REPUBLIC OF GHANA

MINISTRY OF FINANCE

PROCEDURES MANUAL FOR NATIONAL BORROWING

Prepared by the

Ministry of Finance

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Table of Contents

List of Acronyms and Abbreviations....4
Introduction....5
  Application....5
  Objective....5
  Administration and Review Policy....5
Roles and Responsibilities of Individuals and Institutions for Public Borrowing....6
Pre-Borrowing Processes and Procedures....10
Short –Term Borrowing....11
Long–Term Borrowing....11
Borrowing Limits....11
Types of Borrowing Sources....12
Types of Loan, Facilities and Lending Structure....12
Loan Documentation....18
Processes and Procedures for Multilateral Lending....20
Processes and Procedures for Bilateral Borrowing....22
Processes and Procedures for Commercial/Export Credit Loans....23
Processes and Procedures for Domestic Borrowing....27
Issuance of Securities on the International Capital Markets....30
Processes for Issuing Guarantees....32
Processes and Procedures for Public Corporation and SOE Borrowing....35
Processes and Procedures for Borrowing by Local Government Authority....36
Budgeting and Reporting Requirements....36
Definitions....38

Disclaimer

The Ministry of Finance reserves the right to make exceptions or modify this Procedures Manual for National Borrowing when necessary.

List of Acronyms and Abbreviations

ABRP	Annual Borrowing and Recovery Plan
AG	Attorney General
BCF	Buyers' Credit Facility
BoG	Bank of Ghana
CAGD	Controller and Accountant-General's Department
CSD	Central Securities Depository
DFIs	Development Finance Institutions
DMO	Debt Management Office
DP	Development Partner
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
ECA	Export Credit Agency
ECGA	Export Credit and Guarantee Agencies
ESRD	Economic Strategy and Research Division
FX	Foreign Exchange
GDP	Gross Domestic Product
GFIM	Ghana Fixed Income Market
GIFMIS	Ghana Integrated Financial Management
GHS	Ghana Cedi
GSE	Ghana Stock Exchange
ICM	International Capital Market
JBRs	Joint Book Runners
JVCs	Joint Venture Companies
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal and District Assemblies
MoF	Ministry of Finance
MTDS	Medium Term Debt Management Strategy
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NDPC	National Development Planning Commission
PDI	Public Debt and Investment Directorate
PFMA	Public Financial Management Act, 2016 (Act 921)
PIAD	Public Investment and Asset Division
PIU	Project Implementation Unit
PPP	Public-Private Partnership
RMERD	Resource Mobilisation and Economic Relations Division
SCF	Suppliers' Credit Facility
SOE	State-owned Enterprises and Public Corporations both as defined in the PFMA
SIGA	State Interests and Governance Authority
SPC	Special Purpose Company
TDMD	Treasury and Debt Management Division
TMC	Treasury Management Committee
USD	US Dollars
VFM	Value for Money

Introduction

Application

1. This operational manual describes the procedures to be applied by individuals, offices and institutions involved in Public Sector Borrowing.
2. These procedures also cover all current and some anticipated borrowing activities from both external and domestic sources over which Central Government has direct oversight responsibility, as well as issuance of guarantees to SOEs, Local Government Authorities and Public Corporations. The Manual is accompanied by the National Borrowing Guidelines.
3. The borrowing procedures manual provides step by step guidance to stakeholders on the:
    a. institutional and legal framework governing public borrowing;
    b. procedures and work processes in Government borrowing;
    c. roles and mandates of various participants in public debt management operations; and
    d. reporting requirements.

Objective

4. The objective of this manual is to document the borrowing procedures in the administration and management of public debt by the Ministry of Finance (MoF), Ghana. These procedures cover all current and some future public debt management activities.

Administration and Review Policy

5. As the Government of Ghana plans to move towards greater reliance on market-based funding sources, (either through loans on market rates from bilateral and multilateral lenders or from the issuance of government securities) and more active management of the public debt portfolio and associated risks, the manual will be updated as new procedures are developed and introduced.
6. The manual will be subject to review by Treasury and Debt Management Division (TDMD) and/or activity sections updated if needed when new debt management activities are introduced, or existing procedures are amended. The manual has been set up so that each activity section can be updated separately. Also, new sections can be added when new activities and procedures are developed and introduced.
7. The Borrowing Procedures Manual will accompany the National Borrowing Guidelines.

Roles and Responsibilities of Individuals and Institutions for Public Borrowing

8. The PFM Law identifies the specific roles and responsibilities of individuals and offices involved in borrowing and the management of public debt.
9. The Minister for Finance is responsible for carrying out statutory obligations with respect to borrowings.

Type of Institution / Person	**Responsibilities**
a) Cabinet	• Consider and approve the MTDS; and • Consider and approve all loan requests before onward submission to Parliament for approval.
b) Parliament	• Approve standard terms and conditions for all loans • Approve the terms and conditions for the issuance of a Government Guarantee • Approve by resolution any external borrowings • Approve budget deficit as appropriated
c) Individual Minister for Finance	• authority to borrow on behalf of government during the financial year. • Spearheads negotiations and re-negotiations of terms and conditions of external and domestic loans and credits; • Signs loan agreements, indemnity or security in respect of any financial commitment incurred or to be incurred by any board or body established by or under the law, company or juristic person and other documents that involves committing the country financially or economically; • Undertake market transactions, including entering into financial derivatives, swaps, etc; • Issue guarantees and no-objections on behalf of government in respect of Government support to public or private entities.

d) Ministry of Finance	
ESRD	• assess the impact of both external and domestic financing on the macroeconomic environment.
RMERD	• responsible for external economic relations, mobilizing and managing of external resources from both bilateral and multilateral Development Partners (DPs) to support the implementation of the country's development programmes.
Budget Division	• responsible for ensuring that borrowed funds are spent in line with the respective allocations and recommend adequate funding allocation of budget to ensure repayment of borrowed funds.
Legal Division	• responsible for providing in-house specialized legal advisory support in public debt management • liaises with the Attorney General's Department in the request for legal opinions, as well as represent the Ministry in negotiating International Agreements with Development Partners and lenders. • undertakes renegotiation of onerous terms in sole-sourced commercial contracts following Value for Money (VFM) Assessments in order to scrutinize legal documents related to borrowing, and lending transactions and guarantees.
PIAD	• responsible for developing and updating the Public Investment Plan (PIP) from which investment projects will be selected for debt financing and/or on-lent to SOEs, Public Corporations, and local government authorities.
TDMD	• responsible for debt management operations. • Facilitate the processes for contracting loans, issuing guarantees and government securities. • Undertake credit risk assessment for beneficiary entities for government support. • Has the responsibility of undertaking debt sustainability analysis and mapping an effective strategy for managing the public debt in the medium term.
e) MDAs	• responsible for project initiation and development in line with the sector plans and strategic objectives, project execution, and monitoring.

