

AGREEMENT

BETWEEN

THE GOVERNMENT OF DENMARK

AND

THE GOVERNMENT OF GHANA

ON

**MULTI-DONOR BUDGET SUPPORT
PHASE II**

2010 – 2014

26 NOVEMBER 2010

PROGRAMME SUPPORT AGREEMENT

AGREEMENT BETWEEN THE GOVERNMENT OF DENMARK AND THE GOVERNMENT OF GHANA REGARDING DEVELOPMENT COOPERATION CONCERNING MULTI DONOR BUDGET SUPPORT PHASE II (2010 – 2014)

WHEREAS the Ministry of Finance and Economic Planning (hereinafter referred to as ‘GoG’) has requested the support of the Government of Denmark (hereafter referred to as ‘GoDK’) to contribute towards the funding of the Ghana Shared Growth and Development Agenda (hereinafter referred to as the ‘National Plan’)

WHEREAS GoDK has agreed to support the implementation of the National Plan as defined in the Programme Support Document with up to an amount of DKK 357 million on a grant basis (hereafter referred to as “the Grant”), as a financial and technical assistance to the Ministry of Finance and Economic Planning (hereafter referred to as the Implementing Partners), who will implement the National Plan;

WHEREAS the general provisions of this agreement are set forth in the agreement between Denmark and Ghana named General Terms and Procedures of Development Co-operation between the Government of Denmark and the Government of Ghana dated 30 March, 1993;

WHEREAS commitment to international law and conflict prevention, respect for human rights, democratic principles, including free and fair elections, the rule of law, independence of the judiciary, free, transparent and democratic processes, accountability and the fight against corruption, sound macro-economic policies and the commitment to poverty reduction govern the policies of GoG and GoDK, and which are prerequisites for this agreement, and hence constitutes essential elements of this agreement.

WHEREAS the GoG and GoDK shall abide by the local laws and by applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organization Convention;

WHEREAS GoDK and GoG is committed to the principles of harmonisation and to strive for the highest degree of alignment with the budgetary and accountability system of the implementing partners and the legislation of the GoG so as to enhance effective implementation, to reduce the administrative burden, to minimise transaction costs and increase transparency and accountability of the support provided;

NOW THEREFORE GoDK and GoG have decided as follows:

Article 1

Definitions

For the purpose of this Agreement, unless otherwise stated, the terms listed below mean the following:

- a) “Parties” in the case of the Government of Denmark/GoDK refers to the Ministry of Foreign Affairs, Danish Embassy in Ghana, and in the case of the Government of Ghana/GoG refers to the Ministry of Finance and Economic Planning or for both parties any other authority empowered to perform the functions exercised by said authorities.
- b) “Joint decision making arrangement” refers to the overall MDBS management arrangements as laid out in the “Framework Memorandum” described in Article 3 and attached as Annex 2.
- c) “The Documentation” refers to the Programme Support Document which, by signature, has been approved by the Ministry of Finance and Economic Planning and the Danish Embassy on 26th November 2010 and is attached as Annex 1 to this Agreement, hence constituting an integral part hereof. The Programme Support Document contains a systematic description of the MDBS as laid out in the

“Framework Memorandum”, signed in May 2008 by GoG and Development Partners, and of the Ghana Integrated Financial Management Information System (GIFMIS) Memorandum of Understanding (MoU) and shall govern implementation. The Documentation will be reviewed in connection with joint programme reviews. Changes to the Documentation are subject to the approval by the joint decision making arrangement. Development objectives described in the Documentation cannot be changed. Total Danish support cannot exceed the total Danish grant described in Article 5.

Article 2

Objectives of the programme

- a) The development objective of the Danish Programme Support is to reduce poverty, achieve and sustain macroeconomic stability while placing the economy on a path of higher growth, in order to maintain middle-income status and ensure progress towards the achievement of the Millennium Development Goals.
- b) The immediate objectives of the Danish Programme Support are:
 - Component 1) To support the implementation of Ghana’s medium term development policy framework with financial resources, policy dialogue and regular monitoring in a manner which is harmonised with the support from other development partners to reduce transaction costs.
 - Component 2) To assure an accountable, more effective and transparent government at central and local levels.

