

CONFORMED COPY

CREDIT NUMBER 2792 GH

Development Credit Agreement

(Non-Bank Financial Institutions Assistance Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated, February 26, 1996

CREDIT NUMBER 2792 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 26, 1996, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Association has received a letter, dated October 13, 1995, from the Borrower describing a program of objectives and policies to support the activities of non-bank financial institutions and strengthen the management and operations of the non-bank financial sector (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to

Development Credit Agreements" of the Association, dated January 1, 1985, 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) "Bank of Ghana" means the Bank of Ghana, established pursuant to the Bank of Ghana Law (1992) (P.N.D.C.L. 291);

(b) "Cedis" means the currency of the Borrower;

(c) "Ghana School of Administration" means the School of Administration, University of Ghana, Legon;

(d) "Ghana Reinsurance Organization" means the Ghana Reinsurance Organization established pursuant to Ghana Reinsurance Organization Law, P.N.D.C. Law No.79 of 1984, as amended;

(e) "Ghana Stock Exchange" means the Ghana Stock Exchange, established pursuant to the Securities Industry Law 1993 (P.N.D.C. L .333);

(f) "MOF" means the Borrower's Ministry of Finance;

(g) "National Insurance Commission" means the National Insurance Commission, established pursuant to L. I. 1505 (1990);

(h) "Home Finance Company" means the Home Finance Company, established pursuant to the Home Finance Company Law (1991);

(i) "Institute of Chartered Accountants of Ghana" means the Institute of Chartered Accountants of Ghana, registered with the Registrar General's Department, Ghana;

(j) "PCT" means the Project Coordination and Implementation Team, established by the Borrower to coordinate the implementation of the Project;

(k) "Project Executing Agencies" means: (i) Bank of Ghana, (ii) Ghana Reinsurance Organization, (iii) Ghana Stock Exchange, (iv) National Insurance Commission, (v) Home Finance Company, (vi) Institute of Chartered Accountants of Ghana, (vii) Ghana School of Administration, (viii) Securities Regulatory Commission, (ix) SSNIT, and (x) State Insurance Company; and the term "revenue-generating Project Executing Agencies" shall refer to Ghana Reinsurance Company, State Insurance Company and Home Finance Company;

(l) "Project Implementation Manual" means the Project

Implementation Manual, adopted by the Borrower in accordance with Section 6.01 (c) of this Agreement, and describing, inter alia, the arrangements and procedures for implementing the Project, with such changes thereto as may be agreed upon from time to time by the Borrower and the Association;

(m) "Privatization Trust" means the trust to be established pursuant to Part D.2 of the Project;

(n) "Securities Regulatory Commission" means Ghana's Securities Regulatory Commission, established pursuant to the Securities Industry Law (1993);

(o) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and each of the revenue-generating Project Executing Agencies pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such agreements;

(p) "Subsidiary Grant Agreement" means the agreement to be entered into between the Borrower and each of the Project Executing Agencies (other than the revenue-generating Project Executing Agencies) pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such agreements;

(q) "SSNIT" means the Social Security and National Insurance Trust, operating pursuant to the Social Securities Law (1991) (P.N.D.C. L. 247);

(r) "State Insurance Corporation" means the State Insurance Corporation, established pursuant to State Insurance Corporation Instrument 1965 L.I. 424; and

(s) "Special Account" means the account 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 sixteen million Special Drawing Rights (SDR 16,000,000).

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 a special deposit 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 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2000 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 June 15 and December 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 semiannual installments payable on each June 15 and December 15, commencing June 15, 2006, and ending December 15, 2035. Each installment to and including the installment payable on December 15, 2015, 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.

(c) The Borrower shall relend to the revenue-generating Project Executing Agencies the amounts from time to time allocated to Category (1) (a) of the table in paragraph 1 of Schedule 1 to this Agreement under separate subsidiary loan agreements (the Subsidiary Loan Agreements) to be entered into between the Borrower and such revenue-generating Project Executing Agencies, under terms and conditions which shall have been approved by the Association, including those set forth in paragraph 4 of Schedule 4 to this Agreement.

(d) The Borrower shall grant a portion of the proceeds of the Credit to the Project Executing Agencies (other than the revenue-generating Project Executing Agencies) under separate grant agreements (the Subsidiary Grant Agreements) to be entered into between the Borrower and such Project Executing Agencies, under terms and conditions which shall have been approved by the Association, including those set forth in paragraph 4 of Schedule 4 to this Agreement.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreements and Subsidiary Grant Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any such agreement or any provision thereof.

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. (a) The Borrower shall carry out, jointly with the Association and the Project Executing Agencies, not earlier than December 1, 1997 and not later than March 1, 1998, a midterm review of the progress made in carrying out the Project and the Program. This review shall cover, among other things: (i) adequacy of institutional arrangements employed to implement the Project; (ii) the success of training provided under the Project; (iii) the status of procurement under the Project; (iv) the implementation of the clearing and settlement system at Ghana Stock Exchange under Part A.1 of the Project; (v) progress regarding the implementation of restructuring and privatization programs for State Insurance Company under Part B.2 of the Project; (vi) progress regarding the implementation of the capacity building and privatization program for Ghana Reinsurance Organization under Part B.3 of the Project; (vii) the design of a payments system under Part C.4 of the Project; (viii) the results of the diagnostic review regarding the informal and rural sectors, under Part D.1 of the Project; and (ix) the status of Project monitoring indicators agreed upon with the Association.