f) Institutions	
NDPC	• Responsible for developing National Infrastructure and Medium –term National Development plans • coordinate all development policies, plans, programmes and projects • monitor and evaluate the implementation of government policies, programmes and projects at all levels
Bank of Ghana	• Acts as Government's banker and fiscal agent. • responsible for maintaining the government's accounts and receives programme aid and other aid disbursement on behalf of Government. • make transfers in respect of debt service payments to creditors. • the paying agent/bank for government's primary and secondary market transactions in debt securities.
CAGD	• responsible for the opening bank accounts for all Government departments. • keep, prepare, render, and publish financial statements on the consolidated fund not later than three months after the end of the financial year • keep official records of public debt, government guarantees, and on-lending. • process debt service requests from MoF to BoG through its GIFMIS electronic payment platform
Attorney General's Department	• provide legal opinion on behalf of Government with respect to all external transactions • participate in loan negotiations that may be binding on Government.
Ghana Audit Service	• responsible for auditing financial accounts and debt management transactions periodically
Primary Dealers	• underwrite issuance of Government securities • provide market feedback • assist in the development of the domestic debt market

GSE	• list all government treasury instruments on the stock exchange and facilitate secondary market trading
CSD	• provides the depository for all securities that are and can be traded.
GIFIM	• provide market guidelines and the platform for market participants to trade in fixed income securities

Pre-Borrowing Processes and Procedures

10. Prior to contracting loans and issuance of securities, TDMD shall undertake the following debt planning activities:

    i. preparation or update of a Debt Sustainability Analysis (DSA);

    ii. update the Medium-Term Debt Management Strategy (MTDS); and

    iii. prepare an Annual Borrowing and Recovery Plan (ABRP) including a domestic bond issuance program or calendar.

11. The pre-borrowing processes and procedures is outlined below:

    i. PIAD shall in collaboration with NDPC and MDAs, prepare all projects and its funding source in line with Government's Public Investment Policy (PIP) to be approved by the Public Investment Programme Working Committee.

    ii. ESRD in collaboration with TDMD, Budget, RMERD, PIAD, GRA and CAGD shall determine the financing gap consistent with the Medium-Term Expenditure Framework (MTEF). The financing gap is then approved by Parliament as part of the Budget Statement and Economic Policy.

    iii. At the beginning of each Budget Preparation/MTEF cycle, TDMD makes input to the Fiscal Strategy Document and the Budget Statement and Economic Policy of Government.

    iv. TDMD in collaboration with other relevant divisions in MoF, BoG, and CAGD annually undertake the Debt Sustainability Analysis (DSA) and Medium-Term Debt Management Strategy (MTDS) to ascertain the sustainability of debt obligations and implement a strategy to achieve a desired composition of Government debt portfolio, to capture Government preferences with regards to the trade-off between cost and risk in the medium to long-term. The Public Financial Management Act, 2016 (Act 921) requires that the MTDS be approved at Cabinet.

    v. An Annual Borrowing and Recovery Plan (ABRP) shall be formulated consistent with the MTDS and shall set out guidelines for external and domestic borrowing including a quarterly domestic issuance calendar, approved by the Minister for Finance, and published on the Ministry of Finance website.

    vi. The specifics on size and timing of new borrowing on the domestic and International Capital Markets (ICM) are determined in conjunction with the forecast of cash needs given the expected implementation of the budget and taking account of any specific market characteristics or investor behaviour, and objectives of regular and stable issuance.

    vii. Upon approval of the financing gap and the Budget Appropriation by Parliament, the beneficiary MDA(s) may start/initiate the loan contracting process.

Short –Term Borrowing

12. Short-term borrowing will be restricted to the financing of anticipated cash needs for a specified number of months including debt repayment within the current financial year or expected receipts within a particular period of time.

Long–Term Borrowing

13. GoG and public entities can borrow long term from both domestic or external sources to satisfy their capital investment and other capital investment related needs and project development.
14. The source of financing capital projects can be from revenues generated from normal business operations, development partners, commercial creditors, and Public Private Partnerships (PPPs).
15. Before making any decision to fund investment projects through long term borrowing, a Debt Sustainability Analysis (DSA) must be conducted to assess its impact on the public debt / burden and implications for the Medium–Term Debt Management Strategy (MTDS).

Borrowing Limits

16. The borrowing limit shall be informed by the annual budget statement and economic policy approved by Parliament. The limit shall cover all forms of borrowing as appropriate.
17. The limits stipulated in the budget statement shall be guided by the debt vulnerabilities and risk assessment in the latest DSA and MTDS.
18. Borrowings shall be done within the approved Annual Borrowing and Recovery Plan (ABRP) formulated as part of the approved MTDS, which sets out government's financing path. The financing path includes the issuance of securities, or securing loans from multilateral, bilateral, commercial, market, and other sources.
19. Depending on the outcome of the risk assessment and vulnerabilities, the borrowing limits may be set:

    i. on the debt stock;

    ii. on the contracting of new external borrowing; and

    iii. on nominal or Present Value (PV) terms.

20. The external borrowing limit will be applicable to public and publicly guaranteed borrowing.
21. The borrowing limits will be disclosed in the Budget Statement and Economic Policy as stated in Appendix 10C for external debt and the approved Net Domestic Financing to guide the issuance of domestic debt.

Types of Borrowing Sources

22. The borrowing sources available are external and domestic.
23. External borrowing sources shall be done through the following sources:
    i. Development Finance Institutions (DFIs) (e.g., the World Bank, African Development Bank, the IMF (if related to budget));
    ii. bilateral creditors (e.g., Paris and non-Paris Club creditor countries, ODA and non-ODA);
    iii. commercial creditors (mainly banks although there are others); and
    iv. International Capital Markets (ICM).
24. Domestic borrowing shall be done through the following sources:
    i. bank financial institutions;
    ii. non-bank financial institutions; and
    iii. domestic capital markets.
25. Borrowing from the above listed sources should be linked to programmes, projects, and policies. However, for the purposes of borrowing, financing options shall be limited to direct loans (concessional and non-concessional), bonds, as well as other forms of debt/liabilities.

Types of Loan, Facilities and Lending Structure

26. Loans shall be classified in many ways depending on the purpose for which it is intended. In the context of public sector borrowing, the types of facilities that may be explored includes but not limited to are:
    i. Direct term loans;
    ii. Syndicated loans;
    iii. Buyers credit;
    iv. Suppliers credit;
    v. Export-Import Guarantee Agencies (Exim-Banks, Export Credit and Guarantee Agencies-(ECGA))
    vi. Receivable backed;
    vii. Financial leasing; and
    viii. Other structured financing.
27. The structure of a direct term loan may have the following:
    i. a definite maturity period either short or long governed by the structure of an agreement;
    ii. the loan may bear fixed or floating interest rate;

iii. require a specified repayment schedule; and

iv. used for a specific purpose such as a short-term bridge financing between bond issuances, or long-term financing of an infrastructure project.

28. The lending structure of syndicated loan are detailed as follows:

i. The arranger(s) will negotiate with the borrower (a sovereign, subnational, or SOE) the amount, terms and conditions (including governing law), and the use of funds.

ii. The arranger(s) will conduct a brief due diligence on the borrower and prepare an information memorandum to market the loan among potential syndicate participants.

iii. All syndicate members will agree on the terms of the loan and appoint an “agent” (normally one of the arrangers) who will carry out all of the syndicate's administrative functions.

iv. Payments to and from the borrower will also be administered by and, almost always, flow through the agent.

