

**CONFORMED COPY**

**CREDIT NUMBER 4011 UNI**

# **Development Credit Agreement**

**(Economic Reform and Governance Project)**

**between**

**FEDERAL REPUBLIC OF NIGERIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated January 24, 2005**

**CREDIT NUMBER 4011 UNI**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated January 24, 2005, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**General Conditions; Definitions**

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive, or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Annual Work Plan” means the plan referred to in Section B.1 of Schedule 4 to this Agreement;

(b) “Bureau of Public Service Reform” or “BPSR” means the agency of the Borrower responsible for coordination, monitoring, and evaluation of reform

implementation, and referred to as Implementation Agency (as hereinafter defined) G for purposes of Project implementation;

(c) “Economic and Financial Crimes Commission” or “EFCC” means the entity established under the Borrower’s Economic and Financial Crimes Commission (Establishment) Act of 2002 for purposes of investigation and prosecution of economic and financial crimes, and referred to as Implementation Agency F for purposes of Project implementation;

(d) “Eligible Categories” means Categories (1)-(6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for goods, works, and consultants’ services referred to in Section 2.02 of this Agreement;

(f) “Federal Executive Council” means the council established under the Borrower’s Constitution of 1999 as the highest executive organ of the Borrower;

(g) “Federal Inland Revenue Service” or “FIRS” means the service established under the Borrower’s Companies Income Tax Act Cap 60 Laws of the Federation of Nigeria 1990 for purposes of tax administration, and referred to as Implementation Agency E for purposes of Project implementation;

(h) “Federal Ministry of Finance” means the Borrower’s ministry responsible for finance;

(i) “Federal Ministry of Information and National Orientation” means the Borrower’s ministry responsible for information and national orientation;

(j) “Federal Office of Statistics” or “FOS” means the Borrower’s agency responsible for statistics, and referred to as Implementation Agency J for purposes of Project implementation;

(k) “Federal Treasury Academy” means the Borrower’s institution responsible for training of accounting and auditing staff in the Borrower’s federal civil service;

(l) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(m) “Fiscal Year” means the Borrower’s fiscal year, which runs from January 1 till December 31 of the same calendar year;

(n) “Government Integrated Financial Management Information System” or “GIFMIS” means the Borrower’s computerized system for management of its financial resources, and which includes financial management software and supporting infrastructure;

(o) “Implementation Agency” means the entity responsible, through its Project Implementation Task Team (as hereinafter defined), for implementation of each part (or sub-part) of the Project;

(p) “International Public Sector Accounting Standards” or “IPSAS” means internationally acceptable accounting standards for the public sector as issued by the International Federation of Accountants;

(q) “Ministry of the Federal Capital Territory” means the Borrower’s ministry responsible for the Federal Capital Territory;

(r) “Naira” or “NGN” means the currency of the Borrower;

(s) “National Planning Commission” or “NPC” means the commission established under the Borrower’s National Planning Commission Act No. 71 of 1993 for purposes of drawing up of national priorities and programs, and implementation strategies thereof;

(t) “National Pension Commission” or “PENCOM” means the commission established under the Borrower’s National Pension Commission Act No. 2 of 2004 for purposes of regulation and supervision of pension matters, and referred to as Implementation Agency I for purposes of Project implementation;

(u) “Nigerian Accounting Standards Board” or “NASB” means the board established under the Borrower’s Nigerian Accounting Standards Board Act No. 22 of 2003 for purposes of development and publication of accounting standards for preparation of financial statements, and referred to as Implementation Agency C for purposes of Project implementation;

(v) “Office of the Accountant General of the Federation” or “OAGF” means the office of the Borrower responsible for accounting and treasury matters, and referred to as Implementation Agency A for purposes of Project implementation;

(w) “Office of the Auditor General for the Federation” or “OAuGF” means the office established under the Borrower’s Constitution of 1999 and which is responsible for audit matters, and referred to as Implementation Agency B for purposes of Project implementation;

