

PARLIAMENT OF GHANA LIBRARY

PARLIAMENTARY MEMORANDUM

BY

**HON. SETH E. TERKPER
MINISTER OF FINANCE**

ON THE

**FINANCING AGREEMENT
AND
INDEMNITY AGREEMENT**

**BETWEEN THE GOVERNMENT OF GHANA
AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION**

ON THE PROPOSED

**MACROECONOMIC STABILITY FOR COMPETITIVENESS AND
GROWTH (MSCG1) DEVELOPMENT POLICY FINANCING**

DATED ^{3RD} JULY, 2015

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ATTACHMENTS:
Financing Agreement
Indemnity Agreement

PARLIAMENTARY DECISION REQUESTED:

1.0 Parliament is respectfully requested to consider and approve the proposed **Macroeconomic Stability for Competitiveness and Growth (MSCG1)** (a) Credit Agreement, and (b) Indemnity Agreement between the Government of Ghana and the International Development Association (IDA) of the World Bank Group. This development financing operation comprises an amount of SDR106,700,000 (equivalent to US\$150.0 million) **Credit facility** meant to support the 2015 budget and a **Policy-Based Guarantee of US\$400.0 million** to cover a securities-issuance of up to US\$1.0 billion by the Republic of Ghana.

BACKGROUND

2.0 Ghana has over the past decade made phenomenal strides in economic growth with real GDP growth rising steadily from 3.7 percent in 2000 to 8.9 percent in 2012 before decelerating slightly to 7.2 percent in 2013. Between 2011 and 2013 growth rates accelerated further averaging a remarkable 10.2 percent per year with 2011 witnessing a record high GDP growth rate of 14.4%. This success came on the back of a positive trend in the terms of trade, large oil and gas discoveries, and commencement of oil production, substantial capital inflows, and a reputation for robust democratic institutions.

3.0 From 2013 however the economy began to show signs of severe stress. Economic growth slowed from previously high level, fiscal targets were missed despite significant measures to contain the deficit, exchange rate difficulties as a result to the cedi's depreciation, spike in inflation, energy rationing due to disruption in supply of gas from Nigeria, worsening terms of trade and the subsequent dwindling of international reserves.

4.0 Fiscal deficits and currency depreciation caused the debt profile to rapidly deteriorate and interest payments on the public debt jumped to over 6 percent of GDP by 2014. The net public debt stock increased dramatically, rising from 38.7 percent of GDP in 2011 to 52 percent in 2013 and reaching 65 percent in 2014. Overall inflation rose sharply, from 8.8 percent in 2012 to 17 percent in 2014, with non-food inflation increasing from 11.6 percent to 23.9 percent

5.0 Government realizing the severe impact of the crisis quickly developed a consolidated set of **home grown policies** to stem the further decline of the economy. These policies included revenue enhancing and fiscal consolidation measures which sought to broaden the tax base and thus spread the burden of national development on all citizens rather than the few who meet their tax obligations; and expenditure rationalization policies which would help achieve the fiscal target for the year.

6.0 Whiles these measures helped government to substantially address the challenges, 2014 ended with a fiscal deficit of 10.8 percent of GDP against a target of 9 percent; mainly due to

shortfall in tax revenue, continuous shortfall in grants from Development Partners and overrun in the compensation or personal emoluments.

7.0 To stabilize the economy and reassure domestic and external investors of its commitment to prudent macroeconomic policies, in August of 2014, the government began engaging the IMF for support which was subsequently granted in April 2015.

8.0 To further consolidate the progress being made, Government again requested support from IDA in a three phase operation called the Macroeconomic Stability for Competitiveness and Growth (MSCG1) Development Policy Financing (DPF).

THE PROGRAMME

9.0 The MSCG1 is the first in a series of three DPF operations which combines an IDA Credit of US\$150 million and a Policy-Based Guarantee (PBG) up to the equivalent of US\$400 million to cover securities issuance of up to US\$1.0 billion by the Government. The proposed operation would build upon the earlier initiatives of government and support its efforts to strengthen institutions for more predictable fiscal outcomes and enhance the productivity of public spending.

