REPUBLIC OF GHANA

MINISTRY OF FINANCE

OPERATIONAL FRAMEWORK OF THE GHANA FINANCIAL STABILITY FUND (GFSF)

DATED 22 AUGUST 2023

EXECUTIVE SUMMARY

I. The Government of Ghana (**GoG**) launched a Domestic Debt Exchange Program (**DDEP**) on the 5th of December 2022, as part of measures aimed at restoring debt sustainability and macro-economic stability. Phase 1 of the DDEP was implemented and settled on 10th February 2023, resulting in the exchange of existing GoG bonds[1] for 12 new GoG bonds with reduced coupon rates, and extended maturities, including a moratorium on principal repayments.[2]

II. The DDEP (Phase 1) has since been concluded, with about 85% of eligible bonds[3] exchanged, about 73.1% of which were held by the financial sector. As anticipated by stress tests conducted by financial sector regulators prior to the conclusion of Phase 1 of the DDEP, the impact of the debt exchange on the financial sector has been significant, as reflected in audited financial results for 2022 recently published by banks and ex-post prudential assessments by regulators.

III. Banks are expected to submit recapitalization plans to BoG by 30th September 2023 showing credible plans to rebuild lost capital buffers with a minimum injection of one-third of capital required annually for each of the three years ending in 2025.

IV. Following the completion of Phase 1 of the DDEP, GoG has also restructured holdings of pension funds of GHS 29.2 billion, Cocoa Bills of GHS8.1 billion as well as dollar denominated domestic bonds of US$ 808.99 million in separate arrangements to close Phase 2 of the DDEP.

V. Additionally, the Government is in discussions with holders of GoG's external debt with the aim of restructuring approximately US$ 18.56 billion external debt including Eurobond claims of US$13.1 billion.

VI. The conclusion of Phase 2 of the DDEP has further impaired the balance sheet of banks and other participating financial institutions. To help mitigate the impact of the GoG debt operation on the financial sector, GoG is establishing the Ghana Financial Stability Fund (**GFSF**) to provide solvency and liquidity support for the financial sector as needed.

VII. An initial allocation of US$750m, consisting of US$250m loan facility from the World Bank/IDA and US$500m from the GoG, has been earmarked for the solvency window of the GFSF.

VIII. This document, the operational framework of the GFSF, sets out in detail the set up of the fund including the sources of funding, PFIs eligibility criteria for accessing the fund, the terms and conditions, and governance arrangements of the fund, among others.

1 Includes bonds issued by ESLA PLC and Daakye Trust, both SPVs set up by GoG.

2 Under Phase 1 of the DDEP, bonds maturing in 2023 were exchanged for 7 new bonds maturing from 2027 to 2033. Bonds maturing post-2023 were exchanged for 12 new bonds maturing from 2027 to 2038.

3 Excludes bond holdings of domestic pension funds, cocoa bills, and the GoG domestic USD bonds.

1. BACKGROUND

1. The Government of Ghana (**GoG**) on the 5th December 2022, announced the Domestic Debt Exchange Program (DDEP), as part of measures aimed at restoring debt sustainability and macro-economic stability. Following stakeholder engagements on the proposed terms and conditions, a revised memorandum on the DDEP (2nd Amended and Restated Exchange Memorandum) was issued on 3 February 2023. The debt exchange (referred to as Phase 1 of the DDEP) was implemented and settled on the 10th February 2023, resulting in the exchange of existing GoG and SOE/SPV bonds for 12 new GoG bonds with reduced coupon rates, and extended maturities, including moratorium on principal repayments.[4]
2. As of December 2022, the total outstanding debt (Eligible and non-Eligible Holders) amounted to approximately GHS 137 billion. Subsequent extensions of dates and payment of maturities meant that the remaining stock was reduced from GHS 137 billion to GHS 130 billion. However, the Eligible Bonds as per the Exchange Memorandum meant an exclusion of Pension Funds and Bonds that were subject to swap mechanisms for monetary and exchange rate policy operations. This brought the eligible bonds for tendering to GHS 97,749,624,691. Out of the total GHS 97,749,624,691 eligible bonds for tendering, GHS 82,994,510,128 was successfully tendered. This accounted for about 85 percent of outstanding eligible amounts and met the target of 80 percent as expressed in the Memorandum of Exchange.
3. The financial sector's participation in the exchange included all universal banks, and some Specialized Deposit-Taking Institutions (SDIs – namely, Savings and Loans Companies, Finance Houses, Rural and Community Banks, and Microfinance Companies). In addition, some insurance companies (life, non-life, and re-insurance companies), SEC licensed firms (e.g., fund management companies, collective investment schemes and broker-dealers) also participated in the DDEP. This resulted in the financial sector surrendering total bonds of 73.1% of the total bonds restructured under Phase I of the DDEP. Banks accounted for about 58.27% of the total restructured bonds. Following the completion of the DDEP Phase I, Government also restructured Pension Funds GoG bond holdings, Cocoa bills and dollar denominated domestic bonds under the DDEP phase 2.
4. In addition, the GoG committed to deploying public resources to ensure that the stability of the financial system is not compromised because of the DDEP. In this regard, the Ministry of Finance (**MoF**), Bank of Ghana (**BoG**) and other financial sector regulators have developed the Ghana Financial Sector Strengthening Strategy (**GFSSS**) document which required the set-up and operationalization of the GFSF.
5. The GoG is accordingly allocating budgetary resources for the establishment of the Ghana Financial Stability Fund (**GFSF**) to minimize the adjustment burden on the financial sector, particularly, banks, and insurance companies over the medium-term, and to avoid any systemic financial crisis.