Buyer’s Credit

29. Buyer credit financing can disburse under letter of credit, direct, or reimbursement methods.

30. The buyer’s credit arrangement involves the following:

i. the lender requires the Borrower/Buyer to pay some portion of the Contract (usually 15%) and provides the 85% as Buyer’s Credit;

ii. the bank or lender or Guarantor may require the Borrower to pay insurance or Exposure fees due to risk considerations;

iii. the borrower requests the Buyer's Credit Arranger to arrange the credit before the due date of the bill;

iv. arrange to request overseas bank branches to provide a buyer's credit offer letter in the name of the importer. Best rate of interest is quoted to the importer;

v. Overseas bank to fund Importer's bank Nostro account for the required amount;

vi. Importer's bank to make import bill payment by utilizing the amount credited (if the borrowing currency is different from the currency of Imports then a cross currency contract is utilized to effect the import payment); and

vii. Importer's bank will recover the required amount from the importer and remit the same to overseas bank on due date.

Supplier’s Credit

31. Supplier’s credit facilities are in two (2) forms. The first operates similarly to a buyer’s credit facility.

32. Under the second, the importer pays a portion of the contract value in cash and issues a Promissory note or accepts a draft as evidence of his obligation to pay the balance over a period of time. The exporter thus accepts a deferred payment from the importer and may be able to obtain cash payment by discounting or selling the draft or promissory notes created with his bank.

33. The arrangement for a supplier's credit facility is set out below:

i. Under Supplier's Credit, the Supplier/Exporter extends the loan directly to the buyer/importer.

ii. The Supplier may obtain the financing amount from his own resources or borrow from his bankers or lender. In this arrangement, the buyer has no credit relationship with the Supplier's bank or lender.

iii. However, for the purposes of due diligence or transparency, the Supplier may introduce or inform the buyer of his lenders, but not necessarily the terms of financing between the supplier and his lender. Normally, in this arrangement, the supplier requires the borrower/buyer to pay risk mitigation or insurance premium. (Usually, when the financing is from supplier's own resources, they resort to insurance instead of export Credit guarantee).

Export Credit Agency (ECA)

34. Two main facilities offered under ECAs are buyer's and supplier's credit cover and in some cases direct loans.

35. These types of financing (Buyer's, typical supplier credit facilities) usually require matching or counterpart or Down payment.

i. Counterpart or Down payment applies when the facility requires Government or the buyer to make an upfront payment of the entire applicable rate.

ii. Matching funding applies when the government negotiates for or is required to spread payment of the applicable rate over the disbursement period or pay prorate to the disbursement of the remaining 85%.

iii. Some ECAs also provide banks with guarantees to issue bonds. This includes bid, performance, quality, assurance, and related instruments. These bonds support suppliers' sales into overseas market.

36. The arrangement for ECA is set out below:

i. Minimum benchmarks on premiums. These vary from country to country in line with political risk classifications and the commercial buyer risk category of the borrower (The full list of criteria can be found on page 12 of the OECD guidelines);

ii. Some ECAs may also provide fixed long-term interest support, with minimum interest rates defined as the Commercial Interest Reference Rate (CIRR). The CIRR depends on the currency of the transaction, and is adjusted by the OECD on a monthly basis;

iii. ECAs usually cover up to 85% of an eligible contract value; in other words, at least 15% of the contract value cannot benefit from ECA support;

iv. The maximum repayment tenor for both standard exports, as well as for specified industries through special sector understandings;

v. An allowance for the financing of a percentage of local costs associated with the exported items;

vi. Compliance obligations associated with the equator principles' social and environmental standards; and

vii. online tools are available to help calculate the premium. However, these are indicative rates; the ECA will determine the final pricing.

37. The eligibility criteria for ECAs are described as follows:

i. should have national content criteria, and will only support exports that are deemed to be beneficial to their economy and, if applicable, in accordance with the OECD Agreement. In practice, the exact criteria vary from country to country;

ii. ECAs finance a portion of home country content plus a varying amount of foreign content of the purchase order amount;

iii. The project must be deemed to be creating sufficient national value;

iv. The importer must be able to find alternative means of payment for at least 15% of the contract value, called the down-payment. Buyers can use equity or finance the down-payment, the latter on a subordinated basis to the ECA;

v. Local parts of the contract may only be supported up to a 30% of eligible procurement.

Receivable-Backed Financing

38. This may be executed in either of these four (4) main ways:

i. factoring (when an entity buys a debt or invoice from another company);

ii. forfeiting (financing whereby a bank gives an exporter cash up front so as to guarantee payment to them);

iii. Assignment of rights into a Special Purpose Company (SPC) for an Initial Public Offer (IPO); and

iv. an SPC bond issuance whichever will be deemed fit.

39. The collateral, security or guarantee in these types of arrangements will depend on the reliability and predictability of the receivables.

40. Where applicable, the discount applied in factoring or forfeiting will determine the price of upfront funding for government.

i. The structure for Receivable-Backed Financing are set out below: government obtains loan from a bank or any credible institution and earmark receivables from government revenue sources, e.g. tolling, royalties receivable, other fees or sale of commodities or assets for repayment. This can be done in three main ways viz; factoring, forfeiting and through assignment of rights into a Special Purpose Company (SPC) for Initial Public Offer (IPO) of the rights or interest;

ii. there is usually an underlying collateral, security or guarantee;

iii. the collateral, security or guarantee under this arrangement lies in the reliability and predictability of the receivables. Usually the discount applied in factoring or forfeiting determines the price of upfront funding for government;

iv. PIAD leads the process in consultation with the TDMD to procure the needed financing from a financial institution against any credible source and earmarked receivables from identified revenue sources or sale of commodities or assets for repayment; and

v. some of these arrangements may not require Parliamentary approval especially if matched against funding like the UN Peace Keeping Receivables, tolling of road to be derived from the Road Fund.

Financial Leasing

41. Financial leasing is a type of arrangement by which government obtains and makes use of assets or equipment without retaining or having ownership title. Assets like aircraft, railway wagons, lands, buildings, heavy machinery, diesel generating sets, ships, etc are purchased under a financial lease.

42. The arrangement for financial lease are set out below:

i. for central government the arrangements permit that Government is able to own the asset or equipment at a later date.

ii. the ownership is transferred to the lessee at the end of the lease period. It may be transferred with or without a merger or residual amount as may be stated in the agreement of finance lease.

iii. The term of a capital lease extends over the economic life of an asset. Unlike a loan, there is no processing fee for the lease and time for processing is also quite less compared to a loan.

iv. Lessee only negotiates with the manufacturer about the price, features, and functionality of the assets.

v. Lessor purchases it from either the manufacturer or at times from the lessee. When the lessor purchases an asset from the lessee and leases it back to the lessee, it is a different leasing arrangement called Sale and Lease Back.

vi. Post-purchase, lessor leases the asset to the lessee. Lessor retains ownership while lessee gets the right to use against fixed monthly rentals.

vii. The capital lease provides the lessee an option to purchase at the end of the period.

viii. the lessee selects the equipment or the asset.

ix. The requirements for a finance lease revolve around mainly four things – ownership, purchase option, the term of the contract, present value of lease rentals.

Other Structured Financing

43. Other structured financing may include other contemporary financing schemes outside what have been described in this section above. Such financing may include commodity and credit derivative transactions, structured private placements, and trading in banking debentures to raise funding.

44. The procedures to follow in securing or procuring these other forms of structured financing shall be in accordance with existing laws, rules and regulations.