10.0 The IDA Credit is intended to support efforts to consolidate ongoing fiscal stabilization measures and support the policies outlined in the Ghana Shared Growth and Development Agenda ("GSGDA") for 2014-2017.

11.0 The proceeds of the credit will be used to support the implementation of the 2015 budget and economic policy of government and contribute to the attainment of key macroeconomic targets outlined in the budget. These targets are as follows:

- ❖ Non-oil real GDP growth of 2.7 percent;
- ❖ Overall real GDP (including oil) growth of 3.9 percent;
- ❖ An end year inflation target of 11.5 percent;
- ❖ Overall budget deficit equivalent to 6.5 percent of GDP; and
- ❖ Gross international reserves of not less than 3 months of import cover of goods and services.

12.0 The proposed PBG of up to US\$400 million would support the government's strategy of **refinancing existing external and domestic debt**, without increasing the total debt stock. The bond proceeds of US\$1.0 billion would enable an early payback of the US\$531 million sovereign bond due in 2017 with the remaining amount used for refinancing existing domestic debt.

13.0 Government is aware of the risks of three tranche operations but is specifically requesting this instrument in order to provide a strong signal to the markets and Ghana's development partners of Government's commitment to restore fiscal sustainability and protect critical developmental objectives. The three tranche design allows Government to lay out its medium-term program while providing specific examples of where important measures have already been taken.

14.0 The proposed operation is organized around two strategic pillars:

- i. ***Pillar 1: Strengthen institutions for more predictable fiscal outcomes:*** This pillar will support reforms designed to increase the comprehensiveness of fiscal accounting, strengthen oversight of the budget allocation and expenditure processes, and ensure that annual budgets and medium-term fiscal plans are credible and consistent with the government's broader development strategy.
- ii. ***Pillar 2: Enhance the productivity of public spending:*** The pillar will support reforms in Public Investment Management (PIM) and the governance of SOEs and their regulators to reduce technical and operational inefficiencies, improve the quality of public services, and enhance the economic impact of capital investment.

CONDITION PRECEDENTS TO THE FINANCING

15.0 The IDA credit of US\$150.0 million will be released in a single tranche with the following prior actions all of which government have already met:

- i. Introduction of an Electronic Salary Payment Verification (ESPV) system in all central government agencies.
- ii. Elimination of all government subsidies for gasoline, diesel and LPG
- iii. Implementation of the 'procure to pay' (P2P) system in all government agencies to manage the use of resources from the Consolidated Fund.
- iv. Cabinet approval of a 'Medium-Term Debt Management Strategy' (MTDS) for 2015-17, including provisions for reducing the refinancing risk of domestic debt.
- v. The issuance of draft guidelines by the Minister of Finance for undertaking credit risk assessments prior to the issuance of loan guarantees, on-lending and other debt-related transactions.
- vi. Cabinet approval of a policy paper on the establishment of a single agency responsible for governance and financial oversight of SOEs, including approval of budgets and debt plans.
- vii. Terms of reference for governance and performance assessments issued by the following SOEs, regulators, and public trusts: VRA, ECG, GWCL (SOEs); BoG, NPRA, PURC, NIC, SEC (regulators); and SSNIT (public trust).
- viii. The timely publication of the Ghana National Petroleum Company's (GNPC) audited financial statements and investment programs approved by Parliament on the GNPC website or Ministry of Finance Website

- ix. Cabinet approval of an official Public Investment Management (PIM) policy.
- x. The approval of best-practice principles for the governance structure, investment policies and operations of the Ghana Infrastructure Investment Fund's (GIIF).
- xi. An appropriation in the 2015 national budget sufficient to cover LEAP payments to 150,000 households.

16.0 Further to the above actions taken by Government, the Policy- Based Guarantee will also be executed based on:

- i. A successful first review of the IMF programme;
- ii. Satisfactory appraisal by IDA of the operation;
- iii. Selection, review and acceptance of the underlying financing structure and transaction documentation; and
- iv. The approval of Management and the Board of Executive Directors of IDA in their sole discretion.