2. THE GHANA FINANCIAL SECTOR STRENGTHENING STRATEGY (GFSSS)

6. The Ghana Financial Sector Strengthening Strategy serves as the blueprint for the establishment of the Ghana Financial Stability Fund (the "Fund") which seeks to mitigate the potential impact the DDEP may have on the financial institutions (Banks, SDIs, Insurance, and the Capital Market). Parallel to this strategy is the development of the Insurance Sector Strengthening Strategy (**ISSS**) which is a sub-strategy to be implemented with the assistance of AfDB by 2024.
7. This GFSSS document sets out measures being taken by regulatory authorities and GoG to preserve financial stability throughout and following the Government debt restructuring exercise.
8. Additionally, the GFSSS document will be subject to annual reviews over the next two years (with

End-June each year) as the reference period unless significant market conditions dictate a more-frequent review.

3. ESTABLISHMENT OF THE GHANA FINANCIAL STABILITY FUND

3.1 Objective, Fund Size, and Sources

9. The Ghana Financial Stability Fund (**GFSF**) is being established by GoG as an additional safety net provider to help mitigate the potential impact of the GoG debt operations on the financial sector.

10. The GoG will provide financing support to the GFSF, consistent with the resources envisaged by the Extended Credit Facility (**ECF**) macro-framework baseline, and intends to deploy these resources in phases to address the recapitalization efforts of the financial sector. The GoG has therefore committed the GHS equivalent of US$750m to the first phase funding of the GFSF, which will be funded as follows: US$250m concessional loan from the World Bank/IDA and US$500m from GoG in the form of cash and marketable bonds to support the rebuilding of capital buffers for the financial sector following the impact of the GoG debt operation. The GoG bond will be a tap issuance of one of the longest-dated new benchmark bond series issued under the Domestic Debt Exchange Programme (**DDEP**). Overall, the GoG will also stand ready to do all it takes within the resource envelope to preserve the stability of the financial system. The Ministry of Finance (**MoF**) will work with the IMF to address any cash flow gaps, especially in light of the tight financing conditions in the domestic market.

11. The GFSF will provide solvency support to eligible financial institutions (**FIs**). The design of the GFSF, including its target size, duration, sources of funding, access conditions, and governance arrangements, will help to avoid moral hazard and provide incentives for orderly unwinding and market-based solutions in the long-term. Funding for the solvency support will be structured on commercial terms as would be offered to a private investor, and shall not be bailouts. In some instances, concessionary commercial rates may be considered with improved governance structures.

12. Generally, the sources of recapitalization by banks and other FIs over the next three years will be the following, in the order of priority:

    a. recapitalisation by existing shareholders in line with the capital rules of the respective regulators.
    b. injection of new equity capital by new investors accepted by existing shareholders and certified as fit and proper by the respective regulators.
    c. support from GoG for eligible FIs that meet agreed prescribed criteria for accessing solvency support from the GFSF.

13. Overall, the GoG will stand ready to do all it takes to provide the necessary fiscal backstop in helping preserve the stability of the financial system. The MoF will address any cash flow gaps in close consultation with the IMF, given tight financing conditions in the domestic market.

14. The GFSF is being operationalized through two windows: a Solvency window (Fund A) and a Liquidity window (Fund B).

3.2 Solvency Window (Fund A)

15. The Solvency window is expected to provide recapitalization support to financial institutions whose solvency is adversely impacted by the DDEP and to help restore them to full compliance with minimum regulatory capital requirements in the shortest possible time and no later than the end of the **ECF** programme.

