

CONFORMED COPY

CREDIT NUMBER 2743 GH

Development Credit Agreement

(Mining Sector Development and Environment Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 1995

CREDIT NUMBER 2743 GH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 25, 1995, between REPUBLIC OF GHANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 3, 1995, from the Borrower describing a program of objectives and policies designed to strengthen the capacity of its mining institutions and to develop techniques to improve the productivity and environmental impact of small-scale mining (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program; and

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

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 modification thereto 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) "Cedis" means the currency of the Borrower;

(b) "Environmental Protection Agency" means the Borrower's Environmental Protection Agency, established pursuant to The Environmental Protection Agency Act, 1994 (Act 490);

(c) "Geological Survey Department" means the Geological Survey Department within MEM;

(d) "Minerals Commission" means the Borrower's Minerals Commission, established pursuant to The Minerals Commission Act, 1993 (Act 450);

(e) "MEM" means the Borrower's Ministry of Energy and Mines;

(f) "Mines Department" means the Mines Department within MEM;

(g) "Project Implementation Manual" means the Project Implementation Manual, dated May 1, 1995, adopted by the Borrower 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; and

(h) "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 the Development Credit Agreement, an amount in various currencies equivalent to seven million nine hundred thousand Special Drawing Rights (SDR 7,900,000).

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 December 31, 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 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 semiannual installments payable on each January 15 and July 15, commencing July 15, 2005, and ending January 15, 2035. Each installment to and including the installment payable on January 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 Parts A and C of the Project through the Minerals Commission, and shall carry out Part B of the Project through MEM, all with due diligence and efficiency and in conformity with appropriate administrative, engineering and mining practices, and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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. Without limitation upon any of its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain in a commercial bank, a mining sector development and environment project account, to be managed by the Minerals Commission under terms and conditions satisfactory to the Association, to be used exclusively for the purposes of meeting expenditures under the Project which are not to be financed out of the proceeds of the Credit;

(b) prepare, not later than October 31 of each year, a budget for the succeeding fiscal year, satisfactory to the

Association, specifying by quarter the Borrower's contribution to the financing of the Project; and

(c) deposit into said account promptly before each fiscal quarter starting after the Effective Date, the Borrower's contribution to the financing of the Project required for such ensuing quarter.

Section 3.04. (a) The Borrower shall, and shall cause the Minerals Commission to, carry out, jointly with the Association, not earlier than April 1, 1997 and not later than June 30, 1997, a midterm review of the progress made in carrying out the Project and the Program. This review shall cover, among other things: (i) results of testing conducted on mining equipment under Part C.1 of the Project and the results of the related environmental impact assessment referred to in paragraph 4(e) of Schedule 4 to this Agreement; (ii) the performance of consultants; (iii) the development of standards and guidelines to ensure environmentally sound small-scale mining practices; (iv) the results of the land reclamation pilot program carried out under Part C.6 of the Project; (v) progress in liberalizing the market for precious minerals; (vi) progress in developing reforms to the regulatory framework governing the minerals sector; (vii) progress on improving the marketing environment for small-scale miners; and (viii) the status of Project monitoring indicators agreed upon with the Association.

(b) The Borrower shall furnish to the Association, at least 60 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: (i) deal with any deficiencies in Project and Program implementation identified during the review, and (ii) set forth the parameters for the second phase of the equipment testing program under Part C.1 of the Project, as referred to in paragraph 4(c) of Schedule 4 to this Agreement. The Borrower shall thereafter implement such action plan.

Section 3.05. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

ARTICLE IV

Financial Covenants

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

carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

- (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 has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) The Minerals Commission Act, 1993 (Act 450) shall have been amended, suspended, abrogated, repealed or waived so

as to affect materially and adversely the ability of the Minerals Commission to implement the Project; and

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

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any event specified in paragraph (b) or (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Borrower has established the project account referred to in Section 3.03 of this Agreement, and has deposited therein an amount in Cedis equivalent to \$30,000.

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 of 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 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/ Ekwow Spio-Garbrah
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works and Equipment Testing	1,850,000	80%
(2) Equipment and Supplies	1,400,000	100% of foreign expenditures and 90% of local expenditures
(3) Geophysical Aerial Survey	640,000	100% of foreign expenditures and 90% of local expenditures
(4) Consultants' Services and Training	2,800,000	100%
(5) Unallocated	1,210,000	
TOTAL	7,900,000	

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; and

(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.