EXPECTED OUTCOMES

17.0 First, the expected outcomes of the IDA Credit include the following:

- i. Improved control over the wage bill
- ii. Better management of government subsidies and arrears
- iii. Enhanced debt management capacity
- iv. Stronger governance of SOEs
- v. More effective public investment management
- vi. Reinforcing social protection in a context of macroeconomic transition

18.0 Secondly, the PBG will enable Ghana to access longer-term refinancing resources at more attractive rates, extend the maturity of Ghana's debt and lower the interest cost of domestic debt repayments. Without the guarantee, Ghana's access to the required terms (long tenor, lower cost) in the external markets would have to wait until the benefits of the stabilization program are fully realized, which might not coincide with the timing the government's need to tap the markets.

JUSTIFICATION FOR GOVERNMENT ACTION

19. Fiscal year 2012-14 has seen the economy come under severe stress from both domestic and external shocks. Government has responded to these shocks by implementing a number of policies and measures to reverse the trend. Notwithstanding Government programs aimed at strengthening fiscal consolidation, significant institutional, policy and systems and process weaknesses continue to manifest themselves, thus limiting the impact of reforms already implemented and leading the country into an unsustainable fiscal path.

20.0 Additionally, there is the need to make public expenditure more efficient and effective by continuing with the ongoing reforms in the Public Financial Management (PFM). This is to enhance the credibility of the budget which has hitherto been low and has adversely impacted service delivery efficiency in Government. This is an overarching problem mainly caused by institutional, behavioural and policy weaknesses. Until these weaknesses are addressed, efficient and effective fiscal consolidation will not be achieved.

21.0 Given our challenging financial situation, it is anticipated that debt especially the Eurobond which may fall due in 2017, might be serviceable. Hence a guarantee negotiated with the World Bank to refinance existing external and domestic debt, without increasing the total debt stock. The bond proceeds of US\$1.0 billion would enable an early payback of the US\$531 million sovereign bond due in 2017 with the remaining amount used for refinancing existing domestic debt.

22.0 Finally, the Macroeconomic Stability for Competitiveness and Growth (MSCG1) support the policies and programmes outlined in the Ghana Shared Growth and Development Agenda (GSGDA) II for 2014-17 and the President's *Coordinated Programme of Economic and Social Policies, 2014-2020 – An Agenda for Transformation*.

INTER-MINISTERIAL/ STAKEHOLDERS CONSULTATIONS

23.0 The Programme was developed through an interactive consultative process involving the Ministry of Finance and the World Bank. Other key and relevant stakeholders consulted include the Volta River Authority (VRA), Electricity Company of Ghana (ECG), Ghana Water Company Limited (GWCL), Bank of Ghana (BoG), National Pensions Regulatory Authority (NPR), Public Utility Regulatory Commissions (PURC), National Insurance Commission (NIC), Securities and Exchange Commission (SEC) and the Controller and Accountant General's Department (CAGD). Their inputs were captured in the inception and preparatory documents.

TERMS AND CONDITIONS

24.0 The project will be supported through a standard International Development Association (IDA) credit of **\$150.0 million** equivalent under the Development Policy financing lending instrument of the World Bank Group. The terms and conditions as negotiated and captured in the Financing Agreement are as follows:

Loan Amount	: US\$ 150.0 million
Repayment period	: 20 years
Grace Period	: 5years
Interest Rate	: 1.25% p.a
Service Charge	: 0.75% of 1% p.a on withdrawn balance
Maximum Commitment Charge	: 0.5% of 1% p.a on unwithdrawn balance

Closing Date : June 2016
Grant Element/Concessionality : 38.75%

25.0 The credit facility is highly concessional given that the grant component of 38.75% is higher than the minimum grant element of 35% required in every facility.

LEGAL & COMMUNICATION IMPLICATIONS

26.0 The Financial Agreement is the only legal document binding on the two parties; Government and the World Bank. Additionally, the Attorney General in compliance with internal processes and authorizations required under Ghana's legislation is expected to provide a Legal Opinion, satisfactory to the World Bank.

27.0 Under the World Bank Access to Information Policy that came into effect on July 1, 2010, the Association will disclose the Project Document, the related legal agreements and other information related to the legal agreements, including any supplemental letters. Pursuant to this policy, the Government's delegation reviewed the Project Document for any text or data that may be confidential or sensitive, or that may adversely affect the relations between Government and the World Bank.