16. This window will be designed as two distinct but complementary sub-funds (Fund A1 and Fund A2) under the GFSF, reflecting financing support from the World Bank/IDA (Fund A1) and from GoG directly (Fund A2).

3.2.1 Solvency Fund A1 (World Bank/IDA Funding)

17. The Solvency Fund A1 will be supported with World Bank/IDA funding (US$ 250 million) and will be available to only banks and SDIs who meet specified criteria. Solvency support from this sub-fund will be provided through a subscription for capital instruments issued by eligible banks and SDIs and structured as marketable perpetual debt instruments that meet BoG's regulatory requirements for Additional Tier 1 (**AT1**) Capital Instruments under the Capital Requirements Directive (**CRD**). A draft standard Term Sheet for the proposed AT1 Instrument is available to be shared with eligible banks and SDIs upon qualification.

18. Key eligibility criteria for banks and SDIs accessing the Solvency Fund A1 include full participation in the DDEP, proven solvency and viability notwithstanding the GoG debt restructuring impact and discounting regulatory forbearance and other reliefs, matching equity contribution by existing shareholders in a ratio to be determined by the Investment Committee (IC) and approved by the MoF.

19. Funding from Solvency Fund A1 will be disbursed by GoG under an operational framework agreed with the World Bank/IDA to eligible banks and SDIs who will in turn issue AT1 instruments to be acquired by GoG. GoG will establish a framework to monitor the governance and performance of beneficiary banks and SDIs as well as exercise all rights attached to the AT1 instruments.

3.2.2 Solvency Fund A2 (GoG Funding)

20. GoG will prioritize the use of Solvency Fund A2 to recapitalize viable banks in which GoG already has equity either directly or through Ghana Amalgamated Trust Plc (**GAT**) as well as other financial institutions owned by GoG or indigenously controlled. This implies that GoG will focus its resources on promoting the stability of state-interest banks.

21. GoG is open to extending access to Solvency Fund A2 to indigenously controlled banks, SDIs, insurance companies and SEC-licensed firms that are determined by their regulators to be viable but are not eligible to access Solvency Fund A1 and whose shareholders are willing to recapitalize them to an extent based on a specified ratio.

22. Key eligibility criteria for financial institutions (FIs) accessing the Solvency Fund A2 include:
    a. full participation in the DDEP,
    b. a viable capital restoration plan notwithstanding the GoG debt restructuring impact and discounting regulatory forbearance and other reliefs, and
    c. a commitment from shareholders to inject additional capital to complement GoG's funding (in a ratio of 1 to 1) to ensure that the dilution of private shareholders is kept to a minimum.
    d. Evidence of strong governance and prudent management, (for example, FIs must achieve a minimum of 75% implementation rate of most recent on-site regulatory examination prescriptions, and
    e. full compliance with regulatory directives (Corporate Governance Directives, Guidelines, Cyber Security Directives, and Risk Management Directives).
    f. In the case of insurance companies, their eligibility will be in line with the Insurance Industry Strengthening Strategy (ISS).

23. For state-owned financial institutions, there will be direct investment from Government. With privately owned institutions, there will be an indirect investment through the Ghana Amalgamated Trust (GAT). This is to minimize any direct GoG involvement and ownership in any of these institutions.

