, not later than four months after the Effectiveness Date, cause GHA to appoint three engineers or technicians, within its planning division, under terms of reference acceptable to the Association, to assist with the environmental impact assessment and monitoring.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of Special Account A, Categories (2) (b), (3) (b) and (4) (b), and in the case of Special Account B, Categories (1), (2) (a), (3) (a) and (4) (a), 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 each of the amounts, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in

the case of Special Account A, to \$250,000, and in the case of Special Account B, to \$1,000,000, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

- (i) Special Account A shall be limited to an amount equivalent to \$125,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$2,000,000; and for
- (ii) Special Account B shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$10,000,000.

2. Payments out of the respective Special Accounts 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 respective Special Accounts have been duly opened, withdrawals of the Authorized Allocations and subsequent withdrawals to replenish the respective Special Accounts 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 Accounts 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 respective Special Accounts, the Borrower shall furnish to the Association requests for deposits into the respective Special Accounts 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 Accounts 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 Accounts 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.

[REDACTED]