

No. 11623

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
GHANA**

**Development Credit Agreement—*Second Power Distribution Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 21 June 1971**

*Authentic text: English.*

*Registered by the International Development Association on 6 March 1972.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
GHANA**

**Contrat de crédit de développement — *Deuxième projet relatif à la distribution d'électricité* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 21 juin 1971**

*Texte authentique : anglais.*

*Enregistré par l'Association internationale de développement le 6 mars 1972.*

DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

AGREEMENT, dated June 21, 1971, between REPUBLIC OF GHANA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by Electricity Corporation of Ghana with the Borrower's assistance and, as part of such assistance, the Borrower will relend to Electricity Corporation of Ghana the proceeds of the Credit as hereinafter provided;

(C) The Borrower intends (i) to contract from the Federal Republic of Germany, Kreditanstalt für Wiederaufbau a loan (hereinafter called the KfW Loan) in an amount of Deutsche Mark equivalent to approximately \$2,000,000 to assist in financing part of the Project, and (ii) to relend to Electricity Corporation of Ghana the proceeds of the KfW Loan; and

(D) The Association is willing, on the basis *inter alia* of the foregoing, to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith<sup>2</sup> between the Association and Electricity Corporation of Ghana;

NOW THEREFORE the parties hereto hereby agree as follows:

*Article I*

## GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifica-

<sup>1</sup> Came into force on 9 November 1971, upon notification by the Association to the Government of Ghana.

<sup>2</sup> The said Agreement entered into force on 9 November 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 256 GH, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

<sup>3</sup> See p. 178 of this volume.

tions thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

(a) The following subparagraph is added to Section 2.01:

“13. The term ‘Project Agreement’ shall have the meaning set forth in the Development Credit Agreement.”;

(b) Section 5.01 is deleted; and

(c) Section 8.02 is amended by inserting the words “or the Project Agreement” after the words “the Development Credit Agreement”.

*Section 1.02.* Wherever used in this 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) “ECG” means Electricity Corporation of Ghana, established under the Electricity Corporation of Ghana Decree, 1967;

(b) “Project Agreement” means the agreement between the Association and ECG of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement; and

(c) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and ECG pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, and amount in various currencies equivalent to seven million one hundred thousand dollars (\$7,100,000).

*Section 2.02.* The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, 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 and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any

country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

*Section 2.03.* The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Association.

*Section 2.04.* 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 2.05.* Service charges shall be payable semi-annually on March 1 and September 1 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 1 and September 1 commencing September 1, 1981 and ending March 1, 2021, each installment to and including the installment payable on March 1, 1991 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.

*Section 2.07.* 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 shall cause ECG to carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit to ECG under a subsidiary loan agreement to be entered into between the Borrower and ECG under terms and conditions which shall have been approved by the Association.

(c) 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 to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable ECG to perform all of its obligations under the Project Agreement and the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

*Section 3.02.* (a) Except as the Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be procured pursuant to the provisions set forth or referred to in Section 2.04 of the Project Agreement.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

#### *Article IV*

#### OTHER COVENANTS

*Section 4.01.* The Borrower shall consult the Association about any proposed appointment to the position of Managing Director of ECG 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. The Association shall provide its comments to the Borrower promptly.

*Section 4.02.* Without limiting or restricting the Borrower's obligations under paragraph (d) of Section 3.01 of this Agreement, the Borrower specifically undertakes to enable ECG to establish and maintain tariffs at such levels as may be necessary for ECG to fulfill the requirements of Section 4.02 of the Project Agreement.

*Section 4.03.* The Borrower will:

- (i) cause a study to be undertaken of the power sector, under arrangements and terms of reference mutually satisfactory to the Borrower and the Association, to define possibilities of rationalization which would result in benefits and economies and increase the overall efficiency of the sector;
- (ii) cause such study to be completed by not later than June 30, 1972; and
- (iii) if the consideration of such a study by the Borrower indicates the desirability of implementing the recommendations of the study, pre-

pare, in consultation with the Association, an appropriate plan for prompt implementation of such recommendations.

*Section 4.04.* (a) The Borrower shall request or direct ECG to undertake any projects not included in Schedule 2 to this Agreement only if they will not adversely affect the ability of ECG to carry on its operations in an efficient manner or to carry out the Project in accordance with established schedules.

(b) Except as the Association shall otherwise agree, the Borrower shall:

- (i) advance all funds required to meet the capital and development cost of projects referred to in paragraph (a) of this section; and
- (ii) reimburse ECG on a quarterly basis the amounts of any losses incurred by ECG in operating and maintaining such projects.

For this purpose the accounts for such projects will be maintained separately from the accounts for ECG's other operations.

*Section 4.05.* Except as the Association shall otherwise agree, the Borrower shall:

- (a) pay, or cause to be paid, amounts owed to ECG and outstanding over 90 days in respect of power consumed by the Borrower and its ministries and departments; and
- (b) make arrangements satisfactory to the Association to ensure the prompt payment of amounts owed by regional and local authorities and state corporations to ECG and outstanding over 90 days in respect of power consumed by such authorities and corporations.

