

ODA LOAN AGREEMENT SIGNED WITH REPUBLIC OF GHANA

- To improve the balance of payments -

1. Japan Bank for International Cooperation (JBIC, Governor: Hiroshi Yasuda) decided to provide a loan totaling 5,991 million yen to the Republic of Ghana, and signed today a loan agreement at its head office in Tokyo. This loan ("Economic Reform Assistance Plan") is designed to help the government of Ghana in its efforts to accomplish structural adjustment, and is co-financed with the World Bank and the African Development Bank.
2. The Republic of Ghana has maintained a favorable economic growth since 1983, with its annual growth rate averaging more than 4.5%. Ghana also stands out for its political stability among African countries. These days, however, the markets for cacao and gold, the major products of Ghana, have been sluggish and the country's balance of payments is deteriorating. To cope with this situation, the government of Ghana is striving to push forward with structural reform under guidance of the World Bank and IMF. Lately, the government has launched a full-fledged effort to privatize national enterprises to promote the transition to a private-sector-led economic system.
3. The proceeds of the loan will be used to purchase necessary goods and services that were agreed upon between the governments of Japan and Ghana, while the counterpart fund will be applied to the social and economic development of Ghana. In addition, provision of this loan requires the government of Ghana to implement structural reform policies, including the enhancement of its fiscal management system and the streamlining and privatization of the public institutions. Efforts to stabilize the country's macroeconomy and to upgrade efficiency of the government sector will eventually contribute to the creation of a more vigorous private sector.
4. Including this new loan, the cumulative loan amount extended by JBIC to the Republic of Ghana has reached 125,091 million yen, with 17 projects. The yen fund provided by this ODA loan will be sold through the Central Bank, earning the government local currency. The local currency obtained in this manner is called "the counterpart fund".
(See Appendix for detailed description)

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Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) decided to provide a loan totaling 5,991 million yen to the Republic of Ghana to improve its balance of payments, and signed today a loan agreement at its head office in Tokyo. The agreement was signed by Deputy Governor and Managing Director of JBIC Yoseki Nagase, and Ambassador Extraordinary and Plenipotentiary of the Republic of Ghana Togbi Kporoku III. Including this loan, the total amount of loans extended by JBIC to the Republic of Ghana has reached 125,091 million yen, with 17 projects. (See Attached.)

1. Loan Amount and Conditions

Project Name	Amount (Mil. yen)	Interest Rate (%/year)	Repayment Period / Grace Period (Years)	Tying Status
Economic Reform Support Operation	5,991	1.8	30/10	General Untied

2. Profile of the Republic of Ghana

Ever since drawing up an Economic Recovery Program in 1983, The Republic of Ghana has been striving to accomplish economic structural adjustment, and the stabilization of the macroeconomy in particular. The country has maintained a favorable economic growth since 1983, with its annual growth rate averaging over 4.5%. Ghana also stands out for its political stability among African countries, under the leadership of the present President Rawlings who won the country's first general election under the multi-party system in 1992. In 1983, the government prepared the Economic Recovery Program under guidance of the World Bank and IMF, and launched a full-fledged structural adjustment plan in 1987, whose priority list included the lowering of the exchange rate, the rectification of the national budget prices, and the reform of the Cacao Marketing Board, a monopolistic national enterprise of the cacao sector that provided the major part of the exports. At the end of the 1980s, the government of Ghana carried out the liberalization of the exchange rate to further promote external transactions, as well as the reduction of the government workforce in a bid to correct the fiscal deficit, while trying to reform the financial sector by reinforcing the banking system. Entering the 1990s, the government implemented institutional reforms and relaxed regulations pertaining to investment to boost private sector development. Lately, privatization of national enterprises is gathering momentum, in order to accelerate the transition process toward a more private-sector-oriented economy.

3. Background and Purpose

Acknowledging the importance of collaboration among donors, JBIC has always paid due consideration to the Special Program of Assistance for Low-Income Debt-Distressed Countries in Sub-Saharan Africa (SPA), which corresponds to the Sub-Saharan regional meeting of donors. Under the framework of SPA, JBIC proceeded with preparatory work in cooperation with the World Bank, the co-financier, and the African Development Bank, to make this loan possible. The Special Program of Assistance for Low-Income Debt-Distressed Countries in Sub-Saharan Africa (SPA), a special assistance framework was established in December 1987 under the initiative of the World Bank to help structural adjustment efforts by low-income, Sub-Saharan countries that are suffering from the burden of accumulating debts.

The proceeds of the loan will be used to purchase necessary goods and services that were agreed upon between the governments of Japan and Ghana, while the counterpart fund will be applied to the social and economic development of Ghana. As the country's balance of payments has been deteriorating due largely to substantially low prices of cacao and gold, the key exports of Ghana, on the commodities market, there is urgency for a loan that provides support to the balance-of-payments.

In addition, provision of this loan requires the government of Ghana to implement structural reform policies, including the enhancement of the fiscal management system and the streamlining and privatization of the public institutions. Efforts to stabilize the country's macroeconomy and to upgrade efficiency of the government sector will eventually contribute to the creation of the more vigorous private sector.

JBIC has provided continuous assistance to the private sector of Ghana for its development and structural adjustment, by extending six ODA loans for the projects designed to encourage and strengthen the private sector.