CONCLUSION

28.0 Considering the fact that the financing is to support the appropriate measures undertaken by Government to pursue the country's development agenda and the objectives as set out in the GSGDA II, i.e. to provide "*a stable, united, inclusive and prosperous country with opportunities for all*", Hon. Members of Parliament are respectfully requested to approve the facility for implementation.


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SETH E. TERKPER
MINISTER

3rd July, 2015

Negotiated Text
Legal Department
CONFIDENTIAL DRAFT
(Subject to Change)
E. Mwenda
May 29, 2015

CREDIT NUMBER _____-GH

Financing Agreement

(Macroeconomic Stability for Competitiveness and Growth Development Policy Financing)

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated

, 2015



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FINANCING AGREEMENT

Agreement dated _____, 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.



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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 I 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:

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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.

248423(MCI)

1-202-477-6391

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

REPUBLIC OF GHANA

By

Authorized Representative

Name: _____

Title: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: _____

Title: _____

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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 all its ministries.
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.

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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**
 1. 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

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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.

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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.

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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)
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

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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.
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.

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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 programme 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 I to this Agreement.

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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*

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... (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).

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DRAFT – SUBJECT TO INTERNAL REVIEW & DISCUSSION
May 26, 2015

NUMBER [_____]

INDEMNITY AGREEMENT*

**(First Macroeconomic Stability for Competitiveness and Growth Development Policy Financing
Policy-Based Guarantee)**

between

REPUBLIC OF GHANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated [Insert Date]

***This draft indemnity agreement has been prepared for discussion purposes and is subject to update and revision acceptable to the Association based on internal review, further legal analysis and developments in the bond issuance transaction which the IDA guarantee would be supporting.**

NUMBER [_____]

INDEMNITY AGREEMENT

AGREEMENT, dated [insert date] between REPUBLIC OF GHANA (the "*Member Country*") and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the "*Association*") (the "*Indemnity Agreement*") in connection with the Guarantee Agreement (the "*Guarantee Agreement*") between the Association and [insert name of guarantee beneficiary] [on behalf of the bondholders] (the "*Beneficiary*") included in a [fiscal agency agreement] [of the same date][dated [insert date]] among the Beneficiary, acting as [fiscal agent], the Member Country as issuer and the Association as partial guarantor (the "*Guaranteed Agreement*") in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide the Guarantee Agreement on the basis, *inter alia*, of (a) the actions which the Member Country has already taken under the Program and which are described in Section I A of the Schedule to this Agreement, (b) the Member Country's maintenance of an adequate macroeconomic policy framework and (c) confirmation from the Member Country that, [upon application of the Net Bond Proceeds as set out in the Offering Circular]¹, the Member Country's financial capacity will be strengthened by expanding its fiscal space to finance further public investments in accordance with its budgetary laws. The Member Country and the Association therefore hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The provisions of the General Conditions (as defined in the Appendix to this Agreement) set forth in Section II of the Appendix to this Agreement constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in Section I of the Appendix to this Agreement.

ARTICLE II

Indemnity by Member Country to the Association; Opinion; Guarantee Fee

Section 2.01. In consideration of the Association providing the Guarantee on the terms and conditions set out in the Guarantee Agreement, the Member Country hereby irrevocably and unconditionally agrees:

¹ To be revised based on internal discussion and transaction developments.

(a) to reimburse the Association immediately on demand or as the Association may otherwise direct in writing for any amount paid by the Association under the Guarantee Agreement together with interest thereon at the rate per annum determined by the Association and notified to the Member Country (which rate shall not exceed the Bank's highest prevailing lending rate for loans with a fixed spread denominated in the Payment Currency, as may be shown from time to time on the Bank's external website) from the date such payment is made by the Association until such amount is reimbursed in full;

(b) to indemnify the Association on demand and hold the Association harmless against all actions, proceedings, liabilities, claims, losses, damages, costs and expenses brought against, suffered or incurred by the Association directly or indirectly in relation to or arising out of or in connection with the Guarantee Agreement (except as otherwise provided in Section 7.03(i) of the General Conditions);

(c) that the obligations of the Member Country under this Agreement will not be affected by any act, omission, matter or thing which, but for this Section, would reduce, release or prejudice any of its obligations under this Agreement; and

(d) in the event that the Association receives funds from the Member Country pursuant to Section 2.01(a) and, in respect of the same amounts, the Association receives a refund of funds from the Beneficiary pursuant to the Guarantee Agreement or receives funds as a result of the exercise of the Association's subrogation rights under the Guarantee Agreement (the "*Double Payment*"), then the Association shall promptly refund to the Member Country the amount of the Double Payment together with any interest payments received pursuant to the Guarantee Agreement by the Association from the Beneficiary in respect of such Double Payment.

