

No. 10573

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
GHANA**

Development Credit Agreement—*Accra/Tema Water Supply and Sewerage Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the Ghana Water and Sewerage Corporation). Signed at Washington on 28 August 1969

Authentic text: English.

Registered by the International Development Association on 1 July 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
GHANA**

Contrat de crédit de développement — *Projet relatif à l'approvisionnement en eau et à la construction du réseau d'égouts d'Accra/Tema* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au projet entre l'Association et le Ghana Water and Sewerage Corporation). Signé à Washington le 28 août 1969

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 1^{er} juillet 1970.

DEVELOPMENT CREDIT AGREEMENT ¹

AGREEMENT, dated August 28, 1969, between REPUBLIC OF GHANA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969, ² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

The words “or the Project Agreement” are added after the words “the Development Credit Agreement” in Section 8.02.

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “GWSC” means the Ghana Water and Sewerage Corporation, a statutory corporation established by the Ghana Water and Sewerage Corporation Act, 1965, of the Borrower.

(b) “Project Agreement” means the agreement between the Association and GWSC of even date herewith, ² providing for the carrying out of the Project, as the same shall be amended from time to time by agreement between the Borrower, the Association and GWSC.

(c) “Subsidiary Loan Agreement” means the agreement referred to in Section 4.03 (a) of this Agreement to be entered into between the Borrower and GWSC, as the same shall be amended from time to time with the approval of the Association.

¹ Came into force on 4 December 1969, upon notification by the Association to the Government of Ghana.

² See p. 320 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the Amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement:

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I, III, IV and VI of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) such amounts as (A) shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for, and (B) shall represent the foreign exchange component (as determined by the Association) of, the goods or services included in Categories II and V of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement.

Section 2.04. Except as the Association shall otherwise agree, no withdrawals from the Credit Account shall be made under Categories I, III, IV and VI of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing December 15, 1979 and ending June 15, 2019, each installment to and including the installment payable on June 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association, except as otherwise provided in such Schedule 3.

Section 3.03. Until the completion of the Project, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project, except as the Association may otherwise agree.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative,

financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.02. (a) The Borrower shall take all action which shall be necessary on its part to enable GWSC to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by GWSC.

(b) Without limiting or restricting the Borrower's obligations under paragraph (a) of this Section, the Borrower specifically undertakes to enable GWSC to establish and maintain tariffs at such levels as may be necessary for GWSC to fulfill the requirements of Section 2.09 of the Project Agreement.

(c) The Borrower shall consult the Association about any proposed appointment to the position of Managing Director of GWSC sufficiently in advance of any such appointment for the Association to have adequate opportunity to comment on the qualifications and experience of the person, or persons, the Borrower is considering for such position and shall make any such appointment only after consideration of the views expressed by the Association.

Section 4.03. (a) The Borrower shall relend the proceeds of the Credit, or the equivalent thereof, to GWSC on terms and conditions and pursuant to a subsidiary loan agreement satisfactory to the Association.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association, and, except as the Association shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 4.04. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); shall enable the Association's representatives to inspect the Project, such goods and services and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project and such goods and services.

Section 4.05. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.06. Except as the Association shall otherwise agree, the Borrower shall enter into, and maintain in effect, arrangements with GWSC, satisfactory to the Association, providing for the payment by GWSC to the Borrower of 20,000,000 New Cedis in currency of the Borrower on account of debt incurred for fixed assets of GWSC and serviced by the Borrower, such arrangements to provide, *inter alia*, that:

- (i) payment of such amount shall be made over a term of 20 years commencing in June 1973;
- (ii) GWSC shall pay to the Borrower interest on the unpaid balance of such amount at a rate of $6\frac{1}{2}\%$ per annum; and
- (iii) payment of such amount and of interest thereon shall be subordinated to all debt of GWSC owed to creditors other than the Borrower.

The Borrower shall not, without the agreement of the Association, amend, abrogate or waive any provision of such arrangements.

Section 4.07. Except as the Association shall otherwise agree, the Borrower shall reimburse GWSC on a quarterly basis for any amounts owing to GWSC from local authorities for water supplied which remain unpaid two months after billing.

Section 4.08. Except as the Association shall otherwise agree, the Borrower shall enter into an agreement with GWSC within one year from the date of this Agreement establishing values acceptable to the Association for the fixed assets of GWSC transferred by the Borrower to GWSC.

Section 4.09. Except as the Association shall otherwise agree, the Borrower shall:

- (i) provide all funds, without resort to the financial resources of GWSC, required to meet the capital and development cost of any water supply or sewerage projects or other services which do not meet GWSC's investment criteria and which are undertaken by GWSC solely at the request of the Borrower; and
- (ii) reimburse GWSC on a quarterly basis the amounts of any losses incurred by GWSC in operating and maintaining any such projects or providing any such services.

