OFFICIAL DOCUMENTS

CREDIT NUMBER 6171-GH

Financing Agreement

(Second Macroeconomic Stability for Competitiveness and Growth Development Policy Financing)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
CREDIT NUMBER 6171-GH

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF GHANA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I A of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — CREDIT

2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on non-concessional terms, as set forth or referred to in this Agreement, in the amount of one hundred forty-two million four hundred thousand Special Drawing Rights (SDR 142,400,000) as such amount may be converted from time to time through a Currency Conversion ("Credit").

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.04. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

2.05. The Payment Dates are April 1 and October 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. The Payment Currency is Dollar.
2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule I to this Agreement;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consist of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consist of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
5.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

Ministry of Finance
P.O. Box MB40
Accra, Republic of Ghana

and

(b) the Recipient’s Electronic Address is:

Email: Facsimile:
Chiefdirector@mofep.gov.gh 233-30-2667069

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

REPUBLIC OF GHANA

By:

[Signature]

Authorized Representative

Name: KEN OFODI-ATTI

Title: MINISTER FOR FINANCE

Date: December 24, 2011

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

[Signature]

Authorized Representative

Name: HENRY KERALI

Title: COUNTRY DIRECTOR

Date: December 24, 2017
SCHEDULE 1

Program Actions; Availability of Credit Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient's:
   (a) Ministry of Finance has implemented the automated links between the HRMIS and the payroll system in seven pilot MDAs so that human resources data is automatically transferred to the payroll on a routine basis to ensure the integrity of the payroll, as evidenced by the letter from the Ministry of Finance dated October 25, 2017; and
   (b) Auditor General has finalized an audit of the Electronic System Payment Voucher in two high risk sectors of health and education, as indicated in the report entitled Controller and Accountant General's Dept. Payroll & Personnel Verification Exercise in 3 Regions Final Report July 2017.

2. The Recipient: (a) through its parliament, has enacted the Earmarked Funds Capping and Realignment, 2017 (Act 947), to cap all earmarked funds to twenty five percent (25%) of tax revenues to improve expenditure efficiency, direct resources to government priorities and reduce arrears; and (b) has mandated that all payments from GETFund, Road Fund and Internally Generated Funds from five (5) MDAs be channeled through the Procure to Pay module of the GIFMIS to strengthen expenditure controls and has established the automated links to facilitate this; as evidenced in its letter dated October 27, 2017.

3. The Recipient's Ministry of Finance Debt Management Division has published the Medium-Term Debt Management Strategy 2017-2019, dated May 31, 2017, which includes debt indicator targets for refinancing risks; and the currency and interest rate risks for all government debt; and said strategy has been approved by the Recipient's Cabinet in accordance with the PFM Law pursuant to Cabinet memorandum OPC.3/3/250717 dated July 25, 2017.

4. The Recipient's Ministry of Finance Debt Management Division has developed and is applying a new credit risk assessment framework, as evidenced in its report entitled Credit Risk Assessment Framework for the Utility Sector, May 2017 which allows for the quantification and reporting of risks and costs from guarantees, on-lending arrangements and the determination of the ability of state owned enterprises to repay their debt obligations in accordance with the PFM Law.
5. The Recipient's Cabinet has approved for implementation, action plans for corporate governance reforms, including to more clearly define the state's ownership role; develop a framework for commercial operations; and improve the legal framework for the following state owned enterprises and public trusts, namely, Volta River Authority, Electricity Company of Ghana Limited, Ghana Water Company Limited, Ghana National Petroleum Corporation, Tema Development Corporation, Social Security and National Insurance Trust as evidenced by the memorandum of approval from the Cabinet Secretary dated July 14, 2017.

6. The Recipient's Ghana National Petroleum Corporation has: (a) published its annual report and audited financial statements for 2016 on its website; and (b) its investment plan/program for 2017 has been approved by Parliament with a view to increasing transparency in its operation as evidenced by the motion passed by the First Session of the Seventh Parliament dated August 2, 2017.

7. The Recipient's Cabinet has approved a Cash Waterfall policy entitled Cash Waterfall Mechanism dated July 27, 2017, which includes the establishment of an escrow account for the Electricity Company of Ghana Limited's revenues, as a key initial step to improving transparency of cash flows to the energy state owned enterprises and other suppliers in the power production chain.

8. Ministry of Energy has embarked on institutional measures for coordinating the energy sector including: (i) aggregating and monitoring of the energy sector through technical and financial data; (ii) carrying out holistic, least cost system planning based on the above data; and (iii) implementing in a structured manner the national procurement requirements in the oil/gas and power sectors as evidenced by the memorandum from the Minister of Energy dated November 14, 2017.

8. The Recipient's Ministry of Finance has developed and published the Ghana Infrastructure Investment Fund: Investment Policy Statement (as approved by the GIIF Board of Directors on April 6, 2017), including description of risks, asset and human resource management practices.