(x) “Performance Improvement Facility” or “PIF” means the facility to be established under Part B.1 (d) of the Project to fund inputs for business process re-engineering associated with activities relating to the Pilot Ministries and Agencies (as hereinafter defined);

(y) “Pilot Ministries and Agencies” mean the Borrower’s ministries and agencies targeted under Part B.2 of the Project, and which are the following: (i) Federal Ministry of Finance; (ii) Federal Ministry of Information and National Orientation; (iii) Ministry of the Federal Capital Territory; and (iv) NPC;

(z) “Project Accounts” means the accounts referred to in Section 3.03 of this Agreement;

(aa) “Project Coordination Team” or “PCT” means the team to be established in accordance with Part A.8 of Schedule 4 to this Agreement and whose responsibilities are set out in Part A.9 of that Schedule;

(bb) “Project Coordination Unit” or “PCU” means the unit to be established in accordance with Part A.11 of Schedule 4 to this Agreement and whose responsibilities are set out in Part A.12 of that Schedule, and referred to as Implementation Agency H for purposes of Project implementation;

(cc) “Project Execution Team” or “PET” means the team established in each of the Pilot Ministries and Agencies and which is responsible for implementation of each part (or sub-part) of Part B.2 of the Project;

(dd) “Project Implementation Manual” or “PIM” means the manual containing details of the financial and accounting procedures, procurement arrangements, social monitoring and mitigation arrangements, and other organizational and administrative arrangements, as shall have been agreed with the Association for purposes of Project implementation, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(ee) “Project Implementation Task Team” or “PITT” means the team established in each Implementation Agency and whose responsibilities are set out in Part A. 5 of Schedule 4 to this Agreement;

(ff) “Project Year” means the period beginning from the Effective Date and ending 12 months thereafter (Project Year 1) and any subsequent 12-month period thereafter;

(gg) “Procurement Plan” means the Borrower’s procurement plan, dated November 11, 2004, covering the initial 18-month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.04 of this Agreement, to cover succeeding 18-month periods (or longer) of Project implementation;

(hh) “Project Preparation Advance” means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 5, 2004, and on behalf of the Borrower on April 15, 2004;

(ii) “Public Procurement Bureau” or “PPB” means the entity to be established by the Borrower under Part A.2 of the Project for purposes of regulation of public procurement, and referred to as Implementation Agency D for purposes of Project implementation;

(jj) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(kk) “Severance Payments” means cash payments to be made to the civil servants made redundant as a result of the reorganization and restructuring of the Pilot Ministries and Agencies under Part B.2 (c) of the Project;

(ll) “Special Accounts” means the accounts referred to in Part B of Schedule 1 to this Agreement; and

(mm) “Steering Committee on Reforms” or “SCR” means the committee of the Borrower responsible for strategic guidance and leadership of reform.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in

various currencies equivalent to ninety three million four hundred thousand Special Drawing Rights (SDR 93,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be February 28, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing May 1, 2015 and ending November 1, 2039. Each installment to and including the installment payable on November 1, 2024 shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.



(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through the Implementation Agencies, with due diligence and efficiency and in conformity with appropriate administrative, financial, and human resource practices, and shall provide, promptly as needed, the funds, facilities, services, and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Any increase in the cost of Severance Payments under Part B.2 (c) of the Project arising from an amendment to any law, regulation, or administrative circular of the Borrower governing the employment of civil servants, and particularly the making of Severance Payments thereto, shall be borne by the Borrower.