GoDK will base the actual financial support on progress attained compared to planned progress described in the Documentation. Progress will be measured through the implementing partners monitoring framework as stated in the Documentation.

The immediate objectives can only be adjusted to changes in the programme support context by decision of the joint decision making arrangement described, followed by mutual written agreement between the parties. Such written agreement shall become addendum to this agreement.

Article 3

Management and Execution

The overall management responsibilities of the programme support rests with the Parties, which in meetings or by exchange of letters will agree to major changes in programme support implementation e.g. any additional components or financial reallocation between the components.

Component 1

Implementing Partner	Ministry of Finance and Economic Planning
Joint decision making arrangement	<p>Management of MDBS is described in the Framework Memorandum between the Government of Ghana and development partners dated 19th May, 2008 which stipulates the harmonised modalities: common financial reporting, common procedures for procurement, commitment, disbursement, joint annual review and audit. The Framework Memorandum is signed by the Government of Ghana and African Development Bank, Canada, Denmark, European Commission, France, Germany, Japan, Netherlands, Switzerland, United Kingdom and World Bank.</p> <p>The work of the Multi Donor Budget Support Core Group which is co-chaired by the World Bank and one</p>

	other Development Partner and where all MDBS contributing development partners are represented is limited to programme level issues and is also guided by MDBS Framework Memorandum.
Modality	General Budget Support

Component 2

Implementing Partner	Ministry of Finance and Economic Planning
Joint decision making arrangement	GoDK and other DPs (European Union, United Kingdom and World Bank) signatory to the GIFMIS MoU are members of the Public Finance Management Reforms Steering Committee which will provide strategic policy direction on implementation of the GIFMIS project. The four participating DPs will also jointly monitor progress, have common financial reporting/procedures for procurement, commitment, disbursement and audit as defined in the Memorandum of Understanding (December 2010; Addendum, December 2010).
Modality	Unearmarked pooled funding

Article 4

Obligations of GoG

Under this Agreement, the Government of Ghana shall:

- a) Promptly inform GoDK of any condition which may interfere or threaten to interfere with the successful implementation of the programme support.

- b) Within a reasonable time advice on all reports, recommendations and other matters properly referred for advice by GoDK, in order not to delay or disrupt the execution of the services or the works of the programme support.
- c) Ensure that all relevant provisions in the Documentation, Framework Memorandum (FM) and Memorandum of Understanding (MoU) regarding the GoDK execution of activities are honoured.
- d) Investigate matters, if misuse of funds, fraud or corruption within the programme is discovered. The appropriate authorities i.e. the Criminal Investigation Department or Inspectorate of the Government of Ghana are expected to participate in this endeavour. Where programme/project funds have been lost in such a manner as described above, the Parties will cooperate in order to have the implementing partner repay such funds to the project, in order to ensure that planned activities will not be disrupted.
- e) Commit to implement the objectives of the Ghana Shared Growth and Development Agenda (GSGDA).
- f) Agree that a prerequisite for GoDK's support to the Ghana Shared Growth and Development Agenda is that the GoG will respect the underlying principles of the Framework Memorandum, and:
- Strengthen the monitoring and evaluation system that is used to assess progress on the implementation of the GSGDA
 - Implement the GSGDA and ensure that total expenditure and sector allocations effectively reflect the GoG's growth and poverty reduction commitment and that the budget is comprehensive
 - Further strengthen PFM systems and processes, including procurement and the Medium- Term Expenditure Framework (MTEF), and continue efforts to tackle corruption.

Article 5

Obligations of GoDK

a) GoDK will provide the following financial means for the implementation of the programme:

Name of Component	Implementing Partner	Budget
Component 1 – Multi Donor Budget Support Phase II	Ministry of Finance and Economic Planning	DKK 325 million
Component 2 – Support to Ghana Integrated Financial Management Information System	Ministry of Finance and Economic Planning	DKK 27 million
Other cost (Reviews, Studies, Consultancies, etc.)	Embassy of Denmark	DKK 5 million
Total		DKK 357 million

b) All commitments of GoDK are made in Danish Kroner.

c) GoDK will strive to ensure the predictability of the Grant by informing the GoG of the indicative MDDBS funding for the following year. Under this Agreement, the anticipated amount will be announced following the completion of the respective Progress Assessment Framework (PAF) assessment and prior to the finalisation of the national budget for the year in question.

