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CREDIT NUMBER 4084 UNI

# Development Credit Agreement

State Governance and Capacity Building Project

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 2005



**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 15, 2005, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and the 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 modification set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

*"Section 5.08. Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if

the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) 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) “Activity Executing Agency” or “AEA” means the department or agency of the Borrower referred to in Part A.1 (h) of Schedule 4 to this Agreement and whose responsibilities are set out in Parts A.1 (h) and (i) of said Schedule;

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

(c) “Budget and Treasury Management Information System” or “BATMIS” means the information system for budget, including payroll, preparation and execution, accounting and treasury management to be implemented in each Participating State (as hereinafter defined) under Part A.5 of the Project;

(d) “Bauchi Project Implementation Manual” or “Bauchi PIM” means the manual referred to in Part A.3 (b) of Schedule 1 to this Agreement, containing details of the organizational and administrative arrangements as shall have been agreed with the Association for purposes of Project implementation in the state of Bauchi, and including the Financial Procedures Manual (as hereinafter defined), Procurement Manual (as hereinafter defined) and Project Implementation Plan (as hereinafter defined), as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(e) “Cross River Project Implementation Manual” or “Cross River PIM” means the manual referred to in Part A.3 (c) of Schedule 1 to this Agreement, containing details of the organizational and administrative arrangements as shall have been agreed with the Association for purposes of Project implementation in Cross River State, and including the Financial Procedures Manual (as hereinafter defined), Procurement Manual

(as hereinafter defined), and Project Implementation Plan (as hereinafter defined), as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(f) “Eligible Categories” means Categories (1) to (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

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

(h) “Federal Government of Nigeria” or “FGN” means the federal government of the Borrower;

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

(j) “Federation Account” means the pool of revenue of the Borrower for distribution between the three tiers of government using an agreed distribution formula;

(k) “Federation Account Allocation Committee” means the committee of the Borrower responsible for, *inter alia*, adopting the SCoA (as hereinafter defined), and ensuring that the funds allocated to the three tiers of government from the Federation Account are promptly and fully paid into the treasury of each tier, on the basis of terms prescribed and reported annually to the National Assembly of the Borrower;

(l) “FGN Project Implementation Manual” or “FGN PIM” means the manual referred to in Part A.3 (e) of Schedule 1 to this Agreement, containing details of the organizational and administrative arrangements as shall have been agreed with the Association for purposes of Project implementation in respect of the FGN, and including the Financial Procedures Manual (as hereinafter defined), Procurement Manual (as hereinafter defined), and Project Implementation Plan (as hereinafter defined), as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(m) “Finance and Accounts Department” or “FAD” means the department within the FMF responsible for finance and accounts;

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

(o) “Financial Procedures Manual” means the manual containing details of the financial and accounting procedures, including appropriate controls, as shall have been agreed by the FGN or a Participating State 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;

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

(q) “Human Resource Management Information System” or “HRMIS” means the information system for human resource management to be implemented in each Participating State under Part A.6 (c) of the Project;

(r) “ICT” means Information and Communications Technology;

(s) “Internal Audit Unit” or “IAU” means the unit within the FMF responsible for audit of the Borrower’s accounts;

(t) “Kaduna Project Implementation Manual” or “Kaduna PIM” means the manual referred to in Part A.3 (d) of Schedule 1 to this Agreement, containing details of the organizational and administrative arrangements as shall have been agreed with the Association for purposes of Project implementation in the state of Kaduna, and including the Financial Procedures Manual, Procurement Manual (as hereinafter defined), and Project Implementation Plan (as hereinafter defined), as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(u) “Management Development Institute” or “MDI” means the entity of Cross River State in Calabar responsible for provision of training to public service and private sector employees;

(v) “MDAs” means the Ministries, Departments and Agencies of the Borrower and the Participating States;

(w) “Multilateral Institutions Department” means the department within the FMF responsible for relations with multilateral development institutions;

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

(y) “National Project Coordination Unit” or “NPCU” means the unit to be established pursuant to Part A.1 (l) of Schedule 4 to this Agreement, and whose composition and responsibilities are set out in Parts A.1 (m) and (n) of said Schedule;

