

CREDIT NUMBER 5700-GH

Financing Agreement

(Macroeconomic Stability for Competitiveness and Growth Development Policy
Financing)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 5, 2015

CREDIT NUMBER 5700-GH

FINANCING AGREEMENT

AGREEMENT dated August 5, 2015, entered into between REPUBLIC OF GHANA ("Recipient") and 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 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) 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 six million seven hundred thousand Special Drawing Rights (SDR 106,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 1 and October 1 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 — 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 Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (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 consists 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.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists 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 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:

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

Facsimile:

+233-30-2667069

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
Washington, D.C.

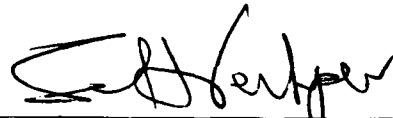
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1-202-477-6391

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

REPUBLIC OF GHANA

By



Authorized Representative

Name: Seth E. Terkper

Title: Minister for Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Henry Kerali

Title: Country Director

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:
1. In accordance with paragraph 13 of the Letter of Development Policy, the Recipient has introduced an electronic salary payment verification (ESPV) system in its ministries covering at least four (4) regions.
 2. In accordance with paragraph 15 of the Letter of Development Policy, the Recipient has, through its Ministry of Finance, eliminated all government subsidies of gasoline, diesel and liquefied petroleum gas (LPG).
 3. In accordance with paragraph 16 of the Letter of Development Policy, the Recipient has, through its Ministry of Finance, implemented the "procure to pay" (P2P) system in all its government agencies to manage the use of resources from the Consolidated Fund.
 4. In accordance with paragraph 18 of the Letter of Development Policy, the Recipient has, through its Cabinet, approved a Medium Term Debt Management Strategy for Fiscal Year (FY) 2015 to FY 2017, including provision for reducing the refinancing risk of domestic debt.
 5. In accordance with paragraph 18 of the Letter of Development Policy, the Recipient has, through its Minister of Finance, issued draft guidelines for undertaking credit risk assessments prior to the issuance of loan guarantees, on-lending and other debt related transactions.
 6. In accordance with paragraph 22 of the Letter of Development Policy, the Recipient has, through its Cabinet, approved a policy paper on the establishment of a single agency responsible for financial oversight of State Owned Enterprises (SOEs), including approval of budgets and debt plans of said SOEs.
 7. In accordance with paragraph 23 of the Letter of Development Policy, the Recipient has, through SOEs including, the Volta River Authority (VRA), Electric Company of Ghana (ECG), Ghana Water Company Limited (GWCL); regulators including, the Bank of Ghana (BoG), National Pensions Regulatory Authority (NPRA), Public Utilities Regulatory Commission (PURC), National Insurance Commission (NIC), Securities and Exchange Commission (SEC); and the public trust, Social Security and National Insurance Trust (SSNIT), issued respective terms of reference for governance and performance assessment of said SOEs, regulators and the public trust.

8. In accordance with paragraph 24 of the Letter of Development Policy, the Recipient has, through the Ghana National Petroleum Company Limited (GNPC), in a timely manner published in the GNPC website or the Ministry of Finance website the GNPC audited financial statements and investment programs approved by Parliament.
9. In accordance with paragraph 25 of the Letter of Development Policy, the Recipient has, through its Cabinet, approved an official public investment management policy.
10. In accordance with paragraph 26 of the Letter of Development Policy, the Recipient has, through its Ministry of Finance, approved the best-practice principles for the governance structure, investment policies and operations of the Ghana Infrastructure Investment Fund.
11. In accordance with paragraph 28 of the Letter of Development Policy, the Recipient has, through its Ministry of Finance, included an appropriation in the FY 2015 national budget sufficient to cover LEAP payments to 150,000 households.

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 is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

| Allocations | Amount of the Financing Allocated (expressed in SDR) |
|-------------------------------|---|
| (1) Single Withdrawal Tranche | 106,700,000 |
| TOTAL AMOUNT | 106,700,000 |

C. Withdrawal Tranche Release Conditions

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. 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. 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.
- F. Closing Date.** The Closing Date is November 30, 2016.