Article 6

Obligations of both parties

Both parties will:

- a) Strengthen aid effectiveness by endeavour to co-ordinate their efforts under this agreement with other development partners, be they states, international organisations or non-governmental organisations.
- b) Use best endeavours to optimise the use of programme resources

Article 7

Information, monitoring and evaluation

- a) The Parties shall collaborate fully to ensure that the purposes of this Agreement be accomplished. To this end, the Parties shall exchange views with regard to matters relating to the programme and provide each other with all available data, documentation and information; shall provide appropriate mutual assistance required in the discharging of the Parties' duties; and provide all necessary support to facilitate the due implementation of the programme.
- b) Joint evaluations shall be carried out in accordance with the Programme Document and at the request of either Party. Joint annual reviews of the Multi Donor Budget Support and Ghana Integrated Financial Management Information System (GIFMIS) will be carried out, the results of which will determine annual disbursements.
- c) GoDK shall have the right to carry out any technical or financial mission that it considers necessary to monitor the implementation of the programme. To facilitate the work of the

person or persons instructed to carry out such monitoring missions, the GoG shall provide these persons with all relevant assistance, information, and documentation. The mission-free period, 15th September to the end of November, is the period during which GoG Ministries, Departments and Agencies are preparing submission of proposals for the following year's budget, hence usually not available for visiting missions.

- d) Representatives of the Auditor General of Denmark shall have the right to:
 - i) Carry out any audit or inspection considering necessary as regards the use of the Danish funds in question, on the basis of all relevant documentation,
 - ii) Inspect accounts and records of suppliers and contractors relating to the performance of the contract, and to perform a complete audit
- e) Evaluation of the programme support, preferably undertaken jointly by GoDK and the GoG may be carried out at the request of either Party.
- f) After the termination of the programme support GoDK reserves the right to carry out evaluation in accordance with this article.

Article 8

Corruption

No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, including tendering, award, or execution of contracts. Any such practise will be grounds for the immediate cancellation of this agreement or parts of it, and for such additional action, civil

and/or criminal, as may be appropriate. At the discretion of the GoDK, a further consequence of any such practise can be the definite exclusion from any projects funded by the GoDK.

Article 9

Suspension

In case of non-compliance with the provisions of this Agreement and /or violation of the essential elements mentioned in this Agreement GoDK reserves the right to suspend with immediate effect further disbursements to the implementing partners under this Agreement.

Non-compliance includes inter alia:

- The project develops unfavourably in relation to the development objective and immediate objectives mentioned in Article 2,
- Substantial deviations from agreed plans or budget occur,
- Financial management of the activities has not been satisfactory
- Resources to be allocated by the GoG are not provided as agreed,
- Obligations by the GoG as stated in Article 4 have not been fulfilled

If serious irregularity in the project or suspicion thereof has been ascertained, either party may suspend project implementation, wholly or in part, until the suspending party decides to resume the implementation.

Article 10

Settlement of disputes

If any dispute arises between the Parties as to the interpretation, application or implementation of this agreement, they will consult each other in order to reach an amicable solution.

Article 11

Entry into force, duration and termination

This Agreement shall enter into force on the date of signing.

The cooperation between the Parties under this Agreement will have the duration of four years.

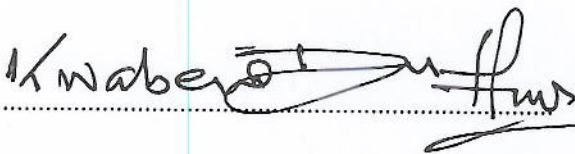
The duration of the cooperation may be extended by mutual agreement and within the agreed budget.

Notwithstanding the previous clause each Party may terminate the Agreement upon 6 months written notice.

In witness hereof the Parties hereto have caused this Agreement to be signed two originals in the English language in Accra on this day of 26th November, 2010

For the Government of Ghana

For the Government of Denmark



Hon. Dr. Kwabena Duffuor
Minister for Finance and Economic Planning

Stig Barlyng
Danish Ambassador to Ghana