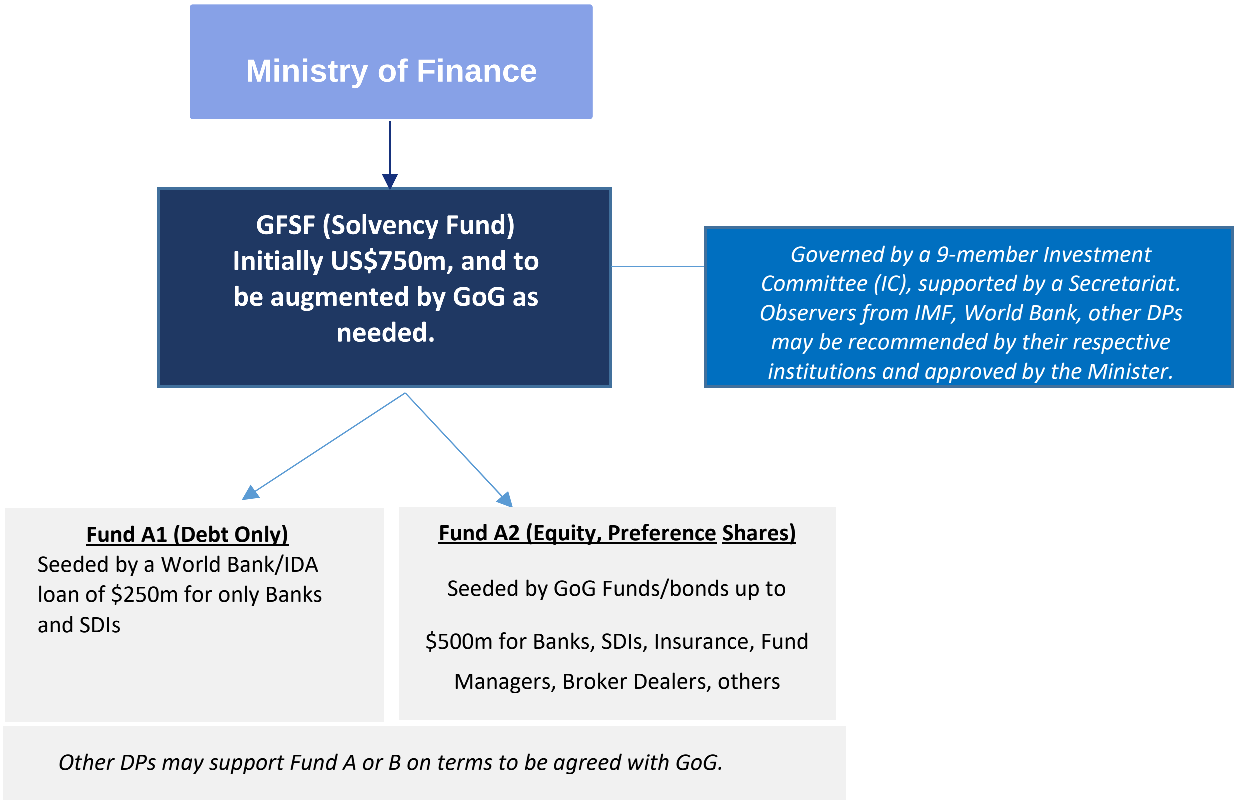
24. Solvency support from this sub-Fund will be provided through a subscription for Tier 1 equity

and/or marketable Tier 2 capital instruments issued by eligible institutions.

25. Funding from Solvency Fund A2 will be in the form of GoG Recapitalization bonds to be issued to eligible FIs and/ or direct cash disbursements by GoG to such FIs, in a combination to be agreed on a case-by-case basis in conjunction with relevant sector regulators. Beneficiary FIs will in turn issue Common Equity Tier 1 capital instruments (ordinary shares) and/or Tier 2 capital instruments to be held by GoG directly (in the case of all state-interest institutions) or to be held by GAT in trust for GoG (in the case of privately owned institutions). GoG/GAT will exercise rights attached to equity shares and Tier 2 instruments issued in their favor and will monitor the governance and performance of beneficiary banks/SDIs through mutually accepted Shareholder Agreements (**SHA**) and/or Share Subscription Agreements (**SSA**).

26. GoG recapitalization bonds will be structured to meet the regulatory capital requirements of relevant sector regulators and will not expose eligible FIs to further significant valuation losses. As FIs seek to manage their delicate liquidity positions prudently, and work towards reducing their sovereign exposures over the medium-to-long-term to avoid further impairment losses by external auditors and generally to improve the resilience of their balance sheets, design features of recapitalization bonds will consider market dynamics to promote marketability (yield, tenor, tradability) for secondary market trading purposes. Consequently, recapitalization bonds will be issued as a tap-in from the medium to long-term dated GoG exchange bonds issued in February 2023.

Figure 1: Proposed Structure of the Solvency Fund



27. To ensure effective governance of the GFSF:

   a. the Fund will be governed by a nine (9) member Investment Committee (IC), with four (4) independent experts recommended by industry associations and approved by the MoF.
   b. Development Partners may recommend observers to the committee subject to the approval of the Hon. Minister for Finance.

c. BoG and other relevant Regulators will approve recapitalization plans, instruments, and criteria for their respective financial institutions. Based on these, the IC will take investment decisions regarding eligible financial institutions.
d. GAT will serve as the Secretariat for Solvency Fund A2 and will set up a ring-fenced operational framework for managing the Fund.
e. Fund A1 will have a project unit at MoF as pertains to World Bank funded projects.

3.3 The Liquidity Window (Fund B)

28. The Liquidity Window (Fund B), when established, will support all solvent financial institutions (banks and non-banks) that may have liquidity shortfalls and may not be in the position to honour maturing obligations as a result of the DDEP and Eurobond restructuring.