9. The Recipient's Ministry of Finance has made sufficient appropriations in the 2017 budget to cover the LEAP expansion from 150,000 to 250,000 households targeted with the National Households Registry, as evidenced by the budget statement and economic policy of the Recipient for 2017 Financial Year entitled “Theme: Sowing the Seeds for Growth and Jobs” dated March 2, 2017.”
Section II. Availability of Credit Proceeds

A. General. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Credit Amounts. The Credit is allocated in a single withdrawal tranche from which the Recipient may make withdrawals of the Credit proceeds. The allocation of the amounts of the Credit to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Credit Tranche Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>142,400,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>142,400,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts

1. The Recipient shall open, prior to furnishing to the Association the request for withdrawal from the Financing Account, a dedicated foreign exchange account in the Bank of Ghana (Dedicated Account). All withdrawals from the Financing Account shall be deposited by the Association into the Dedicated Account.

2. The Recipient shall ensure that within two (2) days after the deposit of the amount of the Financing into the Dedicated Account, an equivalent amount in Cedi is transferred into the Consolidated Fund, and such amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

3. Within seven (7) days after deposit of the amount of the Financing into the Dedicated Account, provide to the Association written certification by the Chief Director of the Recipient's Ministry of Finance: (a) the receipt of such amount from the Financing Account into the Dedicated Account, and (ii) receipt of an equivalent amount in Cedi from the Dedicated Account into the Consolidated Fund, including the number of said accounts, the dates of receipt and the exchange rate applied to translate the currency of the deposit into Cedis.

E. Closing Date. The Closing Date is June 30, 2018.
The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date ("Installment Share").

### Level Principal Repayments

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1 commencing April 1, 2023 to and including October 1, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 1, 2043 to and including October 1, 2047.</td>
<td>3.40%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Cabinet” means the Recipient’s Council of Ministers.

2. “Cash Waterfall Mechanism” means the Recipient’s mechanism for distributing the revenues from the sale of electricity proportionately among the relevant energy sector market players involved in the electricity supply value chain.

3. “Cedi” means the Recipient’s local currency.

4. “Chief Director” means the principal adviser to the Recipients’ Minister of Finance on all policies and other matter related to the sector in accordance with Civil Service Act, 1993 (PNDCL 327).

5. “Consolidated Fund” means the account for the consolidated funds established under Article 175 of the Recipient’s Constitution.


7. “Dedicated Account” means the account referred to in Part D.1 of Section II of Schedule I to this Agreement.

8. “Electricity Company of Ghana Limited” means the Recipient’s limited liability Company responsible for distribution of electricity established and operating pursuant to the Electricity Corporation Decree 1967 (NLCD 125), or its successor.

9. “Electronic System Payment Voucher” means an electronic payment system for verification of the number of staff on department payrolls prior to the Ministry of Finance release of monthly salary payments.

10. “Financial Year” means the Recipient’s fiscal year which runs from January 1 to December 31st.


12. “GETFund” means Ghana Education Trust Fund, established by the Recipient pursuant to the Ghana Education Trust Fund Act 2000 (Act 581), to provide financing for education across all levels of education in the Recipient’s territory, or its successor.
13. “Ghana Infrastructure Investment Fund” or “GIIF” means the Recipient’s fund responsible for mobilizing, managing, coordinating and providing financial resources for investment in a diversified portfolio of infrastructure projects, established and operating pursuant to the Ghana Infrastructure Investment Fund Act, 2014 (Act 877), or its successor.

14. “Ghana National Petroleum Corporation” means a corporate body responsible for developing petroleum resources and supplying petroleum products, established and operating pursuant to the Ghana National Petroleum Corporation Law 1983 (P.N.D.C. L1964), or its successor.

15. “Ghana Water Company Limited” means a corporate body responsible for supplying urban water, established and operating pursuant to the Statutory Corporations (Conversion to Companies) 1993 (Act 461), as amended by L.I 1648, or its successor.


17. “HRMIS” means the Human Resources Management Information System.

18. “Internally Generated Funds” means the revenues generated from the operations of public institutions (other than taxes collected by the Recipient).

19. “LEAP” or “Livelihood Empowerment Against Poverty” means the Recipient’s social protection cash transfer program, launched in 2008 to provide a safety net for the poorest and most marginalized in the Recipient’s territory.

20. “MDA” means the Recipient’s ministry, department and agency.


22. “National Households Registry” means a unit in the Recipient’s Ministry of Gender, Children and Social Protection responsible for the registration of households and collection of basic information on their socio-economic status to assist social protection programmes.

23. “PFM Law” means the Recipient’s Public Financial Management Law 2016 (Act 921), as the same may be amended from time to time.

24. “Procure to Pay System” means the Recipient’s system which links the procurement process to the financial process to ensure that only those contracts with the corresponding budget appropriation and certification of corresponding cash availability by the Ministry of Finance, are signed.
25. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated November 20, 2017, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.

26. "Road Fund" means the Recipient’s fund for financing routine and periodic maintenance and rehabilitation of public roads in the Recipient’s territory, established under the Road Fund Act 1997 (Act 536), or its successor.

27. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

28. "Single Withdrawal Tranche" means the amount of the Credit allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

29. "Social Security and National Insurance Trust" means the Recipient’s agency responsible for managing the basic national social security scheme, established and operating pursuant to the National Pensions Act 2008 (Act 766), or its successor.

30. "Tema Development Corporation" means the public entity responsible for planning and development of the Tema area in the Recipient’s territory, established and operating pursuant to the Tema Development Corporation Act 1963 (Act 158), or its successor.

31. "Volta River Authority" or “VRA” means a corporate body with the mandate to generate electricity, established and operating pursuant to the Volta River Development Act 1961 (Act 46) (as amended), or its successor.