45. Facilities shall take the following forms:

i. Revolving facilities that allow a borrower to draw, repay and then redraw again;

ii. Term facilities that allow the borrower to borrow specific sums for a specified period of time (the “term”);

iii. Standby facilities that keep the funds in reserve and allow the borrower to withdraw upon satisfaction of pre-determined conditions; and

iv. Letters of credit/guarantee facilities that allow the sovereign extending the credit under the facility to issue letters of credit/guarantees to third parties, with the sovereign retaining an obligation to repay the facility lender if the letter of credit/guarantee is called by the third party.

Loan Documentation

46. The loan document is either called the “loan agreement”, “credit agreement” or “facility agreement”. It sets out the contractual terms and conditions under which a lender agrees to lend money to a borrower.

47. The key provisions of loan agreements include:

i. Parties: the names of the parties.

ii. Facility amounts: The amounts the lenders are committing to lend.

iii. Availability period: The period during which the borrower can ask the lenders to advance the loan.

iv. Conditions precedent: The conditions which must be satisfied prior to the loan being advanced to the borrower.

v. Purpose of loan: The purpose for which the borrowed funds will be used.

vi. Drawing mechanics: The procedure under which loans must be requested and advanced (times of request and payment, minimum amounts requested etc).

vii. Repayment terms: The date(s) on which the loan is to be repaid (” maturity date”), and if in instalments, the amounts of such “amortisation” instalments.

viii. Early voluntary prepayment: The conditions and mechanics under which the borrower can repay all or part of the loan ahead of its maturity date. Early prepayments may carry the payment of broken funding costs or fees to the lenders.

ix. Early mandatory prepayment: The events whose occurrence will entitle the lenders to require the borrower to prepay all or part of the loan ahead of its maturity date. These events are “no fault” early termination provisions and both they and their interplay with the borrower's remaining contractual terms in other debt instruments must be well understood.

x. Interest: Calculation of interest (almost always on basis of floating interest base rate reflecting the lenders' cost of funds (commonly by reference to an accepted base rate such as LIBOR, EURIBOR, U.S. Federal Funds Rate), plus a margin, interest periods (typically one, three, and six months) and default interest. Interest is calculated either on a 360-day year basis (usually for Euro or US dollar financing) or a 365-day year basis (for Sterling financing).

xi. Representations and warranties given by borrower: These are the statements made by the borrower concerning its legal status, its authorisation, its financial condition, its other debt levels, its disputes, as well as other factual matters which are of credit interest to the lenders. Incorrect representations or breaches of warranties entitle the lender to terminate the loan contract and seek repayment and, if appropriate, damages.

xii. Sovereign Immunity: Waivers of sovereign immunity include waiver of the immunity from suit (litigation or arbitration) and waiver of immunity from enforcement of attachment/foreign awards over the sovereign's commercial assets.

xiii. Governing Law: This is the law governing the interpretation of the loan agreement. International lenders will usually ask for English or New York law.

xiv. Jurisdiction: This specifies the type and place of the forum where disputes will be adjudicated. They usually follow the governing law, and so will be English or New York courts, or arbitration tribunals, especially those in large financial centres, based upon impartiality and market practice considerations.

xv. Events of default: These are the events whose occurrence entitle the lenders to seek early repayment, cancel any undrawn commitments. The most common events of default are set out below.

a. Non-payment (of principal or interest) subject to a short grace period to remedy the non-payment.

b. Breach of borrower's other obligations under the loan contract, subject to cure periods where the breach can be remedied.

c. Misrepresentation or breach of warranty.

d. Cross-default (an event of default occurring in another debt instrument) or cross-acceleration (an acceleration or enforcement by creditors under another debt instrument), in either case subject to a certain threshold and also in respect of specified debt instruments.

e. Judgement against the borrower for the payment of an amount in excess of an agreed threshold.

f. Illegality (the adoption of any applicable law, rule or regulation which would make it unlawful to comply with the obligations agreed under the loan).

g. Loss of IMF membership or ineligibility to access IMF financial assistance.

48. Like the other provisions of the loan agreement, they will need to be considered carefully, especially the cross default/acceleration clause which inter-connects all of the sovereign's debt.

Processes and Procedures for Multilateral Lending

49. Multilateral lenders active in the African market are the World Bank (WB) and the African Development Bank (AfDB) Groups (herein after referred to as the Bank Groups) and the International Monetary Fund (IMF).

50. IMF provides loans to member countries experiencing actual or potential balance of payments (BoP) problems. Member countries may borrow on concessional or non-concessional terms through various lending facilities available for member countries. Unlike Development Finance Institutions (DFIs), the IMF does not lend for specific projects.

51. The conditions under which IMF may provide financial assistance to member countries are:

    i. BoP difficulties of a temporary or cyclical nature; and
    ii. external payments difficulties arising from longer-term structural problems.

52. The processes and procedures are outlined below:

    i. A formal request is sent from a member country to the Fund;
    ii. an assessment is undertaken by the Fund of the nature and magnitude of the BoP problem and the amount of financing necessary to remedy the problem;
    iii. The member country and the Fund then agree on the economic policy program underlying an arrangement and is in most cases presented to the Fund's Executive Board in a "Letter of Intent";
    iv. The economic policy programme is presented to the IMF's Executive Board to approve a financial arrangement in support of the programme.
    v. Following approval by the Executive Board, the member country may then access financing from the IMF as long as it meets the conditions of the programme. IMF resources are usually released in phased instalments as the programme is implemented;
    vi. Implementation of the programme is monitored by the Executive Board through reviews.

53. The WB and AfDB Groups follow the same credit policy criteria to determine which countries are eligible to access financing on concessional and non-concessional terms.

54. The criteria used by the two institutions are:

    i. Relative poverty defined as GNI per capita below an established threshold and updated annually.
    ii. lack of creditworthiness to borrow on market terms and therefore a need for concessional resources to finance a country's development programme.

55. In allocating resources to eligible countries, the two banks allocate resource based on the following:

    i. annual assessments of country circumstances using the Performance-Based Allocation (PBA) formula.

    ii. country-specific financing terms— (loan, grant, or loan/grant combination) are determined using the agreed Joint World Bank-IMF Debt Sustainability Framework (DSF).

    iii. debt relief to eligible countries under the Multilateral Debt Relief Initiative (MDRI).

56. The processes and procedures for lending by the two Groups are as follows:

    i. preparation of Country Strategy Paper (CSP) which outlines the two institutions' strategy for supporting a country's development efforts, prioritisation of planned projects/programmes, and implementation.

    ii. The strategy documents are then shared with MoF and relevant MDAs for further consultations.

    iii. MDAs subsequently submit proposed project/programme requesting for funding and MoF prioritizes the requests for funding received from the MDAs. The requests must be in line with the Country Assistance Strategy (CAS)/CSP taking into account the available budget, as well as national priorities.

    iv. Based on (iii) a decision is reached on which programmes/projects to fund. A formal request for funding signed by the Minister for Finance is sent at the Country level for onward transmission to the respective Headquarters.

    v. Appraisal mission(s) corresponding to each identified programme area(s) are fielded to examine the feasibility of each project/programme.

    vi. Negotiations are then carried out as and when each project appraisal report is prepared. At this point the contents of the appraisal document, including the terms of the loan, are carefully reviewed between the Bank Groups and the borrowing country.

    vii. The negotiating team from the government comprises representatives from MoF, the relevant MDA and the Attorney-General's Department.

    viii. Following successful negotiations, the necessary steps are taken to obtain the requisite approvals (the Bank Groups, Cabinet, Parliament), after which the loan agreements are signed followed by a legal Opinion issued by the Attorney General.

    ix. Project /programme execution by relevant implementing institutions starts after receiving the Legal Opinion.