Section 3.03. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall, through the Implementation Agencies, to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit:

(a) open Project Accounts in accordance with the provisions of Section 6.01 of this Agreement, and thereafter maintain such accounts until Project completion;

(b) (i) deposit into the Project Accounts initial amounts in accordance with the provisions of Section A.3 (b)-(j) of Schedule 1 to this Agreement; and (ii) thereafter, on a

quarterly basis, replenish Project Account A by an amount equivalent to \$147,083, Project Account B by an amount equivalent to \$45,000, Project Account C by an amount equivalent to \$17,917, Project Account D by an amount equivalent to \$43,750, Project Account E by an amount equivalent to \$45,833, Project Account F by an amount equivalent to \$21,667, Project Account G by an amount equivalent to \$86,667, Project Account H by an amount equivalent to \$170,833, Project Account I by an amount equivalent to \$40,833, and Project Account J by an amount equivalent to \$75,833; and

(c) ensure that funds deposited into the Project Accounts in accordance with the provisions of paragraph (b) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit.

Section 3.04. (a) Except as the Association shall otherwise agree, procurement of the goods, works, and services required for the Project shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall, through the Implementation Agencies, update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall, through the Implementation Agencies:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall, through the Implementation Agencies, maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards

acceptable to the Association, adequate to reflect the operations, resources, and expenditures related to the Project.

(b) The Borrower shall, through the Implementation Agencies:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made, audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall, through the Implementation Agencies:

- (i) retain, until at least one (1) year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and

- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part B of Schedule 4 to this Agreement, the Borrower shall, through the Implementation Agencies, prepare and furnish to the Association an FMR, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 60 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) any law of the Borrower governing the establishment, organization, powers, financial structure, and operations of any Implementation Agency has been amended, so as to, in the opinion of the Association, materially or adversely affect the future operations of said Implementation Agency.

(b) any law, regulation, or administrative circular of the Borrower governing the employment of civil servants, and particularly the making of Severance Payments thereto, has been amended, so as to, in the opinion of the Association, materially or adversely affect Project implementation.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions: namely, that, to finance the Borrower's contribution for expenditures under the Project other than those financed from the proceeds of the Credit, the Borrower shall, through the Implementation Agencies, open in NGN, in a commercial bank acceptable to the Association, project accounts (Project Accounts A, B, C, D, E, F, G, H, I, and J in respect of: (A) Part A.1 (a); (B) Part A.1 (b); (C) Part A.1 (c); (D) Part A.2; (E) Part A.3; (F) Part A.4; (G) Part B.1; (H) Parts B.2 and E; (I) Part C; and (J) Part D, of the Project, respectively), under terms and conditions acceptable to the Association, including appropriate protection against set-off, seizure, and attachment.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VII**

**Representative of the Borrower; Addresses**

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Federal Ministry of Finance  
Ahmadu Bello Way, Central Area  
PMB 14, Garki  
Abuja  
Nigeria

Cable address:	Facsimile:
FEDMINFIN Abuja	(234-9) 234-3609

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Abuja, Federal Capital Territory, Federal Republic of Nigeria, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By

/s/ Ngozi Okonjo-Iweala  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Hafez M.H. Ghanem  
Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	27,920,000	100% of foreign expenditures and 80% of local expenditures
(a) Part A.1 (a)	114,049,000	
(b) Part A.1 (b)	1,140,000	
(c) Part A.1 (c)	512,000	
(d) Part A.2	1,394,000	
(e) Part A.3	611,000	
(f) Part A.4	928,000	
(g) Part B.1	2,356,000	
(h) Parts B.2 and E	1,755,000	
(i) Part C	2,381,000	
(j) Part D	2,794,000	