29. Funds available at this window will be provided by GoG and domiciled with the BoG and managed under a liquidity support framework designed to provide only temporary liquidity under strict terms and conditions that mitigate moral hazard. Institutions assessing these funds will be subjected to a solvency test by their respective regulators and will provide eligible collateral to be specified, pay a market-based interest rate, and be subject to enhanced supervision and reporting.

30. The liquidity window will be managed by the BoG under the auspices of the Ghana Financial Stability Council (GFSC).

3.4 GFSF Reporting

31. The Secretariat will be responsible for investment analysis, recommendations, Due Diligence as well as post investment monitoring and report to the IC.

32. The IC through the secretariat will report to the Minister on the GFSF on a quarterly basis.

33. MoF will report to the public and Parliament through its mid-year and annual budget statements.

34. Misrepresentation by FIs under funding requests to the GFSF or under monthly reports submitted to their regulators or the secretariat for the GFSF will be sanctioned under relevant regulatory regimes, as well as under the terms and conditions of the Fund.

3.5 Exit Strategy

35. Except for state-owned financial institutions, funding provided by GoG through the GFSF (Solvency Fund A1 or A2 or the Liquidity Fund) will be for a fixed term. The investment will be structured in line with the duration of the IMF-ECF programme. Upon exit, GAT will give first rights to the existing shareholders to buy its investment stakes.

36. In particular, GoG's investments in eligible FIs will be carefully appraised and selected to ensure that GoG;

    a. earns competitive returns on such investments over the medium-to-long term; and
    b. reduces or fully divests its holdings in capital instruments issued by relevant FIs over the medium-to-long term through market-based mechanisms such as initial and first rights for the existing shareholders to buy back GoG's investments or equity stakes, private placements, or listing via the Ghana Stock Exchange.

4. OPERATIONALISATION OF THE GFSF

4.1 The operational framework

37. This document outlines the operational framework for implementing the solvency window of the GFSF (Fund A). A separate operational framework will be developed for Fund B (Solvency Fund), if activated.

38. GFSF will cover;

    a. banks
    b. special deposit-taking institutions (SDIs) and Rural and Community Banks (RCBs)
    c. insurance companies,
    d. fund managers, collective investment schemes and broker-dealers.

39. The GFSF will operate with the best international governance practices and transparency. It is also designed to facilitate contributions from international donors;

40. The IC over the policy guidance of MoF, supported by respective regulators, will be the primary decision-making body regarding the identification of financial institutions to receive support from the GFSF (Funds A1, A2, and any other facilities under GFSF remit), as well as the scale and terms of interventions and exits; and

41. The duration of the GFSF will be in line with the IMF-ECF program.

4.2 Roles of the MoF, BoG, Regulators and GAT

42. **MoF** will provide the broad policy framework for the GFSF in line with the Public Financial Management Act (PFMA) as public funds are committed for the stability of the financial system. MoF will provide accountability and oversight of GFSF operations in line with the fiduciary responsibilities to manage public funds.

43. MoF will also chair the investment committee and report to the public and parliament on the performance of the fund.

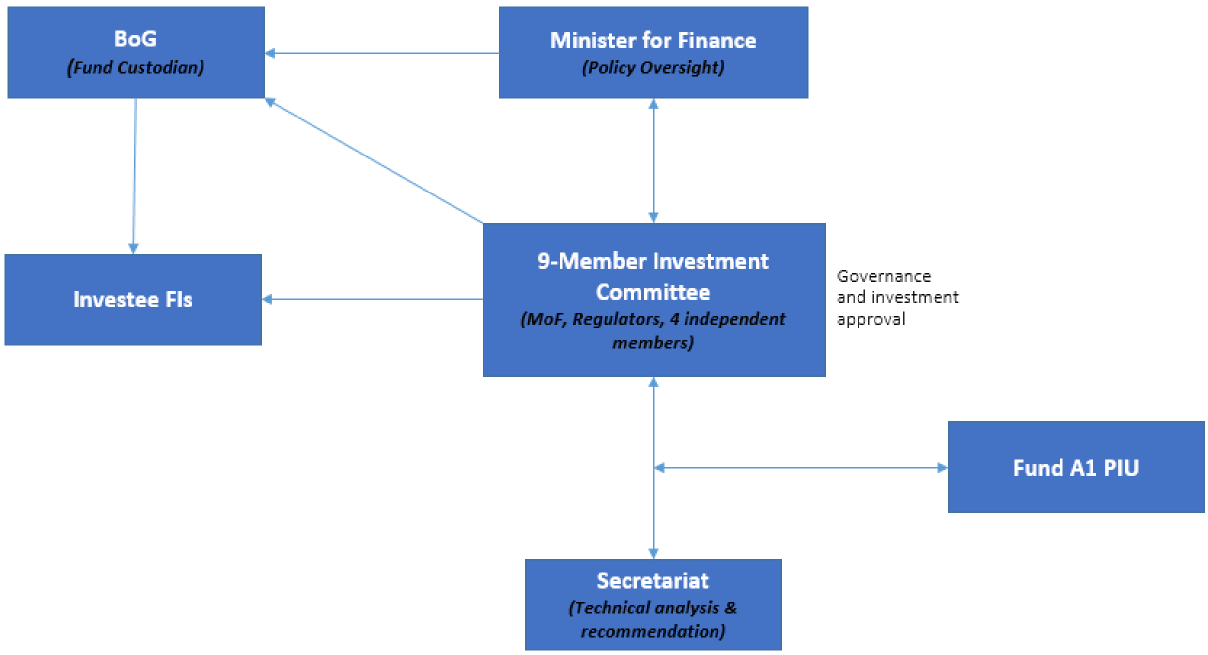
44. Additionally, MoF will set-up a Project Implementation Unit (PIU) to coordinate the implementation of the World Bank funded fund A1 as pertains to all World Bank funded projects.