(z) “Office of the Accountant General of the Federation” or “OAGF” means the office of the Borrower responsible for accounting and treasury matters;

(aa) “Office of the Accountant General of the State” or “OAGS” means the office of a state of the Borrower responsible for accounting and treasury matters;

(bb) “Office of the Head of the Civil Service” means the office of a state of the Borrower responsible for the civil service of that state;

(cc) “Office of the State Auditor General” or “OSAG” means the office of a state of the Borrower responsible for audit matters;

(dd) “Participating State” means the state of Bauchi, Cross River, or Kaduna, all in the territory of the Borrower;

(ee) “Procurement Manual” means the manual containing details of the procurement arrangements, as shall have been agreed by the FGN or a Participating State 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;

(ff) “Procurement Plan” means the Borrower’s procurement plan, dated May 6, 2005, and covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(gg) “Project Financial Management Unit” or “PFMU” means the unit to be established pursuant to Part A.2 (c) of Schedule 4 to this Agreement;

(hh) “Project Implementation Plan” means the detailed plan, including precise expenditures and a timetable for the implementation of activities described in Schedule 2 to this Agreement, as shall have been agreed by the FGN or a Participating State with the Association, as the same may be amended from time to time in consultation with the Association, and such term includes any annexes thereto;

(ii) “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;

(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) “Standard Chart of Accounts” or “SCoA” means the standardized format for presentation of government financial statements adopted by the Federation Account Allocation Committee, and applicable in the FGN and in all states of the Borrower;

(ll) “State House of Assembly” or “SHoA” means the body exercising legislative functions in each state of the Borrower;

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

(nn) “State Project Coordination Unit” or “SPCU” means the unit to be established pursuant to Part A.1 (d) of Schedule 4 to this Agreement, and whose composition and responsibilities are set out in Parts A.1 (e), (f), and (g) of said Schedule;

(oo) “State Steering Committee” or “SSC” means the committee to be established pursuant to Part A.1 (a) of Schedule 4 to this Agreement, and whose composition and responsibilities are set out in Parts A.1 (b) and (c) of said Schedule; and

(pp) “Subsidiary Credit Agreement” means the agreement to be entered into between the Borrower and each Participating State pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Credit Agreement.

## **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 this Agreement, an amount in various currencies equivalent to twelve million Special Drawing Rights (SDR 12,000,000).



Section 2.02. 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 and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be March 31, 2010 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 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 March 15 and September 15 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 semiannual installments payable on each March 15 and September 15 commencing September 15, 2015 and ending March 15, 2045. Each installment to and including the installment payable on

March 15, 2025 shall be one and one percent (1%) of such principal amount, and each installment thereafter shall be two percent (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 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 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 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 objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through the Participating States, with due diligence and efficiency and in conformity with appropriate administrative, financial and technical 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, and shall cause the Participating States to, carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall re-lend part of the proceeds of the Credit to each Participating State under a subsidiary credit agreement to be entered into between the Borrower and each Participating State, under terms and conditions which shall have been approved by the Association, which shall include, *inter alia*, the same re-lending and repayment terms as those under which the Credit is extended by the Association and conformity by each Participating State with the respective PIM in implementing the Project.

(b) The Borrower shall exercise its rights under the Subsidiary Credit Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Credit Agreement or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, the Borrower shall, and shall cause each Participating State: (a) to apply the criteria, policies, procedures, and arrangements set out in the respective PIM; and (b) not amend or waive, or permit to be amended or waived, the respective PIM or any provision thereto, in a manner which, in the opinion of the Association, may materially or adversely affect Project implementation.

Section 3.04. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit 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 update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (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 Participating States:

(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 objective; 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 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 Participating States:

- (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), 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 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:

- (i) retain, until at least one 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 (2) and (3) of Schedule 4 to this Agreement, the Borrower shall cause the PFMUs, FAD and IAU to 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 45 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 event is specified, namely, that any Participating State has failed to perform any material obligation under the Subsidiary Credit Agreement.