*Section 4.06.* The Borrower shall notify the Association of any proposed amendment to the Electricity Corporation of Ghana Decree, 1967, as amended to date, or proposed modification of the approval of the Capital Investments Board of Ghana relating to ECG in such manner that the Association shall have adequate opportunity to comment thereon and shall enact such amendment only after consideration of the views expressed by the Association.

## *Article V*

### CONSULTATION, INFORMATION AND INSPECTION

*Section 5.01.* The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by ECG of its obligations under the Project Agreement, the administration, operations and financial condition of ECG, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

*Section 5.02.* 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, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Development Credit Agreement or the performance by ECG of its obligations under the Project Agreement and the Subsidiary Loan Agreement.

*Section 5.03.* The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, sites, works, property and equipment of ECG and to visit any part of the territories of the Borrower for purposes related to the Credit.

## *Article VI*

### TAXES AND RESTRICTIONS

*Section 6.01.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

*Section 6.02.* The Development Credit Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 6.03.* The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

*Article VII*

## REMEDIES OF THE ASSOCIATION

*Section 7.01.* If any event specified in Section 7.01 of the General Conditions or in Section 7.02 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

*Section 7.02.* 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 on the part of ECG 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 ECG.
- (b) ECG shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by ECG or by others whereby any of the property of ECG shall or may be distributed among its creditors, and such event shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and ECG.
- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of ECG or for the suspension of its operations.
- (d) Before the Project Agreement shall have terminated in accordance with its terms, the Electricity Corporation of Ghana Decree, 1967 of the Borrower shall have been amended so as to affect materially and adversely the carrying out of the Project or the operations or financial condition of ECG.

*Section 7.03.* For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

The right of ECG to make use of the proceeds of the KfW Loan shall have been suspended or terminated.



*Article VIII*

## EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of the 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 ECG have been duly authorized or ratified by all necessary corporate and governmental action.
- (b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ECG, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.
- (c) Arrangements satisfactory to the Association shall have been made for the provision to the Borrower of the KfW Loan.
- (d) Arrangements satisfactory to the Association shall have been made for the relending by the Borrower to ECG of the proceeds of the KfW Loan.
- (e) Arrangements satisfactory to the Association shall have been made to implement the provisions of Section 4.05 of this Agreement.

*Section 8.02.* 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, ECG and constitutes a valid and binding obligation of ECG in accordance with its terms.
- (b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ECG, respectively, and constitutes a valid and binding obligation of the Borrower and ECG in accordance with its terms.

*Section 8.03.* The date October 1, 1971, is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.04.* The obligations of the Borrower under Sections 4.01, 4.02, 4.04, 4.05 and 4.06 of this Agreement and the provisions of paragraphs (b), (c) and (d) of Section 7.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 20 years after the date of this Agreement, whichever shall be the earlier.

*Article IX*

## REPRESENTATIVE OF THE BORROWER; ADDRESSES

*Section 9.01.* The Minister 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 9.02.* 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

Cable address:

Prudence  
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.

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.

Republic of Ghana:

By E. M. DEBRAH  
Authorized Representative

International Development Association:

By J. BURKE KNAPP  
Vice President

## SCHEDULE 1

## WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
I. Distribution Systems and Substations (excluding Accra) ...	3,560,000
II. 33/11 KV Overhead Lines .....	1,640,000
III. Service Vehicles, Tools, Service Line Materials and Miscellaneous Equipment .....	1,180,000
IV. Consulting and Training Services .....	430,000
V. Unallocated .....	290,000
	<u>TOTAL 7,100,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures in currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (b) expenditures prior to January 1, 1971; and
- (c) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

4. Notwithstanding the provisions of paragraph 2 (a) above, 74% (representing the estimated foreign exchange component) of expenditures in the currency of

the Borrower for copper and aluminum conductors produced in the territories of the Borrower may be financed out of the proceeds of the Credit.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project consists of the following work to expand the transmission and distribution facilities and operations of ECG:

- A. The expansion of the distribution systems in the four major cities of Accra, Tema, Kumasi and Sekondi-Takoradi.
- B. The construction of substations and distribution systems at Berekum, Konongo and Mpraeso.
- C. The expansion and improvement of distribution systems at Cape Coast, Elmina, Chira, Kpong-Ojaban, Kpong-Akobi-Akwale, Komenda, Koforidua, Tamale, Bolgatanga, Ho, Sunyani, Pokase and Ekwamkrom and the expansion of substation facilities at Bolgatanga, Saltpond, Nkawkaw, Obuasi, Winneba, Koforidua and Nsawam.
- D. The construction of seven 33/11 kV overhead lines from (i) Winneba-Swedru; (ii) Accra "C"-Nsawam; (iii) Kpong-Juapong; (iv) Koforidua-Tafo; (v) Asebu-Foso, (vi) Tamale-Nawuni; and (vii) Konongo-Agogo to supply large consumers and smaller distribution centers.
- E. Other low tension additions and improvements to ECG's systems, the expansion of diesel generating stations, and construction of warehouse, office and other buildings.
- F. The procurement and putting into operation of meters, house connection materials, vehicles, office machinery and furniture, tools and testing equipment.
- G. The improvement of the management, operations and organization of ECG.

The Project is expected to be completed by the end of 1973.

### 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.*]