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: (a) to enhance the capacity of the Borrower's mining sector institutions to encourage and regulate investments in the mining sector in an environmentally sound manner; and (b) to support the use of techniques and mechanisms to improve the productivity and financial viability, and reduce the environmental impact, of small-scale mining operations.

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: Minerals Commission and Sector Management

1. Strengthening the monitoring and regulation of mining activities through, inter alia: (a) an assessment of the sector's institutional and operational arrangements so as to develop a program to improve their efficiency, (b) a review of the adequacy of monitoring and enforcement practices regarding environmental, health and safety standards, and (c) preparation of guidelines for implementing sectoral and environmental regulations.

2. Increasing the effectiveness of the Minerals Commission's promotional activities to attract investors through, inter alia, the design and preparation of promotional materials and activities.

3. Increasing the information base regarding minerals through the establishment of a comprehensive minerals information system consisting of a concession cadastral system, a minerals information database, a geological information database, and a mining environmental information system.

4. Preparation of a pollution abatement strategy for ground and surface water systems for the Tarkwa, Prestea and Dunkwa areas to remedy environmental degradation caused by mining operations.

5. Assessment of the curricula of universities and technical colleges to develop a program to introduce modern minerals exploration technologies and processing techniques.

Part B: MEM

1. Strengthening the capacity of the Mines Department: (a) to carry out inspection, monitoring and enforcement of sectoral and environmental regulations, (b) to provide assay services and technical extension support to small-scale miners, and (c) to provide extension services to sensitize small-scale miners regarding safety, health and environmental issues, through, inter alia, the provision of technical advisory services, equipment and training.

2. Strengthening the institutional capacity and information

base of the Geological Survey Department to identify priority mining areas and to compile and analyze geological data through, inter alia, the execution of an aerial survey program and training.

3. Strengthening the capacity of MEM to develop mining sector policies and manage related sectoral activities, through, inter alia, the acquisition of office and communication equipment and the provision of technical advisory services.

Part C: Small-Scale Mining

1. Improving the productivity of small-scale miners through a phased pilot testing program for small-scale mining equipment, and the development and dissemination to small-scale miners of environmentally sound processing technologies.

2. Increasing the availability of geological information to small-scale miners through the establishment by the Minerals Commission, in coordination with the Geological Survey Department, of a program to disseminate such information to such miners.

3. Improving the information base regarding small-scale mining concessions and related information through the execution by the Minerals Commission of a survey of prospective small-scale mining concession areas and the preparation of a cadastral map for small-scale mining activities.

4. Improving the Borrower's ability to regulate and support small-scale mining through the carrying out of (a) a review of the regulatory framework governing small-scale mining activities, including environmental, health and safety regulations, (b) a study regarding marketing conditions affecting such miners and measures to improve the commercialization of precious minerals, and (c) a study regarding financing options for small-scale mining.

5. Strengthening the capacity of small-scale miners through (a) training in financial and business management, (b) training regarding the use of improved technologies and equipment, and (c) support for the creation of an advisory board to MEM representing small-scale miners.

6. Improving the environmental condition of mined land through the implementation of a pilot land reclamation and rehabilitation program covering about 500 acres of mined-out land.

* * *

The Project is expected to be completed by June 30, 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 1995 (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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(b) 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.

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

(d) 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. Limited International Bidding

Goods estimated to cost \$100,000 equivalent or less per contract and \$1,100,000 equivalent or less in the aggregate, and goods which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Works estimated to cost \$200,000 equivalent or less per contract and \$3,400,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. International Shopping

Goods estimated to cost \$50,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international 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 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 or works 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 thereto 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 individual consultants 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

1 The Borrower shall:

(a) implement and cause the Minerals Commission to implement the Project in accordance with the procedures set out in the Project Implementation Manual;

(b) ensure overall coordination of the Project by the Minerals Commission, supported by MEM, the Mines Department, the Geological Survey Department, and the Environmental Protection Agency;

(c) ensure that the Minerals Commission maintains for purposes of managing Project implementation a project coordinator, supported by a technical officer and an accountant, each under terms of reference and with qualifications and experience satisfactory to the Association;

(d) ensure that the Minerals Commission, MEM, the Mines Department and the Geological Survey Department prepare, not later than December 31 of each year (beginning with 1996), a work-program (covering, inter alia, training) for the succeeding year which shall take into account the results of the previous year; and

(e) cause the Minerals Commission to furnish to the Association before each fiscal quarter starting after the Effective Date, progress reports on implementation of the Project, in scope and detail satisfactory to the Association.