## **ARTICLE VI**

### **Termination**

Section 6.01. 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 Finance of the Borrower 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 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 Ghenam

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		100%
(a) Bauchi	1,150,000	
(b) Cross River State	1,280,000	
(c) Kaduna	1,170,000	
(d) FGN	10,000	
(2) Works		100%
(a) Bauchi	50,000	
(b) Cross River State	210,000	
(c) Kaduna	50,000	
(d) FGN	0	
(3) Consultants' Services including audits		100%
(a) Bauchi	1,800,000	
(b) Cross River State	1,800,000	
(c) Kaduna	1,820,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(d) FGN	100,000	
(4) Training, including study tours		100%
(a) Bauchi	360,000	
(b) Cross River State	480,000	
(c) Kaduna	340,000	
(d) FGN	0	
(5) Incremental Operating Costs		100%
(a) Bauchi	90,000	
(b) Cross River State	160,000	
(c) Kaduna	90,000	
(d) FGN	60,000	
(6) Unallocated		
(a) Bauchi	120,000	
(b) Cross River State	120,000	
(c) Kaduna	120,000	
(d) FGN	620,000	
	<u>12,000,000</u>	
TOTAL	=====	

2. For the purposes of this Schedule, the term “Incremental Operating Costs” means the incremental expenses incurred 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, bonuses, honoraria and fees of members of the Borrower’s and the Participating State’s civil service.

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

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of three hundred and thirty-one thousand Special Drawing Rights (SDR 331,000) may be made in respect of Categories (1) and (3) before that date, but after August 1, 2005;

(b) under Categories (1) (a), (2) (a), (3) (a), (4) (a) and (5) (a) set forth in the table in Part A.1 of this Schedule, unless the Borrower has caused the state of Bauchi to: (i) adopt the Bauchi PIM, in form and substance satisfactory to the Association; and (ii) enter into a Subsidiary Credit Agreement with the Borrower, in form and substance acceptable to the Association;

(c) under Categories (1) (b), (2) (b), (3) (b), (4) (b) and (5) (b) set forth in the table in Part A.1 of this Schedule, unless the Borrower has caused the state of Cross River to: (i) adopt the Cross River State PIM, in form and substance satisfactory to the Association; and (ii) enter into a Subsidiary Credit Agreement with the Borrower, in form and substance acceptable to the Association;

(d) under Categories (1) (c), (2) (c), (3) (c), (4) (c) and (5) (c) set forth in the table in Part A.1 of this Schedule, unless the Borrower has caused the state of Kaduna to: (i) adopt the Kaduna PIM, in form and substance satisfactory to the Association; and (ii) enter into a Subsidiary Credit Agreement with the Borrower, in form and substance acceptable to the Association; and

(e) under Categories (1) (d), (2) (d), (3) (d), (4) (d) and (5) (d) set forth in the table in Part A.1 of this Schedule, unless the Borrower has adopted the FGN PIM, in form and substance satisfactory to the Association.

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) works costing less than \$300,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000

equivalent per contract; (d) services of consulting firms under contracts costing less than \$150,000 equivalent per contract; (e) training, including study tours; and (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 four-month period following the date of such request.

B. Special Accounts

1. The Borrower may open and maintain in Dollars special deposit accounts (Special Accounts A, B, C and D in respect of: (A) Categories (1) (a), (2) (a), (3) (a), (4) (a) and (5) (a) set forth in the table in Part A.1 of this Schedule; (B) under Categories (1) (b), (2) (b), (3) (b), (4) (b) and (5) (b) set forth in the table in Part A.1 of this Schedule; (C) Categories (1) (c), (2) (c), (3) (c), (4) (c) and (5) (c) set forth in the table in Part A.1 of this Schedule; and (D) Categories (1) (d), (2) (d), (3) (d), (4) (d) and (5) (d) set forth in the table in Part A.1 of this Schedule, 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-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 this 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 (Bauchi), an amount equivalent to four hundred and fifty thousand Dollars (\$450,000) 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 two hundred and twenty-five thousand Dollars (\$225,000) 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 seven hundred thousand Special Drawing Rights (SDR 700,000);