(b) The Borrower shall furnish to the Association, at least 45 days prior to the midterm review described in paragraph (a) above, a report, in scope and detail satisfactory to the Association, describing the status of the items listed in such paragraph and of Project and Program implementation generally.

(c) Based on such midterm review, the Borrower shall promptly prepare an action plan, acceptable to the Association, which plan shall deal with any deficiencies in Project and Program implementation identified during the review. The Borrower shall thereafter implement such action 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 (including the Project Executing Agencies) 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:

- (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 event is specified, namely that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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 shall have employed an independent accounting firm and an independent auditor in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(b) the Borrower shall have employed within the PCT a technical advisor in accordance with the provisions of Section II of Schedule 3 to this Agreement;

(c) the Borrower shall have adopted a project implementation manual, in form and substance satisfactory to the Association; and

(d) the Borrower has entered into Subsidiary Loan Agreements, and at least three Subsidiary Grant Agreements, with Project Executing Agencies.

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. MOF 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 MIFAEP GH

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/ Richard Kwame Peprah
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) Equipment for:		100% of foreign expenditures and 90% of local expenditures
(a) Revenue- Generating Project Executing Agencies	1,540,000	
(b) Other Project Executing Agencies	4,240,000	
(2) Consultants' Services, Training and Studies for all Project Executing Agencies	5,580,000	100%
(3) For MOF:		

(a) Consultants' Services, Training and Studies	2,520,000	100%
(b) Equipment and Vehicles	670,000	100% of foreign expenditures and 90% of local expenditures
(c) Operating Costs	70,000	65%
(4) Unallocated	1,380,000	
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TOTAL	16,000,000	=====

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 incremental recurrent costs associated with the Project to be incurred by PCT for fuel, office supplies, vehicle and equipment maintenance and telephone expenses.

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 goods, works and services provided by firms under contracts not exceeding \$100,000 equivalent and for services provided by individuals under contracts not exceeding \$50,000 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: (a) promote the growth of an efficient, competitive and well regulated non-bank financial sector, and an efficient payments system, so as to increase the mobilization of domestic savings, to facilitate the influx of international capital, and to promote the competitive supply of financial services; and (b) support the implementation of the Borrower's divestiture program and encourage private sector activity in the sector.

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: Capital Markets

1. Strengthening the operational capacity of the Ghana Stock Exchange, including: (a) the design, establishment and operation of a clearing and settlement system, and the establishment of operating procedures; (b) improved promotion and management of equity offerings, trades and related issues, and improved capacity to advise clients in this regard; (c) improved management of exchange transactions; and (d) improved

capacity to provide training to sectoral institutions and personnel through the training of staff and the acquisition of equipment and technical advisory services.

2. Strengthening the institutional capacity of the Securities Regulatory Commission to regulate and otherwise support securities transactions, including the development of regulations and procedures for the Commission and review of the legal framework governing securities transactions, through the training of staff and the acquisition of equipment and technical advisory services.

3. Strengthening the institutional capacity of the Bank of Ghana to supervise non-bank financial institutions, including development of organizational plans and reforms to the regulatory framework to strengthen the operation of the non-bank financial sector, through the training of staff and the acquisition of equipment and technical advisory services.

Part B: Savings Industry

1. Strengthening the institutional capacity of the National Insurance Commission to regulate the insurance sector, including development of organizational plans and management information systems, and development of reforms to the regulatory framework to support sound insurance practices, through training of staff and the acquisition of equipment and technical advisory services.

2. Strengthening the operational capacity of the State Insurance Corporation, including development of an organizational restructuring plan, improved efficiency of its operations, and development of a privatization strategy, through the training of staff and the acquisition of equipment and technical advisory services.

3. Strengthening the operational capacity of the Ghana Reinsurance Organization, including development of management information systems, development and implementation of a privatization strategy, and development of a strategy to diversify markets and products, through the training of staff and the acquisition of equipment and technical advisory services.

4. Strengthening the operational capacity of SSNIT, including the development of new markets and products, through the training of staff and the acquisition of technical advisory services.

Part C: Associated Financial Infrastructure

1. Improving training for insurance sector personnel through the establishment of an insurance industry training center, including the acquisition of training services, equipment and technical advisory services to support such establishment.

2. Strengthening the institutional capacity of the Home Finance Company and associated primary mortgage originating institutions through the training of staff and acquisition of equipment.

3. Strengthening the capacity of the Ghana School of Administration to provide executive development programs through the acquisition of equipment and other support for training.

4. Strengthening the capacity of the Institute of Chartered Accountants of Ghana to provide training to accountants through the acquisition of equipment and other support for training.

