Financing Agreement

(Public Financial Management Reform Project)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 5, 2015
FINANCING AGREEMENT

AGREEMENT dated August 5, 2015, entered into between REPUBLIC OF GHANA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 thirty two million seven hundred thousand Special Drawing Rights (SDR 32,700,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

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

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

4.02. For purposes of Section 8.05(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 (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its minister responsible for finance.

5.02. The Recipient's Address is:

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

Facsimile:
233-30-2667069
5.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Accra, Ghana, as of the day and year first above written.

REPUBLIC OF GHANA

By

[Signature]

Authorized Representative

Name: Seth Terkper
Title: Minister for Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Henry Kerali
Title: Country Director
SCHEDULE I

Project Description

The objective of the Project is to improve the budget management, financial control and reporting of the Recipient's government.

The Project consists of the following parts:

Part A. Enhancing Budget Credibility

Carrying out a program of activities to improve budget management and strengthen the credibility of the Recipient's national budget, such program to consist of:

1. Strengthening budgetary planning and macro-fiscal management through, *inter alia*: (a) strengthening the engagement of the Recipient's Cabinet in the budget process and designing a charter to establish budget principles, roles and responsibilities; (b) designing a budget framework paper for obtaining approval of medium-term fiscal forecasts; (c) building the capacity of national government institutions to develop sector strategies and sector medium-term development plans; (d) strengthening linkages between fiscal forecasting and analysis and budget formulation and execution; and (e) building forecasting and debt management capacities of relevant government units.

2. Strengthening public investment management capacity through, *inter alia*: (a) building the capacity of relevant government units in evaluating and prioritizing investment projects; (b) improving the coordination of public investment management with the budget process; and (c) reviewing the functionality of the public investment management system.

3. Strengthening the budget operational framework and systems, and building the capacity of national government institutions in implementing program-based budgeting.

4. Improving fiscal risk management and reporting through, *inter alia*: (a) developing a standard fiscal risk statement and a system for monitoring fiscal risks; and (b) identifying a government unit, and building its capacity, to perform risk analysis and develop a risk mitigation policy.

Part B. Public Financial Management Systems and Control

Carrying out a program of activities to support the development and implementation of the Recipient's public financial management systems and control, such program to consist of:
1. Strengthening the government information systems for public financial management through, *inter alia*: (a) enhancing the coverage of the financial systems modules under the GIFMIS; (b) supporting the implementation of the human resources management information system; and (c) improving and maintaining the Recipient’s technology infrastructure, including by establishing disaster recovery systems, refurbishing the primary data center, and improving and extending network connectivity.

2. Improving cash and treasury management through, *inter alia*: (a) developing and enhancing forecasting models and a cash management database; (b) building the capacity of relevant government units to improve control of budget execution; (c) broadening the coverage of the treasury single account; and (d) implementing electronic bank reconciliation.

3. Strengthening internal audit at the national and local levels.

4. Improving public procurement planning, management and capacity through, *inter alia*: (a) enhancing the online procurement planning tool; (b) integrating the e-procurement system with the GIFMIS; (c) supporting the implementation of public procurement laws and regulations; (d) carrying out procurement value chain analysis; (e) establishing a database for the unit cost of infrastructure; (f) establishing functional procurement units; (g) building the capacity of private sector stakeholders on bidding processes; and (h) establishing a framework for procurement audits.

5. Strengthening payroll and pensions management through, *inter alia*: (a) supporting the implementation of the payroll cleaning plan; and (b) conducting payroll and personnel verification audits.

6. Improving financial reporting and asset management through, *inter alia*: (a) building the capacity of relevant government institutions on financial reporting and implementation of the international public sector accounting standards; and (b) establishing and implementing policy guidelines on the management, control and reporting of public assets.

**Part C. Reinforcing Financial Oversight and Accountability**

Carrying out a program of activities to enhance external audit capacity and legislative oversight on budget management, such program to consist of:

1. Strengthening the financial oversight role of the Ghana Audit Service to carry out comprehensive performance and systems-based audits.

2. Enhancing the capacity and systems of the Recipient’s legislature to exercise oversight on public financial management processes.
Part D. Public Financial Management Reform Coordination and Change Management

Carrying out a program of activities to provide a continuing institutional and coordination basis for the oversight of public financial management reforms, and to support Project management, coordination, monitoring and evaluation, such program to consist of:

1. Strengthening the capacity of the Project Management Unit for Project management, and strengthening the capacity of the PFM Reform Coordination Office for Project coordination.

2. Strengthening the capacity of the Project Management Unit for Project monitoring, evaluation, and communication, and strengthening the capacity of the PFM Reform Coordination Office for developing an action plan for the Recipient's public financial management reform strategy.

3. Strengthening the capacity of the Project Management Unit for Project financial and procurement management.

4. Implementing just-in-time interventions and change management through, *inter alia:* (a) supporting key service delivery agencies on public financial management issues; (b) disseminating information on public financial management reforms; and (c) supporting the implementation of policy reforms on public financial management.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient's Ministry of Finance shall be responsible for the overall strategic coordination and oversight of the Project.