Section 4.10. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.11. This Development Credit Agreement, the Project Agreement and the Subsidiary Loan Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such

declaration such principal together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) A default shall occur in the performance of any obligation of GWSC under the Project Agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and GWSC.
- (b) Before the Project Agreement shall have terminated in accordance with its terms, the Ghana Water and Sewerage Corporation Act, 1965, shall have been amended, without the agreement of the Association, so as to affect materially and adversely the carrying out of the Project or the operations or financial condition of GWSC, and such event shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

Section 5.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

An extraordinary situation shall have arisen which shall make it improbable that GWSC will be able to perform its obligations under the Project Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) the execution and delivery of the Project Agreement on behalf of GWSC have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the Borrower and GWSC have entered into the Subsidiary Loan Agreement in form satisfactory to the Association, and the Subsidiary Loan Agreement has become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of this Agreement; and

- (c) the Borrower and GWSC have entered into the arrangements referred to in Section 4.06 of this Agreement.

Section 6.02. The following are specified as additional matters within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, GWSC and constitutes a valid and binding obligation of GWSC in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and GWSC and constitutes valid and binding obligations of the Borrower and GWSC in accordance with its terms.

Section 6.03. The date of December 1, 1969 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02, 4.04, 4.06, 4.07 and 4.09 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on the date on which the Project Agreement shall terminate in accordance with its terms, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Commissioner responsible for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

The Principal Secretary
Ministry of Finance
P.O. Box M40
Accra, Ghana

Alternative address for cables:

Prudence
Accra

For the Association:

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

Alternative address for cables:

Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Ghana:

By E. M. DEBRAH
Authorized Representative

International Development Association:

By SIMON ALDEWERELD
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Water distribution mains, service connections and water meters	1,480,000
II. Installation of items in Category I.	180,000
III. Sewer pipes and accessories	460,000
IV. Sewage pumps and electrical and mechanical equipment	240,000
V. Construction of sewage pumping stations and installation of items in Categories III and IV	650,000
VI. Consulting Services	230,000
VII. Unallocated	260,000
	<u>TOTAL 3,500,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to VI shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category VII.

2. If the estimate of the cost of the items included in any of the Categories I to VI shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category VII, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following:

A. The improvement and expansion of the water supply system of Accra, including the laying of new mains to enable diversion of water from Accra terminal reservoir to Western Accra, laying of new mains and extension of secondary and

tertiary distribution grids to serve developing areas in and around Accra and provision for service connections and water meters required to meet anticipated needs up to the end of 1972;

B. The extension of the main distribution grid of the water supply system of Tema to supply water to new housing developments and meet increase in demand from commercial and industrial consumers;

C. The construction of a sewerage system in Accra to serve certain residential areas, including East and West Ridge, Ussher Town, James Town, the Ministries Area and the industrial and commercial areas of central Accra, including the provision of ocean outfalls, intercepting sewers, branch and lateral sewers and appurtenant works and the building and equipping of three pumping stations; and

D. The improvement of GWSC's organization and operations.

The construction of the Project is expected to be completed by December 31, 1972.

SCHEDULE 3

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT OF GOODS REFERRED TO IN SECTION 3.02 OF THIS AGREEMENT

1. With respect to contracts for the procurement and/or installation of goods, estimated to cost in excess of (i) in the case of water meters, \$25,000 equivalent and (ii) in the case of all other goods, \$50,000 equivalent;

(a) If prequalification of bidders is used, notices of prequalification and a description of the prequalification and advertising procedures to be followed will be submitted to the Association for review and approval prior to the issuance of notices of prequalification.

(b) Invitations to bid, specifications, conditions of contract, all other tender documents and the method and places of advertising will be submitted to the Association for its review and approval prior to the issuance of invitations to bid.

(c) After bids have been received and analyzed, the analysis of the bids, and the proposals for awards, together with the reasons for such proposals, will be submitted to the Association for its review and approval prior to the Borrower's making any award of contract or issuing any letter of intent.

- (d) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under paragraphs (b) and (c) above, the text of the proposed changes will be submitted to the Association for its review and approval prior to the execution of such contract or issuance of any letter of intent.
- (e) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Association.

2. With respect to such contracts estimated to cost (i) in the case of water meters \$25,000 equivalent or less and (ii) in the case of all other goods, \$50,000 equivalent or less, copies of the invitation to bid, the bid analysis and evaluation, the contract or order and any other documents the Association may request will be sent to the Association promptly after the execution of the respective contract or order and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

PROJECT AGREEMENT

AGREEMENT, dated August 28, 1969, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and GHANA WATER AND SEWERAGE CORPORATION (hereinafter called GWSC), a statutory corporation established by the Ghana Water and Sewerage Corporation Act, 1965, of the Republic of Ghana.

