Financing Agreement

(Economic Governance and Poverty Reduction Credit)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 2009
FINANCING AGREEMENT

AGREEMENT dated July 15, 2009, entered into 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 (a) 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 (b) the Recipient’s maintenance of an appropriate macro-economic 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) constitute an integral 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred ninety three million eight hundred thousand Special Drawing Rights (SDR 193,800,000) (variously, “Credit” and “Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are January 15 and July 15 in each year.

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

2.07. The Payment Currency is Dollars.
ARTICLE III — PROGRAM

3.01 The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 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 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

ARTICLE V — TERMINATION

5.01 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01 The Recipient’s Representative is its Minister responsible for finance.

6.02 The Recipient’s Address is:
Minister for Finance and Economic Planning
Ministry of Finance and Economic Planning
P.O. Box MB40
Accra, Ghana

Cable address: ECONOMICON
Telex: 2205 MIFAEP GH
Facsimile: 233-21-667069
Accra 233-21-663854
6.03. The Association’s Address is:

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

Cable address: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

AGREED at Accra, Republic of Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By /s/ Kwabena Duffuor
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Eunice Dapaah
Authorized Representative
SCHEDULE 1

Program Actions; Availability of Financing 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:

The Recipient has:

1. opened a single treasury account in the Bank of Ghana and has identified the MDAs’ accounts to be connected to the said account, in accordance with the provisions of paragraphs 36 and 37 of the Letter of Development Policy;

2. ensured that at least 80 percent of the total number of procurement contracts processed in 2008 by MDAs covered in the PPA survey sample (which covers 80 percent of total MDAs transactions in value) have followed procurement methods and procedures compliant with the Recipient’s Public Procurement Act, in accordance with the provisions of paragraph 44 of the Letter of Development Policy;

3. begun regular publication of comprehensive and detailed quarterly fiscal outturns with no more than one quarter lag, in accordance with the provisions of paragraph 49 of the Letter of Development Policy;

4. implemented a net hiring freeze in the public sector (excluding the absorption of trainees in education and health) through the completion of an employment audit and the elimination of ghost workers from the payroll of the Ghana Health Service, and the approval of all MDAs’ hiring decisions by the Recipient’s Ministry of Finance and Economic Planning and the Office of the Head of Civil Service, in accordance with the provisions of paragraph 55 of the Letter of Development Policy;

5. reconstituted the boards of Volta River Authority, Electricity Company of Ghana, Ghana National Petroleum Company, Tema Oil Refinery and the Public Utilities Regulatory Commission in accordance with the provisions of paragraph 63 of the Letter of Development Policy; and

6. increased the number of households covered by the Recipient’s “Livelihood Empowerment Against Poverty Program” since June 30, 2008, in accordance with the provisions of paragraph 75 of the Letter of Development Policy.
B. **Actions to be Taken Under the Program.** The actions to be taken by the Recipient under the Program include the following:

The Recipient has:

1. taken contingency fiscal measures, once the public wage rate increase for 2009 has been established, to correct any deviations with respect to the fiscal deficit and the share of pro-poor expenditures targets set forth in the Recipient’s 2009 budget, in accordance with the provisions of paragraph 45 of the Letter of Development Policy;

2. submitted to Parliament a freedom of information bill and, if approved, has adopted a related implementation plan including a budget, in accordance with the provisions of paragraph 50 of the Letter of Development Policy;

3. appointed a Minister of State in charge of public sector reform, and eliminated ghost workers from payroll in the Ghana Education Service, initiated employment audits in all remaining MDAs, and classified at least half of the total number of subvented agencies in preparation for their rationalization, divestiture or commercialization, in accordance with the provisions of paragraph 56 of the Letter of Development Policy;

4. completed, through its Ministry of Energy, consultations with stakeholders on an electricity sector financial recovery plan and, through its Cabinet, approved the said plan, in accordance with the provisions of paragraph 61 of the Letter of Development Policy;

5. completed consultations with stakeholders on draft legislation concerning the proposed Ghana Petroleum Regulatory Authority and the oil and gas fiscal regime, and Cabinet has approved such draft legislation, taking into account the results of the consultations, in accordance with the provisions of paragraph 67 of the Letter of Development Policy; and

6. revised the classification of pro-poor public expenditures based on an assessment of their effective impact on poverty, for use in the Recipient’s 2010 budget, in accordance with the provisions of paragraph 72 of the Letter of Development Policy.

Section II. **Availability of Financing Proceeds**

A. **General.** The Recipient may withdraw the proceeds of the Financing 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 Financing Amounts.** The Financing shall be withdrawn in two tranches. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tranche</td>
<td>96,900,000</td>
</tr>
<tr>
<td>Second Tranche</td>
<td>96,900,000</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>193,800,000</strong></td>
</tr>
</tbody>
</table>

C. **Tranche Release Conditions.** No withdrawal shall be made of the Second Tranche unless the Association is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Association:

1. with the progress achieved by the Recipient in carrying out the Program;
2. that the macroeconomic policy framework of the Recipient is appropriate; and
3. that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Association is not so satisfied, it may give notice to the Recipient to that effect and, if within ninety (90) days after the notice, the Recipient has not taken steps satisfactory to the Association with respect to paragraphs 1, 2 and 3 above, then the Association may, by notice to the Recipient, cancel all or any part of the Unwithdrawn Financing Balance.

D. **Deposits of Financing Amounts.** Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.
E. **Audit.** Upon the Association’s request, the Recipient shall:

1. have the account and the recording of the amounts of the Financing into the Recipient’s budget management system referred to in Part D of this Section audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the said account and recording of the amounts of the Financing into the budget management system, and their audit, as the Association shall reasonably request.

F. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. **Closing Date.** The Closing Date is June 30, 2010.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15.</td>
<td></td>
</tr>
<tr>
<td>Commencing on July 15, 2019 to and including January 15, 2029.</td>
<td>1.25%</td>
</tr>
<tr>
<td>Commencing July 15, 2029 to and including January 15, 2044</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

   (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

2. “First Tranche” means the amount of the Financing allocated to the category entitled “First Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.


6. “Letter of Development Policy” means the Recipient’s letter to the Association dated June 12, 2009, 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.

7. “MDAs” means the Recipient’s ministries, departments and agencies.

8. “Public Procurement Authority” means the Public Procurement Authority established under the Public Procurement Act of 2003, (Act 663).

9. “Program” means the program of actions, objectives and policies designed to promote economic governance and reduce poverty and set forth or referred to in the Letter of Development Policy.
10. “Second Tranche” means the amount of the Financing allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.06. Plans; Documents; Records

   … (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

   “Section 4.07. Program Monitoring and Evaluation

   … (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under
the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.