Section 2.02. Any payment required to be made by the Member Country pursuant to the terms of this Agreement shall be applied first, to pay all interest and other charges due to the Association and second, after such interest and other charges are paid, to pay all other amounts then due to the Association under this Agreement.

Section 2.03. The Member Country shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Member Country, showing the following matters: (a) that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Member Country and is legally binding upon the Member Country in accordance with its terms; and (B) any other matter reasonably requested by the Association in connection with this Agreement. The Member Country acknowledges that the receipt by the Association of such opinion, opinions or certificate will be a condition to the effectiveness of the Guarantee Agreement.

Section 2.04. In consideration of the Association providing the Guarantee on the terms and conditions set out in the Guaranteed Agreement, the Member Country shall pay directly to the Association a guarantee fee (the "*Guarantee Fee*") equivalent to 0.75 percent (75 basis points) per annum applied against the present value exposure for each [semiannual] period of the Guaranteed Amount. The Guarantee Fee shall be due and payable to the Association on or before the Effective Date of the Guaranteed Agreement. The Guarantee Fee shall be paid to the

Association by electronic transfer in immediately available freely transferable funds in [Dollars] to the bank account designated by the Association.

ARTICLE III

Program²

Section 3.01. The Member Country declares its commitment to the Program and its implementation. To this end:

- (a) the Member Country and the Association shall from time to time, at the request of either party, exchange views on the Member Country's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Member Country 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 Member Country 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.

Section 3.02. [The Member Country shall apply the Net Bond Proceeds in support of the Program in accordance with Section II of the Schedule to this Agreement and, in particular, shall use the Net Bond Proceeds in accordance with the [Use of Proceeds] section of the [Offering Circular], which section the Member Country shall not amend, waive, abrogate, change or otherwise alter without the prior written consent of the Association.]³

Section 3.03. Without limitation or restriction upon any of its other obligations under this Agreement, the Member Country shall punctually perform all of its obligations under the Bonds, the Guaranteed Agreement and any related agreements, and shall notify the Association of any event or circumstance which would or could adversely affect the Member Country's ability to punctually perform its obligations under this Agreement, the Bonds, the Guaranteed Agreement or any related agreements.

ARTICLE IV

Remedies

² To be further revised to reflect any additional undertakings needed based on further analysis and transaction developments.

³ References to be confirmed based on transaction development.

Section 4.01. In addition to the other remedies available to the Association under development credit and financing agreements between the Association and the Member Country, in the event that: (i) the Member Country has failed to perform any of its obligations under Article III of this Agreement and such failure has continued and remained uncured in the opinion of the Association for sixty (60) days or more after notice thereof shall have been given to the Member Country by the Association; or (ii) any representation made by the Member Country in or pursuant to this Agreement, or any representation or statement furnished by the Member Country and intended to be relied on by the Association in providing the Guarantee, shall in the opinion of the Association have been incorrect in any material respect, then the Association may suspend or cancel in whole or in part the Member Country's right to make withdrawals under any credit or grant under any development credit agreement or financing agreement between the Association and the Member Country, or declare the outstanding principal and interest of any such credit due and payable immediately.

ARTICLE V

Effective Date

Section 5.01. This Agreement shall come into force and effect upon signature by the parties.

ARTICLE VI

Representative; Addresses

Section 6.01. The Member Country's Representative is its minister responsible for finance.

Section 6.02. The Member Country's Address is:

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

Facsimile: +233-30-2667069

Section 6.03. The Association's Address is:

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

Attention: Vice President, Africa Region

Facsimile: +1 202-477-0380

With a copy to: Manager, Financial Solutions
Project Finance and Guarantees
Energy & Extractives

Facsimile: +1-202-522-0761

AGREED at *[insert place]* as of the day and year first above written.