WHEREAS by an agreement of even date herewith between the Republic of Ghana (hereinafter called the Borrower) and the Association, which agreement, the Schedules thereto and the General Conditions Applicable to Development Credit Agreements of the Association¹ made applicable thereto are hereinafter called the Development Credit Agreement,² the Association has agreed to lend to the Borrower

¹ See above.

² See p. 298 of this volume.

an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that GWSC agree to undertake certain obligations to the Association as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement shall have the respective meanings therein set forth, and the following additional term shall have the following meaning:

“Accra/Tema Area” means the operating organization within and the fixed assets of GWSC providing water supply and sewerage services to the Accra/Tema metropolitan area.

Article II

PARTICULAR COVENANTS OF GWSC

Section 2.01. (a) GWSC shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) Except as the Association shall otherwise agree, GWSC shall, in the carrying out of Parts A through C of the Project, employ qualified and experienced consultants and contractors acceptable to the Association, upon terms and conditions satisfactory to the Association.

(c) GWSC shall furnish to the Association, promptly upon their preparation, the plans, specifications and work schedules for Parts A through C of the Project and any material modifications subsequently made therein, in such detail as the Association shall from time to time request.

(d) Except as the Association shall otherwise agree, GWSC shall, in the carrying out of Part D of the Project, employ qualified and experienced consultants acceptable to the Association, upon terms and conditions satisfactory to the Association, to assist GWSC in the fields of financial control, data processing and technical operations.

Section 2.02. (a) GWSC shall maintain records adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of GWSC; shall enable the Association's representatives to inspect the Project, such goods, all other plants, sites, works, property and equipment of GWSC and any relevant records and documents; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, such goods and services, the Project and the administration, operations and financial condition of GWSC.

(b) GWSC shall have its accounts and the separately stated accounts of the Accra/Tema Area audited annually by an independent accountant or accounting firm acceptable to the Association and shall promptly after audited financial statements (balance sheet and related statement of earnings and expenses) for GWSC and for the Accra/Tema Area separately are available, and, except as the Association shall otherwise agree, not later than five months after the close of the financial year to which they apply, transmit to the Association certified copies of such statements and a signed copy of the accountant's or accounting firm's report relating to each such statement.

Section 2.03. (a) The Association and GWSC shall co-operate fully to assure that the purposes of the Credit will be accomplished. To that end, the Association and GWSC shall from time to time exchange views through their representatives with regard to matters relating to the performance by GWSC of its obligations under the Project Agreement, the administration, operations and financial condition of GWSC and other matters relating to the purposes of the Credit.

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

Section 2.04. (a) GWSC shall operate its business and conduct its affairs in accordance with sound business, public utility and financial practices under the supervision of qualified and experienced management and shall operate, maintain, renew and repair its plants, equipment and property, including the Project, in accordance with sound engineering and public utility practices.

(b) GWSC shall consult the Association about any proposed appointment to the position of manager of the Accra/Tema Area sufficiently in advance of any such

appointment for the Association to have adequate opportunity to comment on the qualifications and experience of the person, or persons, GWSC is considering for the position and shall make any such appointment only after consideration of the views expressed by the Association.

(c) GWSC shall consult the Association about any proposed material change in the structure of its organization and operations sufficiently in advance of any such change for the Association to have adequate opportunity to comment thereon and shall make any such change only after consideration of the views expressed by the Association.

(d) GWSC shall take all action reasonably required to maintain and renew all rights, powers, privileges and franchises, and to acquire all property, necessary or useful in the conduct of its business.

Section 2.05. GWSC shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, GWSC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement.

Section 2.06. (a) GWSC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, GWSC undertakes to insure the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation, and any indemnity under such insurance shall be payable in a currency freely usable by GWSC to replace or repair such goods.

Section 2.07. Except as the Association shall otherwise agree, GWSC shall enter into, and maintain in effect, the arrangements referred to in Section 4.06 of the Development Credit Agreement.

Section 2.08. Except as the Association shall otherwise agree, GWSC shall take all reasonable action required to:

- (i) reduce by means of normal attrition and transfers the number of employees of GWSC; and
- (ii) use existing employees in that part of the construction to be carried out directly by GWSC, and also in the operation, of Parts A through C of the Project and other improvements to or expansions of GWSC's systems.

Section 2.09. (a) Except as the Association shall otherwise agree, GWSC shall establish and maintain water rates and other charges for its water supply services, and shall take all other necessary or desirable action, to provide revenues from the water supply operations of the Accra/Tema Area sufficient (i) to cover the operating expenses incurred for its water supply system in the Accra/Tema Area and (ii) to produce an annual rate of return of not less than 4% for the fiscal years ending June 30, 1973 through 1975, not less than 6% for the fiscal years ending June 30, 1976 and 1977 and not less than 8% for the fiscal year ending June 30, 1978 and thereafter on the value of the not fixed assets in operation for water supply of the Accra/Tema Area.