<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(2) Works	0	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services, including audits	24,254,000	90
(a) Part A.1 (a)	4,628,000	
(b) Part A.1 (b)	1,440,000	
(c) Part A.1 (c)	450,000	
(d) Part A.2	1,755,000	
(e) Part A.3	2,031,000	
(f) Part A.4	870,000	
(g) Part B.1	5,899,000	
(h) Parts B.2 and E	2,490,000	
(i) Part C	1,207,000	
(j) Part D	3,484,000	
(4) Training, workshops, and study tours	23,906,000	100
(a) Part A.1 (a)	4,687,000	
(b) Part A.1 (b)	2,052,000	
(c) Part A.1 (c)	768,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(d) Part A.2	3,174,000	
(e) Part A.3	1,974,000	
(f) Part A.4	283,000	
(g) Part B.1	1,503,000	
(h) Parts B.2 and E	8,030,000	
(i) Part C	240,000	
(j) Part D	1,195,000	
(5) Severance Payments	10,000,000	100% of amounts disbursed
(6) Incremental operating costs	1,260,000	80
(a) Part A.1 (a)	101,000	
(b) Part A.1 (b)	78,000	
(c) Part A.1 (c)	78,000	
(d) Part A.2	78,000	
(e) Part A.3	78,000	
(f) Part A.4	97,000	
(g) Part B.1	97,000	
(h) Parts B.2 and E	497,000	
(i) Part C	78,000	
(j) Part D	78,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(7) Refunding of Project Preparation Advance	340,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	5,720,000	
TOTAL	<u>93,400,000</u> =====	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term “incremental operating costs” means the incremental expenses incurred by the PITTs / PETs on account of Project implementation, management, and monitoring, including office space rental and utilities, office supplies, bank charges, communications, vehicle operation, maintenance, and insurance, building and equipment maintenance costs, travel and supervision costs, and advertising costs, but excluding salaries, honoraria, and fees of members of the Borrower’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) under Categories (1)-(6) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) adopted the PIM, in form and substance satisfactory to the Association; (ii) established Implementation Agency H (PCU), in form and substance and with resources and functions satisfactory to the Association, and including a Project Coordinator and three (3) Procurement Officers, all with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account H an amount equivalent to \$227,778;

(b) under Categories (1) (a), (3) (a), (4) (a), and (6) (a) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency A (OAGF), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account A an amount equivalent to \$196,111;

(c) under Categories (1) (b), (3) (b), (4) (b), and (6) (b) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency B (OAuGF), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account B an amount equivalent to \$60,000;

(d) under Categories (1) (c), (3) (c), (4) (c), and (6) (c) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency C (NASB), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account C an amount equivalent to \$23,889;

(e) under Categories (1) (d), (3) (d), (4) (d), and (6) (d) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency D (PPB), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account D an amount equivalent to \$58,333;

(f) under Categories (1) (e), (3) (e), (4) (e), and (6) (e) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency E (FIRS), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account E an amount equivalent to \$61,111;

(g) under Categories (1) (f), (3) (f), (4) (f), and (6) (f) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency F (EFCC), a PITT, in form and substance and with resources and functions

satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account F an amount equivalent to \$28,889;

(h) under Categories (1) (g), (3) (g), (4) (g), and (6) (g) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency G (BPSR), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account G an amount equivalent to \$115,556;

(i) under Categories (1) (i), (3) (i), (4) (i), and (6) (i) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency I (PENCOM), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account I an amount equivalent to \$54,444; and

(j) under Categories (1) (j), (3) (j), (4) (j), and (6) (j) set forth in the table in Part A.1 of this Schedule, unless the Borrower has: (i) established, in Implementation Agency J (FOS), a PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association; and (ii) deposited into Project Account J an amount equivalent to \$101,111.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) services of individual consultants costing less than \$100,000 equivalent per contract; (c) for services of consulting firms under contracts costing less than \$200,000 equivalent per contract; (d) training, workshops, and study tours; (e) Severance Payments; (f) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has

been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Accounts

1. The Borrower may, through the Implementation Agencies, open and maintain in Dollars special deposit accounts (Special Accounts A, B, C, D, E, F, G, H, I, and J in respect of: (A) Part A.1 (a); (B) Part A.1 (b); (C) Part A.1 (c); (D) Part A.2; (E) Part A.3; (F) Part A.4; (G) Part B.1; (H) Parts B.2 and E; (I) Part C; and (J) Part D, of the Project, respectively) in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure, and attachment.