1 The Borrower shall continue to ensure that the Minerals Commission and the Environmental Protection Agency coordinate their environmental inspection and monitoring and enforcement activities regarding mining activities under operational procedures satisfactory to the Association.

2 The Borrower shall, in carrying out Part A.1(a) of the Project:

(a) cause the Minerals Commission to prepare, and provide to the Association for discussion not later than December 31, 1996, a draft report, in scope and detail satisfactory to the Association, regarding recommendations for enhancing the effectiveness of sectoral institutions, including an evaluation of enforcement mechanisms and the viability and potential effectiveness of performance bonds;

(b) adopt, not later than March 31, 1997, through MEM and the Minerals Commission, a final report which takes into account the comments of the Association;

(c) on the basis of such report, prepare, not later than June 30, 1997, an action plan, satisfactory to the Association, for strengthening the effectiveness of sectoral institutions; and

(d) thereafter implement such action plan in a timely manner.

1. In carrying out Part C.1 of the Project, the Borrower shall cause the Minerals Commission to conduct the pilot equipment testing program in two phases as follows:

(a) the first phase shall be completed within eighteen months following the Effective Date;

(b) as part of the first phase, the Minerals Commission shall test small-scale mining equipment meeting eligibility criteria satisfactory to the Association, and testing shall be carried out by three teams operating under terms of reference satisfactory to the Association;

(c) the second phase shall be conducted following the midterm review referred to in Section 3.04 of this Agreement and under terms of reference satisfactory to the Association designed to take into account the results of the first phase (as evaluated during such midterm review) and the conclusions of the environmental impact assessment referred to in subparagraph (e) below;

(d) the second phase shall: (i) include expanded field testing of equipment meeting eligibility criteria satisfactory to the Association, (ii) address processing procedures in an operational setting, (iii) include the placing of assay equipment at the Minerals Commission's seven small-scale mining outreach offices, and (iv) include pilot programs to increase access of small-scale miners to improved technologies and equipment; and

(e) the Minerals Commission shall following the first phase conduct an environmental impact assessment, under terms of reference satisfactory to the Association, to be completed prior to the midterm review referred to in Section 3.04 of this Agreement.

1. In carrying out Part C.2 of the Project, the Geological Survey Department shall implement an information program for small-scale miners under operational procedures satisfactory to the Association, which shall provide, inter alia, for (a) cost recovery for concession mapping services, and (b) the establishment of a task force to review surveying activities which shall include representatives from such Department, the

Mines Department and the Minerals Commission.

2. The Borrower shall, on the basis of the study referred to in Part C.4(a) of the Project:

(a) cause the Minerals Commission to prepare, and provide to the Association for discussion not later than December 31, 1996, a draft report, in scope and detail satisfactory to the Association, regarding recommendations for modifying the regulatory framework governing mining activities, including the relevant environmental, health and safety regulations;

(b) adopt, not later than March 31, 1997, through MEM and the Minerals Commission, a final report which takes into account the comments of the Association;

(c) on the basis of such report and the midterm review referred to in Section 3.04 of this Agreement, prepare, not later than June 30, 1997, an action plan, satisfactory to the Association, for modifying such regulatory framework; and

(d) thereafter implement such action plan in a timely manner.

1. The Borrower shall, on the basis of the study referred to in Part C.4(b) of the Project:

(a) cause the Minerals Commission to prepare, and provide to the Association for discussion not later than December 31, 1996, a draft report, in scope and detail satisfactory to the Association, regarding recommendations for liberalizing the market for precious metals;

(b) adopt, not later than March 31, 1997, through MEM and the Minerals Commission, a final report which takes into account the comments of the Association;

(c) on the basis of such report, prepare, not later than June 30, 1997, an action plan, satisfactory to the Association, to liberalize such market; and

(d) thereafter implement such action plan in a timely manner.

2. In carrying out Part C.5(c) of the Project, MEM shall establish the advisory board referred to therein not later than June 30, 1996, whose membership shall include small-scale miners, for the purpose of advising the Borrower on the development of policies affecting small-scale mining activities.

3. In carrying out Part C.6 of the Project, the Borrower shall cause the reclamation activities to be implemented under guidelines satisfactory to the Association, which shall provide for (a) extensive community participation, and (b) coordination among the Minerals Commission, the Environmental Protection Agency, and the Borrower's Ministry of Food and Agriculture and Ministry of Land and Forestry.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services

required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited in 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 \$150,000 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 \$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 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 in 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.