(b) in respect of Special Account B (Cross River State), an amount equivalent to five hundred thousand Dollars (\$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 two hundred and fifty thousand Dollars (\$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 eight hundred thousand Special Drawing Rights (SDR 800,000);

(c) in respect of Special Account C (Kaduna), an amount equivalent to four hundred and fifty thousand Dollars (\$450,000) 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 two hundred and twenty-five thousand Dollars (\$225,000) 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 seven hundred thousand Special Drawing Rights (SDR 700,000); and

(d) in respect of Special Account D (FGN), an amount equivalent to one hundred thousand Dollars (\$100,000) 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 fifty thousand Dollars (\$50,000) 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 two hundred thousand Special Drawing Rights (SDR 200,000).

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 four-month period following the date of such reports.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to enhance efficiency and accountability in financial and human resource management in the Participating States in line with the respective state poverty reduction strategy.

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 objective:

A. Core Reform Program in Participating States

1. Public Finance Legislation

(a) Development of statutory framework for public finance management based on similar legislation drafted for the FGN; and

(b) Dissemination of new financial law and regulations, and facilitation of training on the same, including for MDA staff and managers and SHoA members

2. Budget Preparation

(a) Development and institutionalization of simplified multi-year budgeting framework (MYBF) for annual budget preparation; and

(b) Facilitation of training of MDA staff and managers and SHoA members on budget preparation and execution.

3. Accounting, Expenditure Control, and Reporting

(a) Introduction of modern accounting and financial reporting system based on the SCoA;

(b) Establishment of appropriate mechanisms and procedures for expenditure control, including preparation of new operating manuals as needed; and

(c) Facilitation of training of MDA managers in public sector accounting and expenditure control.

4. External Audit
  - (a) Strengthening operational capacity and performance of OSAG;
  - (b) Review and modernization of audit methods, techniques and reporting;
  - (c) Development of audit manuals and programs; and
  - (d) Building capacity of staff to carry out audits in accordance with internationally recognized standards and modern audit practices.
5. Budget and Treasury Management Information System (BATMIS)
  - (a) Implementation of basic, integrated BATMIS; and
  - (b) Facilitation of training of staff in skills necessary to operate and maintain BATMIS.
6. Human Resource Management and Staff Training Enhancement
  - (a) Review and modernization of existing human resource management policies;
  - (b) Carrying out of civil service census, payroll parades and staff audits as necessary;
  - (c) Implementation of Human Resource Management Information System (HRMIS), including through creation of automated and unified establishment register and personnel records database;
  - (d) Strengthening of controls over personnel recruitment; and
  - (e) Implementation of comprehensive training program in professional and computer skills enhancement;

all through the provision of technical advisory services and training, the carrying out of upgrading of facilities, and the provision of ICT and office equipment.

B. State-Specific Reform Program

1. Bauchi state: Modernization of taxpayer identification system:

- (a) Carrying out of market surveys and assessments to verify and expand existing taxpayer database; and

(b) Provision of basic ICT infrastructure and staff training necessary for maintaining reliable tax administration database.

2. Cross River State:

(a) Strengthening of Management Development Institute (MDI):

- (i) Development of strategic business plan;
- (ii) Modernization of training aids;
- (iii) Building of capacity of faculty members, including in modern ICT;
- (iv) Provision of equipment and study material; and
- (v) Carrying out of building renovation works and facility upgrading.

(b) Enhancement of judicial services through provision of support for:

- (i) preparation and implementation of comprehensive skills development program, including carrying out of training needs assessment to determine skill and knowledge gaps;
- (ii) carrying out of training program based on results of needs assessment, including in court administration, case management and records management;
- (iii) development of model court administration system, including plan for implementation of model in two pilot courts;
- (iv) implementation of model in one (1) High Court and one (1) Magistrate Court in Calabar;
- (v) carrying out of judicial sector service delivery assessment, including development of plan for rollout of model court administration system to other courts in the state; and
- (vi) revision and adoption of rules of civil procedure of High Courts and of Magistrate Courts.