(b) For the purposes of this Section:

- (i) The required annual rate of return shall be calculated by using as the denominator the average of the value of net fixed assets in operation for water supply of the Accra/Tema Area at the beginning and at the end of each year and as the numerator the operating income of the Accra/Tema Area from water supply operations of that year.
- (ii) The term “value of net fixed assets in operation” shall mean the gross value of such assets less accumulated depreciation, all determined in accordance with sound valuation, revaluation and depreciation methods, acceptable to the Association. The gross value of GWSC’s fixed assets in operation in the Accra/Tema Area at June 30, 1968 shall be deemed to have been New Cedis 34,598,000 in currency of the Borrower.
- (iii) The term “operating income” shall mean the difference between:
 - (A) gross operating revenue; and
 - (B) the operating and administration expenses, including taxes (if any), adequate maintenance and depreciation but excluding interest and other charges on debt.

Section 2.10. Except as the Association shall otherwise agree, GWSC shall adjust its rates and other charges for sewerage services, and shall take all other necessary or desirable action, so as to provide revenues from the sewerage operations, of the Accra/Tema Area sufficient to cover, for the fiscal year ending June 30, 1974 and thereafter, the operating and administration expenses, including adequate maintenance and depreciation, of the sewerage operations of the Accra/Tema Area.

Section 2.11. (a) Except as the Association shall otherwise agree, GWSC shall not incur any debt unless GWSC’s net revenue for the financial year next preceding the date of such incurrence or for a later 12 month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement on all GWSC’s debt (including the debt to be

incurred) in any succeeding financial year (including the financial year in which such debt is to be incurred).

(b) For the purposes of this Section:

- (i) The term “debt” means all debt except (A) debt maturing by its terms on demand or not more than one year after its incurrence and (B) GWSC’s obligation to make payments under the arrangements referred to in Section 4.06 of the Development Credit Agreement.
- (ii) Debt shall be deemed to be incurred on the date of execution and delivery of the contract, agreement or other instrument providing for such debt.
- (iii) The term “net revenue” shall mean gross operating revenue from the sale of water and provision of sewerage and other services, adjusted to take account of rates and charges in effect at the time of incurrence of debt even though they were not in effect during the financial year or 12 month period to which such revenues relate, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and debt service requirements.
- (iv) The term “debt service requirement” shall mean the aggregate amount of principal repayments, amortization (including sinking fund payments, if any), interest and other charges on debt.
- (v) Whenever it shall be necessary to value in the currency of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by GWSC, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Association.

Section 2.12. GWSC shall not, without the consent of the Association, sell, lease, transfer, or otherwise dispose of any of its properties or assets which shall be required for the efficient carrying on of the operations of the Accra/Tema Area.

Section 2.13. Except as the Association shall otherwise agree, GWSC shall enter into the agreement with the Borrower referred to in Section 4.08 of the Development Credit Agreement.

Section 2.14. GWSC shall consult the Association annually concerning GWSC’s proposed investment program for the succeeding fiscal year sufficiently in advance of the initiation of such program for the Association to have adequate opportunity to comment thereon.

Section 2.15. In the event that GWSC establishes or acquires any subsidiary, GWSC shall cause such subsidiary to observe and perform the obligations of GWSC hereunder to the extent to which the same can be applied thereto, as though such obligations were binding on such subsidiary.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Agreement shall come into force and effect on the Effective Date. If the Development Credit Agreement terminates pursuant to Section 6.03 thereof, this Project Agreement and all obligations of the parties hereunder shall terminate.

Section 3.02. This Agreement and all obligations of GWSC and of the Association hereunder shall terminate on the later of

- (i) the date when the Subsidiary Loan Agreement shall terminate in accordance with its terms or
- (ii) December 15, 1989.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand 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 or radiogram to the party to which it is required or permitted to be given or made at its 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 demand or request. The addresses so specified are:

For GWSC:

Managing Director
Ghana Water and Sewerage Corporation
P.O. Box M 194
Accra, Ghana

Cable address:

Dirwat
Accra

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.

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of GWSC may be taken or executed by the Managing Director of GWSC or such other person or persons as GWSC shall designate in writing.

Section 4.03. GWSC shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of GWSC, take any action or execute any documents required or permitted to be taken or executed by GWSC pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 4.04. 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 representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association:

By SIMON ALDEWERELD
Vice President

Ghana Water and Sewerage Corporation:

By E. M. DEBRAH
Authorized Representative