SCHEDULE 2

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|--|--|
| On each October 1 and April 1: | |
| commencing October 1, 2020, to and including April 1, 2030 | 1.65% |
| commencing October 1, 2030, to and including April 1, 2040 | 3.35% |

* 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. "Bank of Ghana" or "BoG" means the central bank of the Recipient, operating pursuant to the Bank of Ghana Act, 2002 (Act 612) of the laws of the Recipient, and any successor thereto.
2. "Cabinet" means the cabinet of the Recipient as set out in the Recipient's Constitution.
3. "Consolidated Fund" means the fund established pursuant to Article 176 of the Recipient's Constitution.
4. "Constitution" means the Recipient's Constitution of 1992.
5. "Electricity Company of Ghana" or "ECG" means the electricity company established and operating pursuant to the Statutory Corporations (Conversion to Companies) Act, 1993 (Act 461), of the laws of the Recipient, and any successor thereto.
6. "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:

| Group | Sub-group | Description of Item |
|-------|-----------|---|
| 112 | | Alcoholic beverages |
| 121 | | Tobacco, un-manufactured, tobacco refuse |
| 122 | | Tobacco, manufactured (whether or not containing tobacco substitutes) |

| | | |
|-----|--------|---|
| 5.5 | | Radioactive and associated materials |
| 6.7 | | Pearls, precious and semiprecious stones, unworked or worked |
| 7.8 | 718.7 | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors |
| 7.8 | 728.43 | Tobacco processing machinery |
| 8.7 | 897.3 | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 9.1 | | Gold, non-monetary (excluding gold ores and concentrates) |

- (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.
7. "Fiscal Year" or "FY" means the fiscal year of the Recipient beginning on January 1 and ending on December 31 of each year.
 8. "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.

9. "Ghana Infrastructure Investment Fund" means the Recipient's fund established and operating pursuant to the Ghana Infrastructure Investment Fund Act 2014 (Act 877) of the laws of the Recipient, and any successor thereto.
10. "Ghana National Petroleum Company Limited" or "GNPC" means the petroleum company established and operating pursuant to the Recipient's Companies Act 461 of 1993 (as amended under Legal Instrument 1648 of 1st July 1999) of the laws of the Recipient, and any successor thereto.
11. "Ghana Water Company Limited" or "GWCL" means the water company established and operating pursuant to the Recipient's Companies Act 461 of 1993 (as amended under Legal Instrument 1648 of 1st July 1999) of the laws of the Recipient, and any successor thereto.
12. "Letter of Development Policy" means the letter of the Recipient to the Association dated May 21, 2015, 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.
13. "Livelihood Empowerment Against Poverty" or "LEAP" means the Recipient's conditional and unconditional cash transfer program for extremely poor and vulnerable population in the Recipient's territory.
14. "Medium Term Debt Management Strategy" means the Recipient's public debt management strategy for FY 2015 to FY 2017.
15. "Ministry of Finance" means the Recipient's ministry responsible for finance, and any successor thereto.
16. "National Insurance Commission" or "NIC" means the insurance commission established and operating pursuant to the National Insurance Commission Act 2006 (Act 724) of the laws of the Recipient, and any successor thereto.
17. "National Pensions Regulatory Authority" or "NPRA" means the pensions regulatory authority established and operating pursuant to the National Pensions Act 2008 as amended by the National Pensions (Amendment) Act 2014 (Act 833) of the laws of the Recipient, and any successor thereto.
18. "Parliament" means the parliament of the Recipient established under the Recipient's Constitution.
19. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 21, 2015, 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.

20. "Public Utilities Regulatory Commission" or "PURC" means the public utilities regulatory commission established and operating pursuant to the Public Utilities Regulatory Commission Act 1997 (Act 538) as amended by the Public Utilities Regulatory Commission (Amendment) Act 2010 (Act 800) of the laws of the Recipient, and any successor thereto.
21. "Securities and Exchange Commission" or "SEC" means the securities and exchange commission established and operating pursuant to the Securities Industry Act 1993 (Act 333) as amended by the Securities Industry (Amendment) Act 2000 (Act 590) of the laws of the Recipient, and any successor thereto.
22. "Single Withdrawal Tranche" means the amount of the Financing 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.
23. "Social Security and National Insurance Trust" or "SSNIT" means the Recipient's national insurance trust established and operating pursuant to the Social Security Act 1997 (PNDCL 247) of the laws of the Recipient, and any successor thereto.
24. "SOE" means any statutory corporation established and operating as a state owned entity under the laws of the Recipient.
25. "Volta River Authority" or "VRA" means the authority established and operating pursuant to the Volta River Authority Act 1961 (Act 46), and any successor thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions 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 subsequent Sections in Article II are renumbered accordingly.
3. "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.”
4. 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.
 5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
 6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 4 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.”
 7. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 4 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.”
 8. 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 "Financing Payment" is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

- (d) A new term called "Interest Charge" is added to read as follows:

"'Interest Charge' means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

- (e) The term "Payment Date" is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

- (f) 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".

- (g) The term "Service Charge" is modified by replacing the reference to Section 3.02 with Section 3.02 (a).