Processes and Procedures for Bilateral Borrowing

57. Bilateral lenders have different lending arrangements. The lending arrangements allows the MoF:

    i. sign cooperation agreements with DPs for a period. MoF negotiates for an envelope of a frame agreement to comprise agreed projects. Once the cooperation or frame agreement is executed, MoF application for individual loan agreements; and

    ii. implement a strategy document which is similar to a cooperation agreement but without projects over a definite time period. Projects and programmes are subsequently formulated for implementation within the running period of the document.

58. The generic processes and procedures for lending through bilateral sources are as follows:

    i. Informal discussions are held between beneficiary MDA and the potential DP;

    ii. DP informally agrees to finance project, based on its focus areas of interventions which is usually informed by government policy documents;

    iii. MDA writes formally to MoF requesting for funding support from the DP;

    iv. MoF in turn writes to the DP. This is accompanied by supporting documents such as concept note/project proposal (or feasibility study if any);

    v. Where DP agrees to fund the project, a review of the feasibility study is carried out to determine actual project cost. This is to forestall surprises during implementation;

    vi. Where there is no feasibility study, DP funds the study;

    vii. Following feasibility study and based on the estimated cost, DP approves project for implementation and writes to inform MoF officially. The letter is usually accompanied by a draft loan agreement;

    viii. MoF (RMERD, Legal, TDMD) negotiates the loan terms;

    ix. A draft loan agreement is subsequently processed for Cabinet and Parliament;

    x. The loan agreement is signed after Parliament's approval.

    xi. A legal opinion on loan agreement issued to lender by the Attorney-General

Processes and Procedures for Commercial/Export Credit Loans

59. The loan contracting process is divided into five (5) stages:
    i. No objection stage;
    ii. Mandate stage;
    iii. Loan documentation stage;
    iv. Statutory approval stage; and
    v. Execution stage.

No Objection Stage

60. This stage begins with the MDA submitting a request to MoF for financial clearance for an identified project/programme Prioritised for implementation under its annual national budget. The No-Objection stage covers the following:
    i. The MDA submit a request to MoF for no-objection/clearance to engage a firm/contractor/supplier to execute a project. The request is accompanied with the following project documents:
        a. Project synopsis
        b. Project value and estimated budget
        c. Location of project
        d. Procurement method
    ii. TDMD reviews the requests to ascertain if the project is on the priority list of projects published in the budget.
    iii. TDMD prepares a no-objection letter to the MDA to engage the contractor or supplier for the project at a particular contract price.
    iv. MDA goes through procurement processes, project/supply contract documentation and complete value for money audit and submits them as evidence to MoF.

Mandate Stage

61. The mandate stage commences when MDA submits evidence of PPA approval and VFM audit report. The process involves the request for financial proposal (RFP), negotiation of terms and conditions, and issuing of mandate letter to the lending entity.
    i. Where the procurement method involved the submission of financing, TDMD reviews the TS and advise the MDA the suitability of the terms and conditions. Where the procurement method does not include financing, TDMD engages at least three (3) banks for indicative terms sheet (ITS) through RFP. The RFP should cover the following key areas:

a. Disclosure of full terms (pricing)
b. Construction period
c. Estimated legal fees
d. Insurance or risk mitigation fee (if any)
e. Tenor (moratorium and repayment period)
f. Underlying security (if any)
g. Estimated closing time for the financing (financial close)

ii. Responses from the RFP is subjected to assessment to ascertain the All-in-Cost of the pricing, track record, and the suitability of the financial covenants and conditions.

iii. TDMD engages the applicate with the with the lowest All-in-Cost, track record, and suitable financial covenants and conditions to negotiate further on the terms and conditions.

iv. TDMD submits the assessment to the Hon. Minister for consideration and approval, to mandate the bank with the lowest All-in-Cost, track record, and suitable financial covenants and conditions is selected.

v. The Mandate letter is issued to the bank, whiles the other applicates whose bid were not selected are informed of MoF decision. The mandate letter shall cover the following key points:

a. state the agreed terms and conditions
b. request for draft loan/credit agreement
c. inform the lender of MOF timelines to reach financial close
d. a disclaimer that the mandate letter does not constitute a legally binding commitment until the transaction documents are approved by Parliament.

Loan Documentation stage

62. This stage involves the selecting of the legal counsel, the drafting and negotiation of terms and conditions. The processes involve:

i. The mandated lending entity submit a list of legal firms for TDMD to select from in line with the agreed capped legal fees.

ii. TDMD selects the firm and confirms its selection to the mandated entity.

iii. The mandated entity submits draft loan documents for review.

iv. TDMD forwards the agreement to legal directorate and liaise with them to the agreements.

v. The agreed comments are submitted to mandated entity. Where there are outstanding issues, the TDMD should call for negotiations through telephone, video, or face to face discussions.

vi. The final draft agreement is submitted to legal directorate for final clearance.

Statutory Approval Stage

63. Approval stage begins with Cabinet and ends with Parliamentary approval and shall follow the outlined processes below:

i. MOF and the MDA prepare a joint memorandum to Cabinet and signed by the two Ministers. The memo should be accompanied with the execution version or at least the final draft agreement for consideration and approval.

ii. Upon submission of a request, Cabinet shall inform the MoF of its decision on the Joint Cabinet Memorandum.

iii. When the request is approved, MoF and the MDA will prepare a joint memo to Parliament seeking approval of the loan agreement and the commercial/supplier's contract. The following documents must be forwarded to Parliament for consideration:

a. Cabinet or Executive Approval letter;

b. Parliamentary Memorandum;

c. At least the final draft loan agreement;

d. An approval letter from Public Procurement Authority (PPA);

e. Project documents; and

f. Value for Money (VFM) Assessment report where the contractor is sole sourced.

iv. Upon submission of a request, Parliament shall inform the MoF of its decision on the Joint Memorandum.

64. The listed documents above shall be organised by the TDMD or RMERD in collaboration with the Ministry's Parliamentary Liaison to the Clerk of Parliament.

65. Upon the invitation of Parliament, the Minister for Finance or his/her representative may be accompanied by a team from the following outfits to provide clarification and to justify the need for the project and the financing terms:

i. Ministry of Finance : TDMD, Legal Directorate (Other Divisions or entities when necessary)

ii. Sector Ministry : Minister and any other Technical officer if required

66. The Clerk of Parliament advises the Minister for Finance of legislative approval upon which the relevant agreements are signed.

Execution Stage of agreement

67. Following the receipt of the Parliamentary approval letter, the following processes are relevant agreements are signed.
    i. TDMD shall liaise with legal directorate to incorporate comments raised during the statutory approval process (if any).
    ii. TDMD shall submit a request to the lender to submit an execution version of the credit/loan agreement for signing.
    iii. The agreement is signed by both parties.
    iv. The original agreement is kept with TDMD, and copies sent to the following offices:
        a. Resource Mobilisation and Economic Relations Division;
        b. Legal Directorate of Ministry of Finance;
        c. Bank of Ghana;
        d. Attorney General's Department;
        e. Controller and Accountant General's Department; and
        f. Auditor General.
68. Any addendum, by way of enhancement and or revision in the financing agreement shall be treated in line with the relevant provisions in Article 181 of the 1992 Constitution and Sections 55-78 of the Public Financial Management Act, 2016 (Act 928).
69. All Commercial/Export Credit Agreements shall be executed and managed by TDMD whereas ERMERD will execute all borrowings from bilateral and multilateral creditors.