3. Kaduna state: Modernization of taxpayer identification system:

(a) Carrying out of market surveys and assessments to verify and expand existing taxpayer database; and

(b) Provision of basic ICT infrastructure and staff training necessary for maintaining reliable tax administration database.

C. Project Management and Coordination

Provision of support to entities involved in Project implementation, including for purposes of monitoring and evaluation, through provision of:

(a) goods, such as office supplies and ICT;

(b) technical advisory services, including for purpose of carrying out of studies such as in respect of intergovernmental collaboration and fiscal federalism;

(c) training to staff, including study tours; and

(d) Incremental Operating Costs.

\* \* \*

The Project is expected to be completed by September 30, 2009.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works 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, Works 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 and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions: For National Competitive Bidding, national documents may be used. However, since there are no national Standard Bidding Documents, the Bank's Standard Bidding Document for Goods and Works shall be adopted by the Borrower. For evaluation of bids, the Bank's Standard Evaluation Forms will be used.



2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

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. 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.

2. Single Source Selection. Services for tasks in circumstances that 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.

3. 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, subject to prior approval of the Association.

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 estimated to cost the equivalent of \$250,000 or more, and works and services (other than consultants' services) estimated to cost the equivalent of \$300,000 or more procured on the basis of International Competitive Bidding, or National Competitive Bidding; (b) the first contract in each Participating State for consultants' services provided by a firm estimated to cost less than \$100,000 equivalent; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of

\$150,000 or more; and (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

## SCHEDULE 4

### Implementation Program

A. Project Oversight and Implementation Arrangements

1. Institutional Arrangements

(a) The Borrower shall cause each Participating State to establish and maintain, throughout the period of Project implementation, a State Steering Committee, in form and substance and with resources and functions satisfactory to the Association.

(b) Unless the Association shall otherwise agree, the SSC shall be chaired by the State Governor or his / her representative, and shall include: the Commissioners of AEAs, the Head of Service, the Accountant General of the State, the State Auditor General, one representative each of the SHoA and the judiciary, two representatives of civil society designated by the State Governor, and such other persons as may also be designated by the State Governor.

(c) The SSC shall convene every quarter to, *inter alia*: (i) review implementation of the Project in the respective state (including review of quarterly reports prepared by the respective SPCU) and forward its conclusions to the NPCU; (ii) approve annual work programs, budgets and procurement plans for implementation of the Project in the respective state; (iii) ensure that the agreed performance targets and timeline for implementation of the Project are met; and (iv) address critical issues that may hinder the implementation of the Project in the respective state.

(d) The Borrower shall cause each Participating State to establish, no later than fifteen (15) days after the Effective Date, and maintain, throughout the period of Project implementation, an SPCU, within an AEA in that state, in form and substance and with resources and functions satisfactory to the Association.

(e) Unless the Association shall otherwise agree, the SPCU shall be headed by a Project Coordinator, selected by a procedure acceptable to the Association and having qualifications, experience and terms of reference satisfactory to the Association, and supported by key staff having expertise in, *inter alia*, project management, procurement, ICT and office management, all having qualifications, experience and terms of reference satisfactory to the Association.

(f) The SPCU shall be responsible for the day to day oversight of Project implementation and coordination with the respective SSC, the respective PFMU and the

Association, including, *inter alia*: (i) provision of technical support to AEA's in respect of activities such as procurement and monitoring and evaluation; (ii) provision of administrative and secretarial services to the respective SSC; (iii) preparation of work programs, budgets and procurement plans based on inputs from AEA's and presentation of the same to the respective SSC; and (iv) monitoring of Project implementation and preparation of regular progress reports for submission to the respective SSC.