2. After the Association has received evidence satisfactory to it that the respective Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the respective Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the respective Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the respective Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the respective Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the respective Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the respective Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the respective Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the respective Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the respective Special Account will not be required to cover payments for Eligible Expenditures during the six (6)-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the respective Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b), or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.



**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means:

(a) in respect of Special Account A, an amount equivalent to \$3,000,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$1,500,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 4,700,000;

(b) in respect of Special Account B, an amount equivalent to \$600,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$300,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 950,000;

(c) in respect of Special Account C, an amount equivalent to \$250,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$125,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account’s Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 360,000;

(d) in respect of Special Account D, an amount equivalent to \$800,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$400,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 1,280,000;

(e) in respect of Special Account E, an amount equivalent to \$600,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$300,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 950,000;

(f) in respect of Special Account F, an amount equivalent to \$300,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$150,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 440,000;

(g) in respect of Special Account G, an amount equivalent to \$1,200,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$600,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 2,000,000;

(h) in respect of Special Account H, an amount equivalent to \$3,200,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall

otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$1,600,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 4,700,000;

(i) in respect of Special Account I, an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$250,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 780,000; and

(j) in respect of Special Account J, an amount equivalent to \$950,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex; provided, however, that, unless the Association shall otherwise agree, said Authorized Allocation shall be limited to an amount equivalent to \$475,000, until the aggregate amount of withdrawals from the Credit Account of amounts allocated to said Special Account's Eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of amounts allocated to said Categories, shall equal or exceed the equivalent of SDR 1,500,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposit into the respective Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the

Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for Eligible Expenditures. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the respective Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the respective Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the respective Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six (6)-month period following the date of such reports.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) improve the federal government's economic and financial management system; and (ii) launch the process of building an efficient and effective federal civil service.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

A. Public Resource Management Reform and Anti-Corruption

1. Financial Management Reform

(a) Government financial management and information system reform

- (i) acquisition and implementation of GIFMIS, including strengthening application management and information technology capacity of Budget Office and OAGF, development and implementation of wide area network linking OAGF and line ministries, agencies, federal pay offices, and installation of government financial management software;
- (ii) strengthening of institutional framework for and capacity building in cash management for OAGF;
- (iii) adoption of IPSAS and development and implementation of departmental financial performance reporting systems through provision of technical assistance to OAGF;
- (iv) review and modernization of internal audit arrangements, capacity building for adoption of such new arrangements, and strengthening capacity of internal audit and accounting staff in line ministries and OAGF in financial management through provision of technical assistance; and

- (v) capacity building in financial management for relevant staff in OAGF and line ministries, including through the provision of support for Federal Treasury Training Academy.
- (b) External audit reform
- (i) restructuring OAuGF in line with new audit law;
  - (ii) review and modernization of audit approaches, development of guidelines for implementation of audit checks of government agencies, corporations, and parastatals, and implementation of mechanism for monitoring implementation thereof;
  - (iii) strengthening capacity of OAuGF staff to carry out its mandate of audit of accounts of the federal government and courts; and
  - (iv) computerization of OAuGF operations.
- (c) Financial reporting reform
- (i) adoption and dissemination in the Borrower's territory by NASB of international standards of financial reporting;
  - (ii) review of NASB Act of 2003, and development of mechanism for monitoring and enforcement of compliance of public and private reporting entities with financial reporting standards;
  - (iii) strengthening capacity of NASB to carry out its standards-setting, dissemination, and enforcement mandate in accord, development of self-financing mechanism in NASB, and sensitization of key stakeholders in financial reporting field; and
  - (iv) development by NASB of curriculum relating to business ethics and international accounting and auditing standards, and training of trainers in such curriculum.

2. Procurement Reform

(a) Development of regulations in line with new procurement law, and public dissemination of new law and regulations in local languages.