45. **GAT** will serve as the Secretariat for Solvency Fund A2 and will set up a ring-fenced operational framework, approved by the MoF, to guide its operations. GAT will also hold in trust for the Government, GoG's investment in the privately owned financial institutions. As part of its roles, GAT will conduct investment analysis, recommendations, due diligence, post investment monitoring and report to the IC.

46. **Regulators**: BoG, SEC, NIC, and other relevant regulators will approve recapitalization plans, for their respective financial institutions and support GFSF by validating capital shortfalls, stress testing outcomes and will each be represented on the GFSF Investment Committee.

47. BoG will be the custodian of all GFSF funds.

Figure 2: Framework of the GFSF



4.3 Budget

48. The operational budget to support MoF and GAT's role as Secretariat will be established on an annual basis and approved by the IC; and

49. The operational budget will include costs associated with administration, financial due diligence, legal due diligence, and execution.

5. Eligibility Assessment

5.1 Selection Process

50. The Secretariat will be responsible to assess the eligibility of applicant financial institutions according to defined criteria;

51. Investment Committee members will approve all investments;

52. Proposals to proceed with the investment due diligence, approvals, and execution will be approved on a no-objections basis; and

53. The Secretariat may work with independent advisors for the selection process.

6. Investment Committee

6.1 Committee Composition

54. GFSF is governed by a 9-member Investment Committee (**IC**) chaired by the MoF with members including senior level representatives from the BoG, National Insurance Commission (**NIC**), National Pensions and Regulatory Authority (**NPRA**), and Securities and Exchange Commission (**SEC**), with 4 independent representatives recommended by industry and professional organizations including the Ghana Association of Banks, Ghana Insurers Association, Ghana

Securities Industry Association and Chamber of Trustees and approved by the Minister.

55. Additionally, there may be observers who will be appointed by the Development Partners and approved by the Minister.

6.2 Member Selection

56. IC members must represent sufficient seniority: i.e. MoF director or above from MoF, BoG head of department, head of division for NIC, NPRA, and SEC.

57. IC members recommended by industry associations will be vetted by the MoF to avoid conflicts of interest and undue advantage.

58. IC members will be appointed for a defined term and may be renewed by the Minister of Finance.

59. One representative each from the World Bank and IMF may be invited to attend IC meetings as non-voting observers by the Chair.

6.3 Investment Decisions

60. The investments will be determined by the following process;

    a. The IC will review investment and divestment proposals for participating financial institutions.
    b. The IC will approve investment targets, size, pricing, and terms of investments.
    c. The relevant Secretariat will provide a Transaction Memo, which will include detailed information on eligibility assessments, regulatory stress tests and reporting, and outcomes from the detailed due diligence process, including viability judgements.
    d. The Transaction Memo will include detailed recommendations for investments/divestments, including the rationale for negotiated terms of intervention.
    e. The Investment Committee will review the transaction memos and oversee and challenge the assessments of the Secretariat teams to ensure the quality and completeness of recommendations.
    f. The Chair will convene in-person, virtual, or hybrid meetings of the IC as required. The frequency of meetings shall be bi-monthly for transactional approvals. Any IC member may propose to convene an IC meeting; however, these meetings will ultimately be at the discretion of the Chair.
    g. Decisions of the IC will be based on consensus by the members. The IC will develop guidelines for its meetings which will be approved at its maiden meeting.
    h. Proceedings from IC meetings will be documented in the form of minutes

7. Investment Process

7.1 Detailed Due Diligence (DD) by Secretariat

61. DD will be initiated on the FIs upon passing the initial eligibility assessment. Through an off- and on-site DD, Secretariat will carry out detailed technical, legal, and regulatory due diligence as well as operational, risk, market, and financial analysis of the eligible FIs who apply for the program, as appropriate.