REPUBLIC OF GHANA

By: _____
Authorized Representative

Name (printed): _____

Title: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: _____
Authorized Representative

Name (printed): _____

Title: _____

SCHEDULE

Section I. Actions Taken under the Program. The actions taken by the Member Country under the Program include the following:

1. In accordance with paragraph [13] of the Letter of Development Policy⁴, the Member Country has introduced an electronic salary payment verification (ESPV) system in all its ministries.
2. In accordance with paragraph [15] of the Letter of Development Policy, the Member Country 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 Member Country 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 Member Country has, through its Cabinet, approved a Medium Term Debt Management Strategy for Fiscal Year (FY) 2015 to FY2017, including provision for reducing the refinancing risk of domestic debt.
5. In accordance with paragraph [18] of the Letter of Development Policy, the Member Country 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 Member Country 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 Member Country 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 Member Country has, through the Ghana National Petroleum Company Limited (GNPC), in a

⁴ Relevant paragraphs of the LDP to be updated at negotiations based on the final LDP agreed with IDA

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 Member Country has, through its Cabinet, approved an official public investment management policy.
10. In accordance with paragraph [26] of the Letter of Development Policy, the Member Country 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 Member Country 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 [Net Bond Proceeds]⁵

A. [Deposits of Proceeds. Except as the Association may otherwise agree:

1. all Net Bond Proceeds shall be deposited by the Member Country into an account designated by the Member Country and acceptable to the Association]⁶; and
2. the Member Country shall ensure that upon each such deposit, an equivalent amount is accounted for in the Member Country's budget management system, in a manner acceptable to the Association.

B. Excluded Expenditures. The Member Country undertakes that the Net Bond Proceeds shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of such financing was used to make a payment for an Excluded Expenditure, the Member Country shall, promptly upon notice from the Association, deposit into the account described in Part A of this Section II (or, if the Member Country cannot or fails to do so, prepay to the Beneficiary in accordance with the terms of the Guaranteed Agreement) an amount equal to the amount of such payment. Any such deposits made hereunder shall be utilized only for Eligible Expenditures.

C. Closing Date. The Closing Date is [November 30, 2016]⁷.

⁵ Term to be updated/reviewed based on transaction developments

⁶ To be confirmed or updated based on developments in transaction structuring, including the possibility of a debt exchange where certain of the Bonds are exchanged for existing bonds of Ghana.

⁷ To be confirmed.

APPENDIX

Section I. Definitions⁸

1. [**"Bonds"** means the [•] notes to be issued by the Member Country in an aggregate principal amount at maturity of [one billion Dollars (\$1,000,000,000)], upon the terms and conditions contained in the [Underwriting Agreement].]⁹
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 Member Country:

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;

⁸ Further definitions to be added based on transaction developments.

⁹ To be adjusted based on transaction developments.

- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Member Country or international agreements to which the Member Country 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 Member Country or other recipient of the Financing proceeds, without the Member Country (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
3. "**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.
 4. "**Guarantee**" means the guarantee provided by the Association pursuant to the Guarantee Agreement, referred to in the [Underwriting Agreement].
 5. "**Guaranteed Amount**" has the meaning set forth in the Guaranteed Agreement.
 6. "**Net Bond Proceeds**" means the proceeds from the issuance of the Bonds, less the aggregate amount that is necessary to pay: [(i) to the Bank the guarantee fee specified in Section [2.04] of this Agreement; and (ii) those amounts payable to the Underwriters, the Beneficiary as fiscal agent, and the other agents and advisors engaged by the Member Country or the Association for the purposes of the Bonds and the other costs associated with the issuance of the Notes as specified in the Underwriting Agreement or as otherwise agreed with such Underwriters, Beneficiary, the Association, agents or advisors, as the case may be].¹⁰
 7. ["**Offering Circular**"] means [the Offering Circular dated [•] relating to the Bonds].¹¹
 8. "**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 [•] from the Member Country to the Association declaring the Member Country's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.]
 9. "**Public Sector Entity**" means:
 - (a) the Government of the Member Country, the Parliament of the Member Country, any governmental department or ministry, agency, body, [(including any state-owned company or other state-owned entity)] instrumentality or public authority, whether national, state, regional or local (or any subdivision thereof), or any other entity subject to the overall control or direction as to matters of policy of the Government of the Member

¹⁰ To be updated based on transaction developments.