(b) Support for establishment and operation of PPB, including:

(i) establishment of procurement complaint and feedback mechanism;

(ii) strengthening capacity in key areas, including preparation of audits and prior and post procurement reviews;

(iii) establishment of national procurement data bank; and

(iv) development of standard national bidding documentation and updating of national public procurement manual.

(c) Carrying out of procurement training and capacity building in public sector, including strengthening of oversight capacity.

(d) Review of feasibility of implementation of updated procurement systems in conjunction with that of GIFMIS.

(e) Creation of public awareness of importance of procurement in anti-corruption activities.

3. Tax Administration Reform. Support to FIRS for:

(a) development and implementation of change management plan for organizational reform and realignment;

(b) development of new tax administration procedures, including in respect of collection, audit, dispute resolution, and investigative intelligence, and preparation of new operations manuals;

(c) strengthening of institutional capacity, including through carrying out of training needs analysis, preparation of training plan, and provision of training to staff;



(d) modernization of information systems, including provision of network facility support and information technology training, and carrying out of study for establishment of integrated tax information management system; and

(e) carrying out of annual perception survey of progress and impact of tax administration reform.

#### 4. Support to Anti-Corruption Agency

Support to EFCC through provision of equipment, advisory services, and training, including:

(a) Support to Nigerian Financial Intelligence Unit, particularly training in use of key information technology applications for financial intelligence gathering.

(b) Strengthening of investigative capacity through preparation of training curriculum, recruitment of investigators, and provision of training to staff.

(c) Implementation of new case management system including fingerprinting and other investigative technologies, and building capacity to utilize new case management system.

(d) Development of communications strategy.

#### B. Civil Service Reform

1. Strengthening capacity of BPSR to lead federal civil service reform, including through:

(a) Provision of advisory services and training to staff.

(b) Implementation of technology-based systems for payroll controls and maintenance of accurate and secure personnel records.

(c) Carrying out of diagnostic studies, including functional reviews of government, relating to human resource management issues, reform of parastatals, feasibility of introduction of competitive elite service (Senior Executive Service) in federal civil service, and reform of government policy formulation, decision-making, and monitoring process for purposes of definition of reform agenda elements.

- (d) Development and implementation of PIF.
- (e) Development and implementation of social plan for redundant staff.

2. Reform in Pilot Ministries and Agencies

Carrying out of following activities in Pilot Ministries and Agencies:

- (a) Capacity building, including through provision of relevant training in a sustainable manner.
- (b) Improvement in work processes, including through basic information technology systems.
- (c) Reorganization and restructuring, including right-sizing and making of Severance Payments to affected staff.

C. Pension Management and Accountability Reform

1. Establishment of regulatory and supervisory pension framework, including relating to custodian and investment management institutions.
2. Strengthening the capacity of PENCOT to implement pension reform and regulate and supervise pension matters, including through elaboration of personnel management development plan and operating procedures.
3. Development of information technology strategy, and procurement of core and business support hardware and software for PENCOT.
4. Carrying out of audit and reconciliation of pension entitlements for federal government staff and retirees.
5. Carrying out of actuarial evaluation of accrued pension benefits of federal government staff, and structuring and issuance of bonds (Retirement Benefit Bonds) for purpose of financing such benefits.
6. Carrying out of public education campaign on pension reform, with particular focus on improvement in management and accountability.

D. Strengthening of Statistical Capacity

1. Organizational and institutional development of national statistical system, including review and modernization of relevant legislation and regulations.
2. Carrying out of staff training.
3. Development of data, including adaptation of internationally accepted standards and methodologies in data production and carrying out of target surveys.
4. Provision of necessary infrastructure, including information technology hardware and software.

E. Project Management

Project coordination and management.