7.2 Financial Modelling and Selection of Instruments

62. Outlines of analytical processes for equity and hybrid investments (i.e. projections, scenario analysis) will be created for each eligible FI.

63. The process to identify appropriate instruments (common equity, preference shares, AT1, etc) for each FI will be considered.

7.3 Transaction Memo

64. The respective working team of each Secretariat will produce an investment thesis document

that will outline the proposed transaction, including a summary of the due diligence, financial model, and the proposed terms of the transaction.

7.4 Committee Approval Process

65. Senior investment professionals from the Secretariat will present findings to the IC outlined in the Transaction Memo. When required, follow-up submissions will be shared with the IC, and/or additional IC meetings will be conducted.

7.5 Investment Execution

66. Secretariat will be responsible for the execution of the investments within the timeframe approved by the IC.
67. Investment procedures are to be carried out in line with eligibility criteria, including shareholders contributions and regulatory capital shortfalls.
68. State-owned FIs will receive direct investments from MoF upon approvals from the IC.

8. Due Diligence Checklist

69. Detailed due diligence checklists will be tailored by sector (banks, special deposit-taking institutions, insurance companies, fund managers, collective investment schemes and broker-dealers). The general due diligence checklist for financial institutions will cover the following processes:

8.1 Transaction Description and Documents

a. The planned use of proceeds, planned co-investors, and high-level financial overview.

8.2 Company Profile

a. Constitutional documents of any companies to which funding will be applied, Constitutional documents of any other proposed entity, guarantor, or security provider.
b. Governance Structure: Summary profiles of the Board of Directors, Board-level committee memberships and responsibilities, Agenda, and minutes of the last three board meetings.
c. Management: Summary profiles of senior management, Management-level committees, and responsibilities, organization chart (most recent).
d. Business strategy and mission.

8.3 Financials and Audited Financial Statements

a. Latest management accounts projected financial statements (current year and two years forward), rating reports (where relevant), Management letter (Latest).

8.4 Financial Performance

a. Revenue Analysis, Profitability Ratios (Return on Assets, Return on Equity, Net Interest Margin, and Operating Efficiency Ratio), Net Interest Income, Non-Interest Income, Earnings per Share (**EPS**), and Net Income Trends.
b. Costs: Operating Expenses and Management fees.
c. Dividends and Payout Ratios.
d. Asset Quality: Loan Portfolio Analysis, Non-Performing Loans (**NPLs**), Provisions for Loan Losses, Loan Underwriting Standards, Credit Risk Management, Asset Quality Ratios (the

NPL ratio, Loan Loss Reserve to Total Loans ratio, and Net Charge-Offs ratio), Securities and Investment Portfolio, Asset Liability Management.

e. Capital Adequacy and Capital Structure: Capital Ratios, Capital Adequacy Planning, Business Growth vs. Capital Generation, Capital Composition, Debt-Equity Mix, Cost of Capital, Interest Coverage Ratio, Maturity Profile, Credit Rating, Capital Structure Optimization, Debt Covenants.

8.5 Risk Management

a. Risk Identification, Risk Assessment and Measurement, Risk Mitigation Strategies, Risk Monitoring and Reporting, Governance and Risk Culture.

8.6 Environmental, Social, and Governance (ESG) Documents

b. Policy documents, leaflets, or handbooks on ESG.

9. Portfolio Management

9.1 Board Representation (Non-state-owned financial institutions)

70. GFSF may negotiate board representation for its investments as appropriate to ensure the right use of funds, effective reporting on investments, value creation through transformation, and timely exits. GFSF may have an observer role on the boards of FIs who opt for commercial investment rates of return. However, GFSF would negotiate board representation for FIs who opt for concessionary investment rates of return.

71. In its periodic reporting to the IC, the Secretariat will include any strategic decisions taken by GoG/GAT in consultation with the FIs, including management changes, dividend policy, mergers, and acquisitions, etc.

9.2 Divestment Process

72. The GFSF Secretariat will submit divestment proposals to the IC with a Transaction Memo outlining the rationale for the disposal.

