November 23, 2010

Honorable Kwabena Duffuor  
The Honorable Minister  
Ministry of Finance and Economic Planning  
P.O. Box MB40  
Accra, Ghana


Honorable Minister:

In response to the request for financial assistance made on behalf of the Republic of Ghana ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed seven hundred and ten thousand dollars ($710,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to build the capacity of local governments to deliver local services by: (i) enhancing the intergovernmental fiscal framework; (ii) improving municipal management capabilities; and (iii) strengthening local accountability ("Project"), in support of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.
Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ishac Diwan
Ishac Diwan
Country Director for Ghana
Africa Region

AGREED:
REPUBLIC OF GHANA

By: Kwabena Duffuor
   Authorized Representative

Name: Kwabena Duffuor

Title: Minister of Finance and Economic Planning

Date: November 23, 2010

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010; and

ANNEX

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

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

Article II

Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

   (a) Carrying out institutional reviews of the Ministry of Local Government and Rural Development (MLGRD) and Ministry of Finance and Economic Planning (MOFEP) to identify key needs to support the decentralization reform process.

   (b) Carrying out analytical studies on revenue management, budgeting and planning, reporting, asset management and social accountability to establish capacity building support needs, baseline data, and develop indicators and targets for performance grant allocation.

   (c) Designing a capacity building program to be financed under the Project.

   (d) Providing organizational support to MOFEP and MLGRD to support Project preparation and processing.

   (e) Developing an Environmental and Social Management Framework and a Resettlement Policy Framework for the Project.

   (f) Preparing the Project Implementation Plan and Operational Manual (including an operational manual for the performance grant).

   (g) Acquisition of Goods, provision of Operating Costs, and Training, including consultation workshops, Project orientation training, printing and copying of documents, advertizing, and office administration.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in the Appendix to this Agreement.

2.03. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.
2.04. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods and services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section 2.05, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) The following methods may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.
(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Selection based on Consultants’ Qualifications (CQS).

(ii) The following methods, other than CQS, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection of Individual Consultants; and (B) Single Source.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of the Advance

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100 percent of Eligible Expenditures consisting of Consultants Services, Goods, Training, and Operating Costs, inclusive of Taxes.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consulting Services, Goods, Training and Operating Costs</td>
<td>710,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>710,000</td>
<td></td>
</tr>
</tbody>
</table>

*For the purpose of this Section:

"Operating Costs” means the reasonable incremental expenditures incurred by the Recipient as a result of Project implementation, management and monitoring, including bank charges, communication costs, utilities, office equipment, office equipment maintenance, office supplies, but excluding the salaries of the Recipient’s civil servants.

“Training” means the reasonable costs associated with training, study tour and workshop participation under the Project, consisting of travel and subsistence costs for training participants and trainers who are government staff, rental of training facilities, preparation
and reproduction of training materials, and other costs directly related to course or workshop
preparation and implementation.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this
Agreement, no withdrawal shall be made for payments made prior to the date of countersignature
of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is July 1, 2011.

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**Article IV**

**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance
Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge
shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall
be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service
charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the
World Bank (together with any service charges accrued thereon) in accordance with the
provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a
Refinancing Agreement has been executed by all of its parties, then the full amount of the
Withdrawn Advance Balance shall be repaid to the World Bank (together with any
service charges accrued on the Advance to the date of repayment) as soon as the
Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank
of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance
plus such service charges, in accordance with the provisions of the Refinancing
Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing
Date, no Refinancing Agreement has been executed by all of its parties, or if, by such
date or at any time thereafter, it has been so executed but terminates without becoming
effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it
shall be repaid by the Recipient to the World Bank (together with service charges
accrued on the Withdrawn Advance Balance to the date of repayment) on such
date as the World Bank shall specify in a notice to the Recipient, which shall in
no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together
with service charges accrued on the Withdrawn Advance Balance to the Notice
Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World
Bank in ten approximately equal semiannual installments, in the amounts and on
the dates (“Payment Dates”) which the World Bank shall specify in a notice to
the Recipient. In no event shall the first Payment Date be set earlier than 60 days
following the date (“Notice Date”) of dispatch of such notice. The Recipient shall
pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Minister responsible for finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance and Economic Planning
P.O. BOX MB40
Accra, Ghana

Cable: ECONOMICON
Telex: 2205 MIFAEP GH
Facsimile: 233-30-2667069

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable: INDEVAS 248423 (MCI) or
Telex: 1-202-477-6391
Facsimile: 64145 (MCI)
APPENDIX

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

   “… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are
not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”

\[1\] NB: Do not delete the “Footnotes” section that follows the modifications to paragraphs of the Anti-Corruption Guidelines, as these footnotes as part of the Anti-Corruption Guidelines being modified.