Processes and Procedures for Domestic Borrowing

70. The procedures for domestic standard loans shall follow the processes for loan contracting as outlined in paragraphs 74 to 85.

71. The procedures for issuing domestic securities is outlined below:

i. An issuance calendar approved by the Minister of Finance is published on the MoF and BoG website before each quarter with:

   a. details of issuances are released at least one week prior to the auction;

   b. Primary Dealers (PDs) are invited to the auctions to bid at either the competitive or non-competitive end; and

ii. Non-competitive bids at the auctions are awarded the weighted average interest rate.

iii. When planning to issue a medium to long-term security, TDMD will hold investor meetings to present the country's macroeconomic environment and plans for the medium-term to enable investors make informed decisions.

iv. The issuance of domestic securities can be done through the book-building approach through the Joint Book Runners (JBRs) or the normal auction process.

v. TDMD prepares and publishes the prospectus indicating the specific terms of the bond on offer and issue price guidance that assist investors in making their bids/ quotes.

vi. Following the issuance, the public notice / advertisement must provide at least the following details for both Treasury Bonds and Treasury Bills:

   a. Issue number / Reference Number;

   b. Settlement / Value Date;

   c. Redemption Date;

   d. Tenor;

   e. Currency and total amount floated;

   f. Source of Application form;

   g. Minimum amount acceptable per bid;

   h. Number of bids allowable per investor per tenor;

   i. Maximum amount allowed for non-competitive bids (if applicable);

   j. Date of submitting applications for roll over instructions;

   k. How and where the applications are to be delivered / lodged;

   l. Date and time of closing tender applications; and

   m. Penalties for breach of settlement on value date

n. For Treasury Bonds only the following additional details should be included: -

o. yield;

p. interest rate; and

q. call back clauses (if any)

vii. On Treasury bill auction dates, as specified in the Advertisement, the auctions are opened at 8:00am on Fridays with bids sent to BoG electronically through the auction bidding system and closed 2:00 pm the same Friday. BoG then collates all bids and notify TDMD on the details of the auction.

viii. The MoF team on the Auction Committee makes recommendation to the Auction Committee on the amount to be accepted (and by default the yield). In making recommendations, the MoF team has to consider:

a. Governments cash requirements;

b. Rollover requirements;

c. Debt management strategy /policy;

d. Current monetary conditions; and

e. Developments in the Financial Markets.

ix. The Auction Committee deliberates on the recommendations by the TDMD/MoF team before making its decisions. Once a decision is reached, a summary of the Auction Results is then prepared, signed, and released for publication on the BoG and MoF websites as well as other media houses.

x. Settlement is done on Mondays (t+1) and the Central Securities Depository (CSD) updates the security holdings of successful bidders who pay. If the securities are dematerialized (paperless), the register is updated and a transaction summary to that effect is dispatched to the investor. If the securities are certificates, they are prepared and issued to the investors.

xi. Book runners selected through competitive tender lead government securities issuance through a book-building auction process. An announcement for issuance for this process is made to the market two weeks ahead of the opening of the books and an Initial Price Guidance is provided. The books are opened on Wednesday at 8:00 am and closed on Thursdays at 4:00pm. The main processes involved in issuing bonds through the book building process include:

a. transaction announcement;

b. initial price guidance;

c. issuance; and

d. transaction closing and settlement.

xii. On the closing of the books, a cut-off price is determined, and allocations are made on a uniform price basis. Successful bidders are notified, and an announcement is made to the market.

xiii. MoF will assess the results on closing and determine the allocation and cut-off. The chairperson of the auction committee reviews the results and agrees on the bids to accept and cut-off. The Minister for Finance is the Chairperson for the auction committee.

xiv. Results of the auction are then sent to BoG to be announced via electronic media within a set time period after the close of the book-building process. Confirmations are sent to successful bidders. TDMD will generate a term sheet setting out details of the tender and input into the Debt Database.

xv. Following the conclusion of the issuance of domestic government securities, the settlement of net proceeds is credited to the designated government account directly by BoG. The registry at CSD updated to capture these debt activities. TDMD back office is responsible for ensuring that the debt database also captures the transactions and CAGD is notified as well.

Issuance of Securities on the International Capital Markets

72. The government may from time-to-time when market conditions are attractive issue securities in the international capital markets (i.e., global, euro or domestic bonds such as Yankee, Samurai or Bulldog bonds). These securities may be used for budget support, liability management and/or can be on-lent for infrastructure or other projects.
73. Currently, the issuance of external securities is limited to Eurobonds, which are GoG sovereign obligations denominated in dollars or any other foreign currency and marketed to international investors. Although Eurobonds can be issued in several formats, to date, Ghana has issued only Reg. S/Rule 144A bonds which do not require registration with the U.S. Securities and Exchange Commission.
74. The procedures outlined are limited to Reg. S/ Rule144A transactions. Planning for the issuance includes determining the size of the transaction, seeking Parliamentary approval, selecting advisors (lead managers, co-managers, international counsel, and local counsel) and preparing documentation (e.g., prospectus, agreements, road show presentations).
75. TDMD is responsible for the planning of international bond issuances but works in close cooperation with the relevant departments of MoF as well as other agencies including the BoG and the Attorney-General's Department. The international markets are monitored to identify favourable issuing windows, selection of advisors and managing relationships with investors.
76. Preparatory work towards the issuance on the ICM is as follows:
    i. prepare memorandum to Cabinet to seek approval for the international transaction;
    ii. apply to the Public Procurement Authority (PPA) for approval to appoint advisors (including lead managers, co-managers, international and local legal counsel);
    iii. prepare Memorandum to Parliament to seek approval for international transaction; and
    iv. Organize competitive selection invitation in accordance with Public Procurement Act to select the following advisors:
        a. Lead Managers;
        b. Co-Managers;
        c. International Counsel;
        d. Local Counsel; and
        e. Evaluate bids from all advisors.
77. Transactions are usually combined with a roadshow. Roadshows are done to brief existing and potential investors on the economy, risks of investing, amongst others.

TDMD takes lead in setting the timing and target price/spread for the launch of the bond issue in consultation with the lead manager(s).

78. Rating agencies are contracted to obtain a bond rating for the issue.

79. The following legal documentations are negotiated and finalised:

    i. Information memorandum;

    ii. offering circular or loan agreement;

    iii. Fiscal and paying agency agreement;

    iv. Letter of debt service;

    v. Loan agent's warrant/power of attorney (if Minister of Finance cannot sign); and

    vi. Registration with Euro clear and/or Clear stream.

80. Obtain legal opinion on the bonds from AG and legal counsel to ensure that covenants and other conditions are met.

81. If the Parliamentary authorization provides for an oversubscription, TDMD may with the Minister for Finance's approval, agree to increase the size of the issue. On launch of the issue, the order book is open, pricing and allotment take place when the books close.

82. Advisors will monitor the success of the issue including investor placement (institutional and geographical) and ensure that all legal and security documentation is completed.