73. The IC will approve divestment decisions.

9.3 Reporting and Monitoring

74. Budget statements will estimate funding and resourcing requirements for the Secretariat to support its operations and GoG's investments in the FIs

75. The Secretariat will prepare periodic reports on the investment portfolio for the MoF.

9.4 Environment, Social, and Governance Safeguards

76. With respect to finances provided by the World Bank to Fund A1, the MoF project office will furnish the required reporting under the facility agreement.

10.GFSF Operational Process Flow

#	Activity	Responsible Party	Estimated Duration (Days)
1.	Publicly publish the Eligibility Criteria for the GFSF Solvency.	MoF	2

2.	a. Eligible companies apply for funding through the Ghana Amalgamated Trust (GAT) and Secretariat. b. Secretariat conducts initial screening to determine eligibility of applicants. c. Secretariat submits reports and lists of screened applicants to the Investment Committee (IC). d. Fund A1 applications will be via MoF project implementation unit	Applicants & Secretariat	14
3.	a. The IC reviews the investment and divestment decisions of participating financial institutions. b. The IC reviews the screening reports and determines eligibility and funding amounts for each applicant. c. The IC relays its decisions to GAT.	IC	14
4.	Secretariat notifies applicants of the IC's decision and the next steps (e.g., information request).	Secretariat	3
5.	Applicants provide complete requested investment information to GAT for review.	Applicants	14
6.	a. Secretariat, in conjunction with Advisors, conducts legal, financial, and tax due diligence on the selected companies. b. Secretariat sends transaction memos of outcomes from the detailed due diligence process, including viability judgements and recommendations to the IC.	Secretariat & Advisors	60
7.	a. The IC reviews the transaction memos and checks and challenges the assessments submitted, to ensure quality and completeness of recommendations. b. The IC determines the investment structure, terms, and pricing of the funding to be awarded to each applicant. c. IC approves or declines applicant funding requests and informs Secretariat to draft agreements and Conditions Precedent (CPs) where applicable.	Secretariat	14
8.	Secretariat drafts agreements and CPs and engages selected companies to negotiate and align to finalize and sign.	Secretariat, Selected Companies & Advisors	30
9.	Selected companies complete CPs to receive funds.	Selected Companies	TBD
10.	Secretariat submits completed agreements and CPs to IC for authorization to release funds.	Secretariat	5
11.	The IC authorizes the release of funds/bonds through BoG to applicants.	IC, MOF & BoG	3
12.	Finalize post-completion (PCs) matters per investment agreements	Secretariat & Investee Companies	60
13.	Monitor and evaluate investments through the submission of reports from the investee companies.	Secretariat	N/A

11. APPENDICES

Appendix 1: Banking Sector - Eligibility Criteria

#	Dimension	Eligibility Threshold	Qualification Criteria (as of Q3 2022)
1	DDEP Participation	100% exchange of Old Bonds for New Bonds under the GoG DDEP	100%
2	Regulatory Capital (unimpaired)	Regulatory Minimum Capital Required (MCR)	GHS 400 Million
3	Capital Adequacy Ratio (**CAR**)	CAR not to fall below 13%	>=13%
		CAR (T-1) not to fall below 10%	>=10%
4	On-site Examination Report	Achieve a minimum of 75% implementation rate of most recent on-site regulatory examination prescriptions"	>=75%
5	Shareholder Contribution Ratio		1:1

Appendix 2: Insurance Sector - Eligibility Criteria

	Category	Eligibility Threshold	Qualification Criteria (as @ Q3 2022)	
			Life & Non-life	Reinsurance
1	DDEP Participation	Portion of Old GoG Bonds Exchanged for New GoG Bonds	100%	100%
2	Capital Adequacy	Regulatory Minimum Capital Required (MCR)	GHS 50 Million	GHS 125 Million
		Capital Adequacy Ratio (CAR % >150%)	>=150%	>=150%
3	Shareholder Contribution Ratio		1:1	1:1

Appendix 3: Specialized Deposit-Taking Institutions & Other FIs - Eligibility Criteria

	Category	Eligibility Threshold	Qualification Criteria (as @ Q3 2022)
			SDIs and others
1	DDEP Participation	Portion of Old GoG Bonds Exchanged for New GoG Bonds	100%
2	Capital Adequacy	Regulatory Minimum Capital Required (MCR)	As required by respective regulators
		Capital Adequacy Ratio (CAR)	As determined by respective regulators
3	Regulatory Compliance	Compliance with all regulatory requirements	As required by respective regulators
4	Shareholder Contribution Ratio		1:1