AGREEMENT BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF GHANA ON THE CANCELLATION OF THE DEBT OF GHANA

The Government of the Italian Republic and the Government of the Republic of Ghana, in the spirit of friendship and economic co-operation existing between the two countries and on the basis of the Agreed Minute on the consolidation of the debt of Ghana, signed in Paris on July 22, 2004 by the countries taking part in the Paris Club meeting, agree as follows:

Article I

1. The present Agreement concerns the cancellation of:

a) 100% of debt outstanding, including arrears, at the date of the signature of the present Agreement, for both principal and contractual interest as well as default interests, related to all previous bilateral debt rescheduling Agreements, as well as contracts and financial conventions concluded before June 20th, 1999, due from the Government of the Republic of Ghana to Italy through "SACE Spa" – Servizi Assicurativi del Commercio Estero and MEDIOCREDITO CENTRALE (now MCC Spa) .

b) 100% of late interest on debts envisaged in the paragraphs a) above, calculated from the due dates and accrued up to the date of the present Agreement. Such late interest will be computed at the rate of 4,74% p.a. for debts owed to "SACE", while for debts owed to "MCC" late interest will be computed at the rate set in the relevant Financial Convention plus a margin of 1% p.a.

2. The above-mentioned debts are listed in the Annexes to the present Agreement. These annexes may be revised by mutual consent of the two Parties.

3. It is understood that contracts concluded after June 20th, 1999 are excluded from the present cancellation or any other future debt reorganization.

Article II

1. In order to obtain the above mentioned debt cancellation the Government of the Republic of Ghana continues to commit itself to:

a) respect human rights and fundamental freedoms and refrain from the use of force as a mean of settlement of international disputes;

b) pursue sustainable development within the context of a national poverty reduction strategy, designed in consultation with the domestic civil society and international partners;

c) assign to the national budget resources for military purposes not exceeding the legitimate needs of security and defence of the country.

2. The Government of the Republic of Ghana commits itself to submit to the Ministry for Foreign Affairs of the Italian Republic, within three months from the signature of the present Agreement, the project for the allocation of the funds (including sectorial investment programmes) released by debt cancellation, in accordance with the national poverty reduction strategy. The project will have to be approved through diplomatic channels.

Article III

The infringement of the commitments set forth in Article II will be verified on the basis of:

a) deliberations of International Organizations (in particular of the United Nations system), of the European Union and of the International Financial Institutions;

b) assessments of the congruity of military expenses;

c) official progress reports on the implementation of the project (including sectorial investment programmes) mentioned above in Article II, paragraph 2.

Article IV

1. Should the verifications set forth in Article III indicate that the Government of the Republic of Ghana does not fulfil one or more of the commitments set forth in Article II, the Government of the Italian

Republic will request the Government of the Republic of Ghana to start bilateral consultations. These consultations may be replaced, at the request of the Government of the Italian Republic and if applicable, by those set forth in Article 96 of the Cotonou Agreement between the members of the ACP group of States and the European Community and its member States.

2. Should the Government of the Republic of Ghana not answer, within two months, to the request of consultations, or should such consultations be not satisfactory in relation to serious infringement of the commitments set forth in Article II, the Government of the Italian Republic can decide the suspension of the present Agreement.

3. Pending the suspension the Government of the Republic of Ghana will be responsible for all payments of the maturities previously scheduled and due after the above mentioned decision.

4. Once the conditions set forth in Article II are deemed re-established, according to the verifications of Article III, the Government of the Italian Republic will consider lifting the suspension.

5. If, after a congruous period of time, the conditions set forth in Article II are deemed not to have been re-established according to the verifications of Article III, the Government of the Italian Republic will denounce the present Agreement and the denouncement will be effective thirty days after the notification to the other Party.

Article V

Except for its provisions, this Agreement does not impair either legal ties established by common law or contractual commitments entered into by the Parties for the operations to which debts are referred to in Article I of this Agreement.

Article VI

The present Agreement shall come into force at the date of signature and will remain in force until the completion of the project as per Article II, paragraph 2.

In witness thereof the undersigned Representatives, duly authorized by their respective Governments, have signed the present Agreement.

DONE at Accra on 1.6.2005 in two originals in the English language.

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC: Giancarlo Izzo
FOR THE GOVERNMENT OF THE REPUBLIC OF GHANA: Baah-Wiredu