

CONFORMED COPY

CREDIT NUMBER 3374 GH

Project Agreement

(Rural Financial Services Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANK OF GHANA

Dated October 23, 2001

CREDIT NUMBER 3374 GH

PROJECT AGREEMENT

AGREEMENT, dated October 23, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BANK OF GHANA (BOG).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Republic of Ghana (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BOG agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary administration agreement to be entered into between the Borrower and BOG, the proceeds of the credit provided for under the Development Credit Agreement will be made available to BOG on the terms and conditions set forth in the Subsidiary Administration Agreement; and

WHEREAS BOG, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) BOG declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and banking practices, and shall provide, or cause to be provided, 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 Association and BOG shall otherwise agree, BOG shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. 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 2 to this Agreement.

Section 2.03. (a) BOG shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, BOG shall:

and (i) prepare, on the basis of guidelines acceptable to the Association 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 Association and BOG, a plan for the future operation of the Project; and

with (ii) afford the Association a reasonable opportunity to exchange views BOG on said plan.

Section 2.04. BOG shall duly perform all its obligations under the Subsidiary Administration Agreement. Except as the Association shall otherwise agree, BOG shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Administration Agreement or any provision thereof.

Section 2.05. (a) BOG shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Administration Agreement, and other matters relating to the purposes of the Credit.

(b) BOG shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by BOG of its obligations under this Agreement and under the Subsidiary Administration Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) BOG shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures relating to the Project.

(b) BOG shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, including those for the Project Account, audited in accordance with auditing standards acceptable to the Association 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) copies of its financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and 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 financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, BOG shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial system for the Project in order to enable BOG, not later than December 1, 2001, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association. Each such report shall:

(i) set forth actual sources and application of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and application of funds for the Project for the six-month period following the period covered by said report, and separately expenditures proposed to be financed out of the show proceeds of the Credit during the six-month period following the period covered by said report;

(ii) describe physical progress in Project implementation, both cumulatively and for the period covered by said report, and explain variances between the actual and previously forecast implementation targets; and

(iii) set forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon completion of the action plan referred to in paragraph (a) of this Section, BOG shall prepare in accordance with guidelines acceptable to the Association, and furnish to the Association, not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of BOG thereunder shall terminate on the earlier of the following two dates:

in (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BOG of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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 (MCI) or
64145 (MCI)

For BOG:

Bank of Ghana
P. O. Box 2674
Accra
Ghana

Cable address:

GHANA BANK
Accra

Telex:

2541 GHANABANK GH
2052

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of BOG, or by BOG on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Governor of BOG or such other person or persons as the Governor of BOG shall designate in writing, and BOG shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized

representatives, have caused this Agreement to be signed in their respective names in Accra, Ghana, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Peter C. Harrold

Acting Regional Vice President
Africa

BANK OF GHANA

By /s/ Paul Acquah

Authorized Representative

SCHEDULE 1

Implementation Program

1. (a) BOG shall prepare and furnish to the Association a Project Implementation Manual in form and substance satisfactory to the Association setting out details of all procedures, guidelines, timetables and criteria required for the Project.

(b) BOG shall carry out the Project in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, BOG shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. BOG shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 3 to this Agreement: (i) the carrying out by BOG of the Project, and; (ii) the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31 and September 30 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on: (i) the progress achieved in the carrying out by BOG of the Project, during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project; and (ii) the achievement of the objectives thereof during the period following such date; and

(c) review with the Association by May 31 and November 30 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

3. (a) BOG shall, no later than December 31, 2003, carry out jointly with the Borrower and the Association, a Mid-term Review of the progress made in carrying out the Project. The Mid-term Review shall include: (i) the progress made in meeting the objectives of the Project; and (ii) an assessment of the overall performance of the carrying out by BOG of the Project.

(b) BOG shall carry out, no later than one month after the completion of the Mid-term Review, the recommendations of the Mid-term Review as agreed with the Association and set out in an action plan for the Project satisfactory to the Association.

4. BOG shall: (i) maintain BSD and RFID in a form and with functions, staffing and resources satisfactory to the Association; and (ii) second to RFID the following personnel with qualifications and experience satisfactory to the Association, namely (A) a Project Coordinator; (B) a Procurement Management Specialist; and (C) a Financial Management Specialist.

SCHEDULE 2

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. 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) 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

(a) Goods estimated to cost less than \$100,000 but more than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost the equivalent of \$100,000 or more per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Vehicles estimated to cost an aggregate amount not exceeding \$200,000 equivalent may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$460,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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: (i) each contract for goods or works, estimated to cost the equivalent of \$100,000 or more, to be procured in accordance with the international or national competitive bidding procedures required under paragraph 1 of Part B and paragraph 4 of Part C of Section I of this Schedule; and (ii) each of the first two contracts estimated to cost the equivalent of less than \$100,000 to be procured under paragraph 1 of the said Parts B and C of the said Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Audit services required for the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Selection of Individual Consultants

Services for specific studies and training may be procured under contracts awarded in accordance with Part V of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of: (i) consulting firms estimated to cost the equivalent of \$50,000 or more; and (ii) individual consultants estimated to cost the equivalent of \$20,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of less than \$20,000, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 3

Performance Indicators

BOG shall carry out the Project in accordance with the performance indicators set forth below:

A. Informal and Microfinance Sector