\* \* \*

The Project is expected to be completed by August 31, 2010.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods which the Association agrees meet the requirements of paragraph 3.7 of the Procurement Guidelines for Direct Contracting may be procured in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines 4.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services (other than consultants' services) estimated to cost the

equivalent of \$250,000 or more procured on the basis of International Competitive Bidding or Direct Contracting; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more procured on a sole-source basis. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Implementation Program

#### A. Project Oversight and Implementation Arrangements

1. The Implementation Agencies are: (i) OAGF (Implementation Agency A) in respect of Part A.1 (a) of the Project; (ii) OAuGF (Implementation Agency B) in respect of Part A.1 (b) of the Project; (iii) NASB (Implementation Agency C) in respect of Part A.1 (c) of the Project; (iv) PPB (Implementation Agency D) in respect of Part A.2 of the Project; (v) FIRS (Implementation Agency E) in respect of Part A.3 of the Project; (vi) EFCC (Implementation Agency F) in respect of Part A.4 of the Project; (vii) BPSR (Implementation Agency G) in respect of Part B.1 of the Project; (viii) PCU (Implementation Agency H) in respect of Parts B.2 and E of the Project; (ix) PENCOM (Implementation Agency I) in respect of Part C of the Project; and (x) FOS (Implementation Agency J) in respect of Part D of the Project.

2. The Borrower shall maintain, in each Implementation Agency until Project completion, the PITT, in form and substance and with resources and functions satisfactory to the Association, and headed by a Project Officer and including a Procurement Officer, both with qualifications, experience, and terms of reference satisfactory to the Association. In the case of the Implementation Agency in respect of Part B.2 of the Project, the staff shall include three (3) Procurement Officers, with qualifications, experience, and terms of reference satisfactory to the Association. The PITT in each Implementation Agency shall report to the Director in such Implementation Agency with supervisory responsibility for Project implementation.

3. Each Implementation Agency shall be responsible, through its PITT, for implementation of, including procurement under, its respective part of the Project in accordance with the provisions of this Agreement and the PIM.

4. The Borrower shall maintain, in each of the Pilot Ministries until Project completion, the PET in form and substance and with resources and functions satisfactory to the Association and with staff with qualifications, experience, and terms of reference satisfactory to the Association.

5. Each PITT / PET shall: (i) prepare, and have approved by senior officials of the respective Implementation Agency, no later than July 15 of each year Annual Work Plans, budgets, and procurement plans; and (ii) prepare and submit to the PCU monthly progress reports on Project implementation. The PITT in Implementation Agency H shall consolidate the Annual Work Plans, budgets, and procurements plans of the PETs.

6. The Borrower shall dedicate, from the Finance and Accounts Department of each Implementation Agency, staff, with qualifications, experience, and terms of reference satisfactory to the Association, for purposes of financial management under such Implementation Agency's respective part (or sub-part) of the Project in accordance with the provisions of this Agreement and the PIM, and shall maintain such staff throughout Project completion.

7. The Borrower shall maintain, until Project completion, a financial management system in each Implementation Agency in form and substance and with functions and resources satisfactory to the Association.

8. The Borrower shall maintain a PCT, headed by the Director, Multilateral Institutions Department in the Federal Ministry of Finance and comprising the Director in each Implementation Agency with supervisory responsibility for Project implementation.

9. The PCT shall be responsible for coordination of Project implementation and shall report to the RSC. As such, the PCT shall: (i) approve Annual Work Plans, budgets, and procurement plans of each PITT; (ii) review progress in Project implementation; (iii) prepare and submit to the SCR on a semi-annual basis progress reports on Project implementation based on input from the PITTs; (iv) identify and remove constraints to Project implementation on a timely basis; and (v) review consolidated FMRs and annual financial statements for the Project.

10. The Borrower shall maintain, until Project completion, the PCT in form and substance and with resources and functions satisfactory to the Association.

11. The Borrower shall maintain, in the Multilateral Institutions Department of the Ministry of Finance until Project completion, a PCU, in form and substance and with resources and functions satisfactory to the Association and comprising a Project Coordinator and other relevant support staff, with qualifications, experience, and terms of reference satisfactory to the Association.