2. PFM Reform Steering Committee

   (a) The Recipient shall maintain, throughout the implementation of the Project, a steering committee ("PFM Reform Steering Committee"), with a composition, mandate, and resources satisfactory to the Association. The PFM Reform Steering Committee shall meet at least three times in a fiscal year, and shall be chaired by the Minister of Finance.

   (b) Without limitation to sub-paragraph (a) immediately above, the PFM Reform Steering Committee shall be responsible for providing strategic guidance and oversight to ensure prompt and efficient implementation of the Project, including: (i) providing oversight on the coordination of policies and guidelines for the Project; (ii) addressing strategic issues on Project implementation; and (iii) reviewing, approving, and publishing annual progress reports on the Project not later than two (2) months after the end of each Fiscal Year, all in accordance with the provisions of the Project Implementation Manual.

3. PFM Reform Technical Committee

   (a) The Recipient shall maintain, throughout the implementation of the Project, a technical committee ("PFM Reform Technical Committee"), with a composition, mandate, and resources satisfactory to the Association.

   (b) Without limitation to sub-paragraph (a) immediately above, the PFM Reform Technical Committee shall be responsible for reviewing, evaluating and providing recommendations on technical issues related to Project implementation, all in accordance with the provisions of the Project Implementation Manual.

4. PFM Reform Coordination Office

   (a) The Recipient shall maintain, throughout the implementation of the Project, a coordination office ("PFM Reform Coordination Office") within
the Ministry of Finance, with a composition, mandate, and resources satisfactory to the Association.

(b) Without limitation to sub-paragraph (a) immediately above, the PFM Reform Coordination Office shall be responsible for coordinating and consolidating public financial management reforms under the Project, including: (i) confirming Project goals and objectives; (ii) monitoring resources and annual work plans and budgets; (iii) reviewing progress reports; and (iv) supporting the resolution of implementation issues, all in accordance with the provisions of the Project Implementation Manual.

5. Project Management Unit

(a) The Recipient shall maintain, throughout the implementation of the Project, a project management unit ("Project Management Unit") within the Ministry of Finance, with functions, staffing and resources satisfactory to the Association.

(b) Without limitation to sub-paragraph (a) immediately above, the Project Management Unit shall be responsible for day-to-day administration of overall planning, coordination, the technical and fiduciary (i.e. procurement and financial management) compliance, monitoring, evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement and the Project Implementation Manual.

B. Project Implementation Manual

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of a manual satisfactory to the Association ("Project Implementation Manual"), which shall include the following provisions: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) monitoring, evaluation, reporting and communication of Project activities; and (e) such other administrative, financial, technical, and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Implementation Manual without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.
C. Annual Work Plans

1. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association not later than November 30 in each calendar year, for the Association's consideration, a proposed work plan of approved activities to be included in the Project for the following calendar year, such plan to include an implementation schedule and budget and financing plan therefor.

2. The Recipient shall afford the Association a reasonable opportunity to review and exchange views with the Recipient on such proposed plan, and the Recipient shall implement with due diligence and efficiency such work plan as shall have been approved by the Association.

D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III. **Procurement**

A. **General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding, subject to the following additional provisions: (i) foreign bidders shall be allowed to participate in National Competitive Bidding procedures without any restrictions; (ii) bidders shall be given at least one (1) month to submit bids from the date of the invitation to bid or the date of availability of bidding documents, whichever is later; (iii) no domestic preference shall be given for domestic bidders; and (iv) in accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (A) the bidders, suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (B) the deliberate and material violation of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraph 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, Operating Costs and Training for the Project</td>
<td>32,700,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 32,700,000

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 6,000,000 may be made for payments made prior to this date but on or after October 1, 2014, for Eligible Expenditures under Category (1).

2. The Closing Date is June 30, 2019.
### SCHEDULE 3

**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 July 15, 202_, to and including January 15, 2030</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 15, 203_, to and including January 15, 2040</td>
<td>3.35%</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. "Annual Work Plans" means the annual work plans for the activities under the Project approved by the Association in accordance with the provisions of Section I.C of Schedule 2 to this Agreement; and "Annual Work Plan" means any of the Annual Work Plans.


3. "Cabinet" means the Recipient's cabinet of ministers.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

7. "Ghana Audit Service" means the Recipient's audit institution established under the Recipient's Audit Service Act, 2000 (Act 584).

8. "Ghana Integrated Financial Management Information System" or "GIFMIS" means the Recipient's official integrated financial management information system.

9. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on Annual Work Plans approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs of locally contracted employees, excluding the salaries of the Recipient's civil servants.

10. "PFM Reform Coordination Office" means the coordination office referred to in paragraph 4 of Section I.A of Schedule 2 to this Agreement.

11. "PFM Reform Steering Committee" means the steering committee referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.
12. "PFM Reform Technical Committee" means the technical committee referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.


14. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 8, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. "Project Implementation Manual" means the manual satisfactory to the Association, referred to in Section I.B of Schedule 2 to this Agreement.

16. "Project Management Unit" means the project management unit referred to in paragraph 5 of Section I.A of Schedule 2 to this Agreement.

17. "Training" means the cost associated with training, workshops and study tours, based on Annual Work Plans approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants’ services), including: (a) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge"

   (a) **Service Charge** The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) **Interest Charge.** The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit
are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).