¹¹ Term and definition to be updated based on transaction developments.

Country or which is otherwise controlled by the Government of the Member Country;

- (b) any court in the Member Country with jurisdiction over the Project Company or the Project or any part thereof; or
 - (c) any other person in the Member Country having or asserting authority to issue a license, approval or consent required or necessary in connection with the Project, or otherwise having jurisdiction over any aspect of the Project; and
10. [*“Underwriting Agreement”* means the underwriting agreement dated [•] between the Member Country, as issuer of the Bonds, and [•] as underwriters (the “[Underwriters]”), whereby the Underwriters have agreed to purchase the Bonds, upon the terms and conditions contained in the Underwriting Agreement.]¹²;

Section II. General Conditions

The following provisions of the General Conditions, with the modifications set forth below, constitute an integral part of this Agreement:

1. Article I.
2. Sections 3.06, 3.07, 3.09 and 3.10.
3. Paragraph (c) of Section 4.07, modified to read as follows:

... “(c) The Member Country shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures from the Net Bond Proceeds until two years after the Closing Date. The Member Country shall enable the Association’s representatives to examine such records.”

4. Section 4.08, modified to read as follows:

“(a) The Member Country shall maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the progress of the Program and the achievement of its objectives.

(b) The Member Country shall prepare or cause to be prepared periodic reports (“Program Report”), in form and substance satisfactory to the Association, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of the Program, and to achieve the Program’s objectives. The Member Country shall furnish or cause to be furnished each Program Report to the Association promptly upon its preparation, afford the Association a reasonable opportunity to exchange

¹² Term and definition to be updated based on transaction developments.

views with the Member Country on such report, and thereafter implement such recommended measures, taking into account the Association's views on the matter.

(c) The Member Country 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 Member Country and the Association of their respective obligations under this Agreement and the accomplishment of the purposes of the Net Bond Proceeds."

5. Sections 4.10, 4.11 and 4.12.
6. Article V.
7. Article VII.
8. Section 9.01, modified by deleting at the beginning of the second sentence the words "Except as otherwise provided in Section 8.03(a)."
9. Section 9.02, modified by deleting the words "(and the representative designated by the Project Implementing Entity in the Project Agreement)" and "(or the Project Implementing Entity, as the case may be)."
10. Section 9.03, modified by deleting the words "and the Project Implementing Entity."
11. Sections 9.04 and 9.05.
12. Paragraphs 5, 6, 7, 8, 17 and 18 of the Appendix.
13. Paragraph 21 of the Appendix, modified to read as follows:

"Eligible Expenditure' means any use to which the Net Bond Proceeds are put in support of the Program, other than to finance expenditures excluded pursuant to this Agreement."
14. Paragraphs 22 and 23 of the Appendix.
15. Paragraph 25 of the Appendix, modified to read as follows:

"Financing" means the amounts payable by the Member Country under this Agreement."
16. Paragraph 27 of the Appendix, modified to read as follows:

"Financing Agreement" means the indemnity agreement between the Member Country and the Association pertaining to the Guarantee, as such agreement may be amended from time to time. "Financing Agreement" includes these General Conditions as applied to this Agreement, and all appendices, schedules and agreements supplemental to this Agreement.

17. Paragraph 28 of the Appendix, modified by deleting the words "including (but not limited to) any amount of the Withdrawn Credit Balance, the Service Charge, the Commitment Charge, and any refund of the Withdrawn Grant Amount payable by the Member Country."
18. Paragraph 32 of the Appendix, modified to read as follows:
"Legal Agreement" means this Agreement."
19. Paragraph 35 of the Appendix.
20. Paragraph 39 of the Appendix is modified to read as follows:
"Program" means the program referred to in this Agreement in support of which the Guarantee is provided." All references to "Project" throughout these General Conditions are deemed to be references to "Program".
21. Paragraph 45 of the Appendix, modified by deleting the words "and to which the Financing is extended."
22. Paragraphs 46, 47, 51, 52, 53 and 54 of the Appendix.