(g) The Borrower shall ensure that there will be monthly SPCU coordination meetings including, but not limited to, the Project Coordinator, the Head of the PFMU, and representatives of the AEA's, in order to promote the efficient functioning of the SPCUs. The purpose of the coordination meetings shall be to: (i) review monthly progress implementation reports prepared by the AEA's; (ii) hold the respective AEA's accountable for delivering on set targets; (iii) address issues affecting Project implementation; (iv) ensure appropriate linkages between the activities implemented by the various AEA's; (v) submit consolidated annual work programs, budgets and procurement plans to the respective SSC for approval; (vi) review quarterly progress implementation reports to be presented to the respective SSC; and (vii) make recommendations to the respective SSC for smooth and effective implementation of the Project.

(h) The AEA's shall be responsible for day to day implementation of Project activities as set out in the respective state PIM.

(i) The Borrower shall ensure, through each Participating State, that the head of each AEA shall dedicate qualified and experienced officers in adequate numbers to implement the Project with responsibilities, *inter alia*, for the following: (i) preparation of work programs, procurement plans and budgets, and presentation of the same to the respective SPCU; (ii) preparation and submission of monthly progress reports to the respective SPCU; and (iii) more generally, ensuring, in collaboration with other relevant officers in the AEA, effective implementation of the activities assigned to that AEA.

(j) The Borrower shall ensure that the Office of the Head of the Civil Service in each Participating State will have primary responsibility for monitoring the training activities under the Project and reporting annually on achievements in respect of such activities.

(k) The Borrower shall cause Cross River State, for purposes of coordination of implementation of Part B.2 (b) of the Project, to establish a Technical Committee comprising up to eight (8) members, including the Chief Judge or his / her representative acting as Chair, at least one (1) other High Court judge, and at least two (2) Magistrates, and shall maintain such Committee throughout Project implementation.

(l) The Borrower shall establish, no later than fifteen (15) days after the Effective Date, and maintain throughout the period of Project implementation, within the Multilateral Institutions Department, a National Project Coordination Unit, in form and substance and with resources and functions satisfactory to the Association, for overall coordination and facilitation of Project implementation.

(m) The Borrower shall at all times maintain in the NPCU, staff with qualifications, experience and terms of reference satisfactory to the Association. Without limitation to the generality of the foregoing, the Borrower shall appoint key staff, including, *inter alia*, a Project Coordinator acting as Head of the NPCU and an administrative assistant, both with qualifications, experience and terms of reference satisfactory to the Association. The Head of the NPCU shall have experience in public administration in the territory of the Borrower.

(n) The NPCU shall be responsible for, *inter alia*: (i) provision of technical support as requested by the Participating States and AEAs, including, but not limited to, the procurement and implementation of BATMIS and HRMIS; (ii) consolidation of information from the various entities involved in Project implementation and circulation of an annual Project implementation progress report; and (iii) coordination of post-evaluations of Project implementation and Midterm Review, and preparation of reports on the same.

## 2. Financial Management

(a) The Borrower shall dedicate, from the FAD, competent and trained staff in adequate numbers to manage the financial affairs of the Project at the federal level, and ensure compliance with the financial management requirements of the Association and the Borrower, including, but not limited to, the preparation of budgets, monthly reports, quarterly FMRs, annual financial statements and progress reports, throughout the period of Project implementation.

(b) The Borrower shall dedicate, from the IAU, competent and trained staff in adequate numbers to perform the internal audit function, including, but not limited to: (i) review and appraisal of and reporting on the adequacy of the systems of managerial, financial, operational and budgetary control, and their reliability in practice; and (ii) ensuring compliance with the financial management requirements of the Association and the Borrower, such as forwarding of the quarterly FMRs and audited annual financial statements to the NPCU, the OAGF, the Association, and the Borrower, throughout the period of Project implementation.

(c) The Borrower shall cause each Participating State to establish and maintain, within the OAGS, a PFMU, with competent and trained staff in adequate

numbers, throughout the period of Project implementation. The PFMU shall be responsible for managing the financial affairs of the Project at the state level, and ensuring compliance with the financial management requirements of the Association and the Borrower, including, but not limited to, the preparation of budgets, monthly reports, quarterly FMRs, annual financial statements and progress reports.