83. TDMD shall be responsible for ensuring that the net proceeds from the bond issue, which are the responsibility of the lead manager, is credited to the designated government bank account and the bond is recorded in the debt database.

Processes for Issuing Guarantees

84. Per Section 66 of the PFMA, the MoF is mandated to issue guarantees on behalf of Government. MoF will annually set a limit for issuing Guarantees which will be presented in the annual Budget Statement and Economic Policy.

85. The process for issuing guarantees is divided into three (3) stages:

    i. Request for no objection stage
    ii. Statutory approval stage; and
    iii. Execution stage

Request for No Objection Stage

86. This stage begins with the public entity submitting a request to MoF through its sector ministry or the State Interests and Governance Authority (SIGA) for financial clearance for an identified project/programme prioritised for implementation under the annual national budget. The mandate stage covers the following:

    i. The Public Entity submits a request to MoF for no-objection/clearance for a guarantee to be issued by MoF to cover the debt service obligation or revenue/levy assurance of the Public Entity to secure a credit/loan. The request shall be accompanied with the following project documents:
        a. At least indicative term sheet
        b. Heads of Agreement
        c. Guarantee amount
        d. Five years annual report of the Public entity
    ii. If it is a public entity, PIAD assesses the legality and validity of the request prior to submission of the request to TDMD.
    iii. TDMD reviews the requests to ascertain if the transaction is on the priority list of projects published in the budget.
    iv. A credit risk assessment is conducted to ascertain the entity's ability to repay its obligations and ascertain the fiscal risk it poses to Government
    v. The entity's credit risk assessment will be conducted by evaluating a set of specific indicators including:
        a. financial ratios;
        b. cash flow forecast; and
        c. other factors.
        d. The aim of this assessment is to determine the entity's capacity and ability to:

e. manage its finances; and

f. service the proposed debt.

vi. TDMD will assign the entity with one of the following credit ratings to characterise the prospective beneficiary's credit worthiness:

a. A1 –Extremely Low Risk

b. A2 – Low Risk

c. B1- Moderate Risk

d. B2- Special Attention

e. C1 – High Risk

f. C2- Very High Risk

vii. This credit rating will be used to determine whether to grant approval for the request and where applicable, used in the calculation of the fee or credit margin to be charged.

viii. MOF engages the lending entity to submit draft guarantee agreement.

ix. TDMD forwards the agreement to legal directorate and liaise with them to review the agreement.

x. The agreed comments are submitted to lending entity. Where there are outstanding issues, the TDMD should call for negotiations through telephone, video or face to face discussions.

xi. The final draft agreement is submitted to legal directorate for final clearance.

Statutory Approval Stage

87. Approval stage begins with Cabinet and ends with Parliamentary approval and shall follow the outlined processes below:

i. MOF and the Public Entity prepare a joint memorandum to Cabinet and signed by the MoF and the line Minister responsible for the Public Entity. The memo should be accompanied with the following documents:

a. The credit assessment report; and

b. The draft guarantee agreement.

ii. Upon submission of a request, Cabinet shall inform the MoF of its decision on the Joint Cabinet Memorandum.

iii. When the request is approved, MoF and the MDA will prepare a joint memo to Parliament seeking approval of the loan agreement and the commercial/supplier's contract. The following documents must be forwarded to Parliament for consideration:

a. Cabinet or Executive Approval letter;

    b. Parliamentary Memorandum;
    c. At least the final draft loan agreement;

iv. Upon submission of a request, Parliament shall inform the MoF of its decision on the Joint Memorandum.

88. The listed documents above shall be organised by the TDMD or RMERD in collaboration with the Ministry's Parliamentary Liaison to the Clerk of Parliament.

89. Upon the invitation of Parliament, the Minister for Finance or his/her representative may be accompanied by a team from the following outfits to provide clarification and to justify the need for the project and the financing terms:

    i. Ministry of Finance : TDMD, Legal Directorate (Other Divisions or entities when necessary)
    ii. Sector Ministry : Minister and any other Technical officer if required

90. The Clerk of Parliament advises the Minister for Finance of legislative approval upon which the relevant agreements are signed.

Execution Stage of agreement

91. Following the receipt of the Parliamentary approval letter, the following processes are required for the signing of the guarantee agreement:

    i. TDMD shall liaise with legal directorate to incorporate comments raised during the statutory approval process (if any).
    ii. Upon signing of the underlying financing agreement between the lending entity and the public entity, TDMD shall request the public entity to submit an execution version of the guarantee agreement for signing.
    iii. The agreement is signed by both parties.
    iv. The original agreement is kept with TDMD and copies sent to the following offices:
        a. Resource Mobilisation and Economic Relations Division;
        b. Legal Directorate of Ministry of Finance;
        c. Bank of Ghana;
        d. Attorney General's Department;
        e. Controller and Accountant General's Department; and
        f. Auditor General.

Processes and Procedures for Public Corporation and SOE Borrowing

92. Per Section 76 of the PFMA, the Minister for Finance is mandated to approve the limit of funds to be borrowed. MoF will determine the limit to borrow consistent with the ABRP.

93. SOEs and Public Corporations who intend to use GoG funds for project execution, such project must be included in the PIP where they have received the Ministry's financial and economic assessment and seal of quality.

94. The process for approving funds to be borrowed is outlined below:

    i. Public corporation and SOEs formally submit a request through their sector Ministries/SIGA

    ii. The request must be accompanied by:

        a. Entity's governing Board resolution on the request;

        b. the entities financial plan,

        c. amount of Government support provided over the past 3 years;

        d. amount required in the current year; and

        e. the use of proceeds.

    iii. the request from the entity shall be validated by the PIAD and Budget Divisions and SIGA.

    iv. depending on the type of request, upon validation, MoF may decide on the appropriate financing option.

    v. where the request is a loan, credit risk assessment is conducted to ascertain the entity's ability to repay its obligations based on the details outlined in paragraphs 86(iv – vii) and also ascertain the fiscal risk it poses to Government.

    vi. The assessment will also take into account the terms of the facility the entity intends to borrow, this is to ensure that the terms are in the best interest of entity, Government, and the lender.

    vii. The Minister for Finance may approve or not approve the borrowing based on the credit risk assessment of the SOE.

    viii. MoF notifies the entity in writing Government's decision.

Processes and Procedures for Borrowing by Local Government Authority

95. Per Section 74 of the PFMA, the Minister for Finance in consultation with the Minister for Local Government may approve borrowed funds up to the limit consistent with the ABRP.

96. The process for approving is as follows:
    i. MMDA submits application/request to borrow through Ministry of Local Government.
    ii. The application should include the following documentation:
        a. MMDA's audited financial statements;
        b. capital and operating budgets;
        c. cash flow forecasts indicating MMDA's ability to repay; and
        d. use of proceeds.

97. Where a local government authority intends to issue a debt security is required to submit their plans for the issuance of debt securities to the Minister of Local Government for subsequent approval from the Minister for Finance.

98. TDMD shall review the request based on:
    i. Market conditions;
    ii. Pricing; and
    iii. the local government's ability to repay the debt.

99. TDMD shall conduct a credit risk assessment on the local authority based on the details in paragraphs 86(iv – vii).

100. MoF through the Ministry of Local Government shall notify the local authority the approval or rejection of the application/request.