5. Improving the efficiency of the domestic payments system, including: (a) development of an appropriate regulatory

framework, (b) establishment of a financial data communications system, (c) development of a "real time gross settlement" system, (d) design of a network automatic teller machine system, (e) design of a Postal Giro system, (f) computerization and automation of clearing houses, and (g) implementation of a human resource development program to support the efficient operation of these systems, through training of staff and acquisition of equipment and technical advisory services.

Part D: Sectoral Management

1. Improved capacity of MOF to promote the provision of financial services to the informal and rural sectors through a diagnostic study of the constraints affecting the delivery of such services to these sectors, and acquisition of technical advisory services to support the implementation of pilot programs to address these constraints.

2. The establishment by the Borrower of a privatization trust (the Privatization Trust) to support the Borrower's program to privatize state-owned enterprises.

3. Preparation of a diagnostic study regarding the organizational and training needs of the Ghana Management Development and Productivity Institute.

* * *

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

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Except as otherwise provided in Part C of this Section, 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 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

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

(a) Grouping of contracts. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Goods shall be exempted from preshipment price inspection by a third party inspection firm.

(c) 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per

contract, up to an aggregate amount not to exceed \$2,165,000 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 \$50,000 equivalent or less per contract, and \$875,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraph 3.4 of the Guidelines, as determined by the Borrower prior to such procurement.

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 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) 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

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

The Borrower shall:

(a) ensure overall coordination of the Project through the PCT, under terms of reference satisfactory to the Association, which shall provide, inter alia, for: (i) support to the Project Executing Agencies regarding procurement; (ii) quarterly reviews of the status of implementation of the Project; and (iii) semiannual progress reports regarding implementation of the Project;

(b) establish within the PCT a project coordination team, comprising a representative from MOF and each Project Executing Agency, to liaise between the PCT and such Agencies; and

(c) staff the PCT in accordance with a staffing plan satisfactory to the Association.

The Borrower shall designate responsibility for implementation of the Project to the Project Executing Agencies as follows: (a) the Ghana Stock Exchange shall be responsible for Part A.1 of the Project; (b) the Securities Regulatory Commission shall be responsible for Part A.2 of the Project; (c) the Bank of Ghana shall be responsible for Parts A.3 and C.5 of the Project; (d) the National Insurance Commission shall be responsible for Part B.1 of the Project; (e) the State Insurance Corporation shall be responsible for Parts B.2 and C.1 of the Project; (f) the Ghana Reinsurance Organization shall be responsible for Part B.3 of the Project; (g) SSNIT shall be responsible for Part B.4 of the Project; (h) the Home Finance Company shall be responsible for Part C.2 of the Project; (i) the Ghana School of Administration shall be responsible for Part C.3 of the Project; and (j) the Institute of Chartered Accountants of Ghana shall be responsible for Part C.4 of the Project.

The Subsidiary Loan Agreements and the Subsidiary Grant Agreements shall specify, inter alia:

(a) the obligations of the Project Executing Agencies regarding implementation of the Project, including with respect to: (i) recordkeeping, accounting and auditing, (ii) support to the PCT and the submission of periodic workprograms and budgets, (iii) participation in the midterm review provided for in Section 3.03 of this Agreement, (iv) procurement of goods and services, and (v) the submission of semiannual reports to the PCT;

(b) the requirement that each Project Executing Agency contribute at least 5% of the total cost of the activities to be implemented pursuant to the Project; and

(c) in the case of each revenue-generating Project Executing Agency, the requirement that such Agency repay in Cedis (the amount of such repayment to be determined on the respective dates of withdrawal from the Credit Account) the value of currencies so withdrawn from the Credit Account, such amounts to be repaid in no more than 10 years, with no more than three years of grace, and payment of interest on the basis of a Variable Reference Interest Rate (RIR) based on the market-determined average cost of 180-day deposits mobilized by

at least three local banks reflecting the cost of domestic funds to the banking sector. The RIR will be adjusted twice a year, each January 1 and July 1 to establish the interest rate applicable over the next interest period.

In carrying out Part C.1 of the Project, the Borrower shall cause the State Insurance Company to make available its training center for such purpose.

The Borrower shall operate the Privatization Trust in accordance with terms of reference satisfactory to the Association, which shall provide, inter alia, for the following: (a) the trust shall operate under the control of an autonomous board of trustees; (b) the trust shall be managed by a management company employed under terms of reference satisfactory to the Association; (c) the Borrower shall deposit with such trust its minority shareholdings in designated public enterprises; (d) the trust shall dispose of such shares in due course, through sales to the personnel of the relevant companies, placements on the Ghana Stock Exchange, public offerings and other mechanisms; and (e) the trust shall submit to MOF: (i) annual sales plans, (ii) quarterly unaudited financial accounts and annual audited financial accounts, and (iii) quarterly and annual management reports.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$400,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$200,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,400,000.

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 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 out of the 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 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;
- (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;
- (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, 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.

