

Public Disclosure Authorized

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CREDIT NUMBER 4857-GH

Financing Agreement

(Seventh Poverty Reduction Support Credit)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 4, 2011

Public Disclosure Authorized

CREDIT NUMBER 4857 -GH

FINANCING AGREEMENT

AGREEMENT dated February 4, 2011, 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 of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate 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 and forty one million Special Drawing Rights (SDR141,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 July 15 and January 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with 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 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 and Economic Planning
P.O. Box MB40
Accra, Ghana

Cable:	Telex:	Facsimile:
ECONOMICON	2205 MIFAEP GH	233-30-2667069
Accra		233-30-2663854

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/ Waqar Haider

Authorized Representative

SCHEDULE 1**Program Actions; Availability of Financing Proceeds****Section I. Actions under the Program**

The actions taken by the Recipient under the Program include the following:

1. The Recipient has, through MOFEP, established in the Bank of Ghana a basic process for an efficient cash management system for the government of Ghana consolidated fund, in accordance with the provisions of paragraph 34 of the Letter of Development Policy;
2. The Recipient has, through MOFEP, established a basic process of compiling claims and outstanding payments system for all its ministries, departments and agencies, in accordance with the provisions of paragraph 36 of the Letter of Development Policy;
3. The Recipient has, through MOFEP, prepared a harmonized chart of accounts for budgeting, accounting and reporting for all its ministries, departments and agencies, in accordance with the provisions of paragraph 35 of the Letter of Development Policy;
4. The Recipient has, through its Office of the President (Public Sector Reform Secretariat), completed a definitive roll of subvented agencies, and a categorization of said agencies as follows: (a) the subvented agencies that would stay on government subvention for the foreseeable future; and (b) the subvented agencies that would be analyzed for a decision regarding their closure, withdrawal from government subvention, partial commercialization, or full commercialization, in accordance with the provisions of paragraph 50 of the Letter of Development Policy;
5. The Recipient has, through its Ministry of Energy, commenced implementing recommendations of the electricity financial recovery plan dated February 16, 2010 for the Volta River Authority (VRA), the Northern Electricity Department of the VRA, Electricity Company of Ghana and Ghana Grid Company (power utility companies), in accordance with the provisions of paragraph 43 of the Letter of Development Policy;
6. The Recipient has, through its Ministries of Employment & Social Welfare, Education, Health and Local Government & Rural Development, agreed on assignment of institutional responsibilities, allocation of adequate budget, detail objectives, action plan and timeline for the adoption and use of a common targeting mechanism for the Livelihood Empowerment Against Poverty (LEAP), National Health Insurance Scheme (NHIS) & School Uniform Programme, in

accordance with the provisions of paragraph 66 of the Letter of Development Policy;

7. The Recipient has, through MOFEP, submitted to its Cabinet for decision a Petroleum Revenue Management Bill based on broad consultations with stakeholders, in accordance with the provisions of paragraph 68 of the Letter of Development Policy; and
8. The Recipient has, through MOFEP, prepared and submitted to its Cabinet for decision a revised Extractive Industries Transparency Initiative (EITI) institutional framework including the oil and gas sectors, in accordance with the provisions of paragraph 71 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 Amount. 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:

Allocation	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	141,000,000
TOTAL AMOUNT	141,000,000

C. Withdrawal Tranche Release Condition

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 appropriateness of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amount: Except as the Association may otherwise agree:

1. the withdrawal 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 the deposit of the Single Withdrawal Tranche 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 referred to in Part D.1 of this Section II audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, such audit to cover the accounting of the amount referred to in Part D.2 of this Section II;
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 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, 2011.

SCHEDULE 2**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each July 15 and January 15	
commencing July 15, 2021 to and including January 15, 2031	1.25%
commencing, July 15, 2031 to and including, January 15, 2046	2.5%

* 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” means the central bank established and operating pursuant to the Bank of Ghana Act, 2002, (Act 612), of the laws of the Recipient.
2. “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)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
971		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.
3. “Electricity Company of Ghana” 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.
 4. “Extractive Industries Transparency Initiative” or “EITI” means the non-profit association established in 2002 pursuant to the laws of the Kingdom of Norway, said association consisting of representatives of governments and relevant agencies, oil, gas and mining companies, investors, asset management companies and pension funds, local civil society groups and international non-governmental organizations engaged in a voluntary global compact for the improvement of transparency in countries that are dependent on extractive industries.
 5. “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.
 6. “Ghana Grid Company” means the company established and operating pursuant to the Companies Code, 1963, (Act 179), of the laws of the Recipient.
 7. “Letter of Development Policy” means the letter from the Recipient to the Association dated December 10, 2010 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.
 8. “Livelihood Empowerment Against Poverty” or “LEAP” means the Recipient’s conditional and unconditional cash transfer programme for the extremely poor and vulnerable population in Ghana.

9. “MOFEP” means the Recipient’s Ministry of Finance and Economic Planning, and any successor thereto.
10. “National Health Insurance Scheme” or “NHIS” means the national health insurance scheme established and operating pursuant to the National Health Insurance Act, 2003, (Act 650), of the laws of the Recipient.
11. “Northern Electricity Department” means a distribution department of the Volta River Authority responsible for distribution of electricity to the northern sector of the Recipient’s territory.
12. “Office of the President” means the Recipient’s office of the President.
13. “Petroleum Revenue Management Bill” means the petroleum revenue management bill dated July 12, 2010 and providing a framework for the collection, allocation and management of the Recipient’s petroleum revenue in a responsible, transparent and accountable manner, and for related matters.
14. “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 of Development Policy dated December 10, 2010 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.
15. “Public Sector Reform Secretariat” means the public sector reform secretariat established and operating under the Office of the President.
16. “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.
17. “School Uniform Programme” means the Recipient’s programme for provision of school uniforms to needy and vulnerable pupils.
18. “Subvented Agencies” means the autonomous agencies of the Recipient, which are partially or wholly financed through the exchequer under annual budget appropriation in accordance with the respective establishing statutes, and the term includes any supra-national body so financed.
19. “Volta River Authority” or “VRA” means the authority established and operating pursuant to the Volta River Development Act, (Act 46), as amended, of the laws of the recipient.

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 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”.