Budgeting and Reporting Requirements

101. For budgeting and reporting purposes, all MDAs, and SOEs are required to submit to the MoF:
    i. Quarterly, semi-annual reports on all disbursements received under the project/programme; and
    ii. a record of outstanding debt and new borrowings including overdrafts and corporate debt securities issued not later than 20 days after the end of each quarter.

102. MMDAs are required to submit to the MoF not later than 10 working days from the date of signing a loan, issuance of a debt security, obtaining an overdraft, or obtaining a guarantee or on-lending a record of the transaction.

103. SOEs are required to submit to the Minister of Finance not later than 20 working days after the end of each quarter a record of outstanding debt and new borrowings including overdrafts and corporate debt securities issued.

104. SOEs and MMDAs must provide a report annually and upon request to the Minister of Finance covering the total outstanding debt including guarantees and on-lending and any other information that the Minister of Finance may require.

105. TDMD will maintain accurate information on the outstanding debt of each central government, SOE and MMDA.

106. For the purpose of record keeping, guarantees should be classified as follows:

i. guarantees given to banks and industrial and financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and/or providing working capital to companies, corporations, cooperative societies and banks;

ii. guarantees given for repayment of share capital, payment of minimum annual dividend and repayment of bonds or loans, debentures issued or raised by the statutory corporations and central public sector undertakings;

iii. guarantees given in pursuance of agreements entered into by GoG with international financial institutions, foreign lending agencies, foreign governments, contractors, suppliers, consultants etc., towards repayment of principal, interest and/ or commitment charges on loans etc., and/or for payment against supplies of material and equipment;

iv. counter guarantees to banks in consideration of the banks having issued letters of credit or authority to foreign suppliers for supplies made or services rendered; and

v. other guarantees not covered under the above four classes.

107. While furnishing the summary statements to TDMD, the sector ministries should also certify that the information tallies with the material furnished to the CAGD for the purpose of inclusion in the Financial Accounts of the relevant year and is compliant with GoG Accounting Standards relating to Government Guarantees.

Definitions

The definitions in this manual unless the context otherwise required shall have the following meanings:

i. Agent - the financial institution acting as representative of the lenders under a syndicated loan. The role of the agent is to administrate the loan, to take specified decisions on behalf of the lenders, to provide the lenders with the information necessary.
ii. Arranger - the financial institution engaged by a borrower to facilitate the issuance of a debt in the capital market.
iii. Bridge financing - an interim financing option (often in the form of a bridge loan) used by companies and other entities to solve short-term liquidity issues until a long-term financing option can be arranged.
iv. Buyer’s credit - A buyer’s credit facility is a financial arrangement by which a bank, financial institution or export credit agency in the country of the exporter extends a loan, either directly to the foreign buyer of the exported goods, or indirectly through a bank in the buyer's country acting on his behalf.
v. Callable bond - a bond that can be redeemed by the issuer earlier than its maturity date.
vi. Collateral - an asset that a borrower offers as a way for a lender to secure the loan.
vii. Coupon - the periodic payment paid to the holder of a bond.
viii. Credit Risk - the risk that the borrower defaults under its financial obligations.
ix. Debt sustainability - the ability of a government to meet its debt obligations without requiring debt relief or accumulating arrears.
x. Debt Sustainability Framework (DSF) - a framework for assessing a country's ability to meet its debt obligations.
xi. Development Finance Institutions (DFIs): specialised development banks or subsidiaries, usually wholly or partially owned by governments, set up to support private sector development in developing countries.
xii. Eurobond - an international bond issue denominated in a currency not native to the country where it is issued. It can be categorised according to the currency in which it is issued. Eurobonds are named after the currency in which they are denominated. For example, Euroyen and Eurodollar bonds are denominated in Japanese Yen and US dollars respectively.
xiii. Export Credit Agency (ECA) –or investment insurance agency is a private or quasi-government institution that acts as an intermediary between national governments and exporters to issue export financing. The financing can take the form of credit or credit insurance and guarantees or both, depending on the mandate the ECA has

been given. ECA can also offer credit or cover of their own account. Some agencies are government sponsors, some are private, and others are a combination of both.

xiv. Export credits – loan facility extended to an exporter by a bank in the exporter country. i.e., under a “buy now, pay later” arrangement.

xv. Financial leasing - an agreement between two parties (lessor and lessee) whereby lessor purchases the asset and transfers largely all the rights, risks, and rewards to the lessee against a periodically fixed rental.

xvi. Gross Domestic Product (GDP) - the estimated total value of all the finished goods and services produced within a country's borders in a specific time period.

xvii. Heads of Agreement - a non-binding document that outlines the basic terms of a Loan Agreement.

xviii. International/Development Finance Institutions (IFI/DFI) - specialised development banks/ institutions with the ability to raise large amounts of money to provide financing for development projects, programme or initiatives for developing countries.

xix. Investment project - any investment activities undertaken by a covered entity in relation to the national and local government authority development policies and strategies, with the aim of improving the delivery of public assets and services by use of public or publicly approved funds within a specific period of time.

xx. Issuer - government agency that develops, registers, and sells securities to finance its own operations.

xxi. Multilateral Loan - loan funded by an IFI/DFI.

xxii. Par value - the face value of a bond, i.e., the value of the principal repayable at maturity.

xxiii. Premium - the excess value added to the price or cost of a financial asset.

xxiv. Primary market - also known as the 'New Issue Market', is where new securities are initially issued and sold by the borrower.

xxv. Public and Publicly Guaranteed (PPG) Debt - general government debt as well as the debt of SOEs that do not have financial or administrative autonomy.

xxvi. Public Investment Plan - a plan which is prepared, prioritised, and costed as a capital project approved by Cabinet and is consistent with the Medium-Term Expenditure Framework.

xxvii. Public Investment Programme Working Committee – a committee established by the Minister for Finance to appraise project documentations and recommend investment projects for approval by the Minister to be included in the Public Investment Plan.

xxviii. Public sector debt - the aggregate of central government debt and SOE debt.

xxix. Receivable-Backed Financing - this is a mode of financing by which government arranges an upfront receipt of funding against its receivables in future.

xxx. Request for Expression of Interest (RfEoI) - a solicited invitation from the procuring entity to potential bidders to express interest for a project, mandate, or the delivery of services.

xxxi. Request for Proposal (RfP) - a solicited invitation from the procuring entity to potential bidders to submit a proposal for a project, mandate, or the delivery of services.

xxxii. Roadshow - a series of presentations made to potential investors in various locations leading up to a debt offering.

xxxiii. Seal of Quality - means a certificate granted by the Minister stating that the Ministry of Finance is confident that the investment project has a positive economic and financial Net Present Value, and is technically, financially, and economically viable.

xxxiv. Secondary market - a market for the resale of already issued and outstanding debt securities.

xxxv. Security (interest) - Legal right that is granted by a debtor's collateral that allows the lender to have recourse in the eventuality of default.

xxxvi. Sovereign/direct guarantee - a type of guarantee provided by the government to discharge the liability of a third party in case they default from their obligations.

xxxvii. Special Purpose Vehicle (SPV) - a legal entity created for a limited and specific purpose, typically to hold assets related to a financing.

xxxviii. State owned enterprise (SOE) - a legal entity wholly or partially owned by a government to participate in specific commercial activities on behalf of the government.

xxxix. Syndicated loan - loan issued by a syndicate of lenders acting as a group with common terms and represented by an agent.