12. The PCU shall serve as the Secretariat of the PCT. As such, the PCU shall: (i) consolidate the PITTs' Annual Work Plans, budgets, and procurement plans for review by the PCT; (ii) prepare quarterly progress reports on Project implementation based on inputs from the PITTs; (iii) prepare consolidated FMRs and annual financial statements for the Project; and (iv) monitor Project implementation by the PITTs.

13. The SCR shall be responsible for oversight of Project implementation. As such, the SCR shall: (i) review Project implementation as set out in this Agreement and the PIM and address any emerging issues; (ii) ensure that Project implementation targets and timelines are met; and (iii) identify areas for further economic and governance reform.



14. Except as the Association shall otherwise agree, the Borrower shall, through the Implementation Agencies: (a) apply the criteria, policies, procedures, and arrangements set out in the PIM; and (b) not amend or waive, or permit to be amended or waived, the PIM or any provision thereto, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation.

B. Project Monitoring and Evaluation

Annual Work Plans and Budgets

1. The Borrower shall, through the Implementation Agencies, furnish to the Association as soon as available, but in any case not later than October 1 of each year, the Annual Work Plan and budget for each subsequent Project Year, of such scope and such detail as the Association shall have reasonably requested, except for the Annual Work Plan and budget for Project Year 1, which shall be furnished no later than 30 days after the Effective Date.

Annual Reviews

2. The Borrower shall, through the Implementation Agencies:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 1 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by July 1 or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Midterm Review

3. The Borrower shall, through the Implementation Agencies:

(a) carry out jointly with the Association, no later than February 29, 2008, a mid-term review to assess the status of Project implementation, as measured against the performance indicators referred to in Schedule 5 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) Annual Work Plans and budgets; and (iv) progress on procurement and disbursement; and make adjustments to the Project and reallocate funds to improve performance, if needed;

(b) prepare and furnish to the Association, three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review, jointly with the Association, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **SCHEDULE 5**

### **Performance Indicators**

The Borrower shall, through the PITTs/PETs, implement the Project in accordance with the performance indicators set forth below:

#### **A. Part A of Project**

1. Budget and financial reports are prepared through GIFMIS within seven (7) days of month's end.
2. Consolidated annual audited accounts and financial statements are produced by the OAGF and OAuGF within the statutory time periods.
3. Unanswered audit queries have been reduced by 70% by the end of Project Year 6 as compared to those in Project Year 1.
4. The national procurement data bank has been established, and information on process of procurement of large government contracts is disseminated.
5. Standard national bidding documents have been prepared and are in use in all ministries and agencies of the Borrower.

#### **B. Part B of Project**

1. Staffing levels and skills in Pilot Ministries and Agencies have been adjusted in accordance with restructuring plans.
2. Staff in Pilot Ministries and Agencies have requisite professional qualifications and experience and have received training in their respective areas of responsibility.
3. Business processes have been streamlined in Pilot Ministries and Agencies using the PIF and enhanced information technology facilities.
4. An integrated personnel and payroll system, eliminating wage bill fraud and facilitating better utilization of staff, has been piloted and launched in Pilot Ministries and Agencies.

C. Part C of Project

1. Structure, rules, and regulations for the pension system have been established by the end of Project Year 2.
2. Audit and reconciliation of pension obligations of civil service workers and retirees results in the provision of benefits to those genuinely entitled.
3. A reliable and efficiently functioning institutional structure for holding and investment of pension assets as well as sufficient oversight is created.

D. Part D of Project

1. An institutional and regulatory framework has been put in place to support development of a modern statistical system.
2. The percentage of staff with the requisite professional background in the statistical agency doubles.
3. Data sources are sound and relate to the targeted coverage of such data.
4. Validation is carried out of at least 90% of statistical products and data sources.