(d) Without any limitation to paragraph (c) above, the Borrower shall cause each Participating State to appoint within the PFMU a professionally qualified internal auditor to perform the internal audit function for the Project at the state level, including, but not limited to: (i) review and appraisal of and reporting on the adequacy of the systems of managerial, financial, operational and budgetary control, and their reliability in practice; and (ii) ensuring compliance with the financial management requirements of the Association and the Borrower, such as forwarding of the quarterly FMRs and audited annual financial statements to, *inter alia*, the respective SPCU, the respective state ministry in charge of finance, the respective OAGS, the Association, and the Borrower, throughout the period of Project implementation.

B. Project Monitoring and Evaluation

Annual Work Plans and Budgets

1. The Borrower shall, through the Participating States, furnish to the Association for its approval as soon as available, but in any case not later than November 30 of each year, the annual work plan and budget for each subsequent Fiscal Year following FY 2005, of such scope and in such detail as the Association shall have reasonably requested.

Annual Reviews

2. The Borrower shall, through the Participating States:

(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 objective thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November 30, 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 objective thereof during the period following such date; and

(c) review with the Association, by February 28, 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 objective 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 Participating States:

(a) carry out jointly with the Association, on or about the date twenty-four (24) months after the Effective Date, a comprehensive review (Midterm Review) to assess the status of Project implementation. Such review shall be aimed at: (i) documenting progress towards the Project objective; (ii) identifying and resolving obstacles to Project implementation; (iii) assessing the results of the implementation of Part B.2 (b) (iv) of the Project; and (iv) adjusting, in consultation with the Association, targets and corresponding activities to reflect progress achieved in Project implementation as of the date of Midterm Review;

(b) take all actions necessary to ensure the participation of representatives of the NPCU and the SPCUs in such Midterm Review;

(c) not later than one (1) month before such review, prepare and furnish to the Association 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 2 (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 objective thereof during the period following such date; and

(d) review, jointly with the Association, the report referred to in paragraph (c) of this Section and promptly thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective 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 implement the Project in accordance with the performance indicators set forth below:

1. A new organic finance law has been enacted in each Participating State.
2. A medium term fiscal plan, in line with the respective state's development strategy, has been established in each Participating State and is serving as the basis for preparation of annual budgets.
3. Monthly financial statements of the state have been produced no later than twenty-five (25) days after the end of each month in each Participating State.
4. BATMIS has been implemented in at least ten (10) MDAs in each Participating State;
5. Previous reports of the State Auditor General in all Participating States have been updated, respectively, for the years FY 03, 04 and 05 in Bauchi, for the years FY 02, 03, 04 and 05 for Cross River, and for the years FY 01, 02, 03, 04 and 05 in Kaduna, and new reports have been published no later than six (6) months after the end of the FY, or within such other period as may be prescribed by statute.
6. Establishment controls in the human resource management system of each Participating State have been successfully implemented, as evidenced by:
  - (a) conduct of a staff audit in identified MDAs;
  - (b) complete automation of the civil service payment system; and
  - (c) existence of no significant discrepancies between cleaned nominal roll and payroll.



7. The accuracy and coverage of the tax payers' registry for state taxes and fees has improved from 35% in Bauchi and 40% in Kaduna, respectively, to 75% in both states by Project completion.
8. The number of professional level civil servants trained in public sector management at the MDI has increased by 30% as compared to the baseline determined by the Association at the end of Project Year 1.
9. Revised rules of civil procedure have been adopted and are in application in High Courts and Magistrate Courts in Cross River State.
10. The target share of budget allocations to priority poverty reducing sectors and / or programs as defined in each Participating State's SEEDS has been met.
11. The percentage of deviation in the Participating States in actual spending from the budget approved at the beginning of the FY has been reduced from a range of 40-70% to less than 30% by the end of Project Year 4.
12. The time taken to prepare audited annual reports is reduced from 27 months in Bauchi, 24 months in Cross River, and 15 months in Kaduna, respectively, to six (6) months in all of the three states by Project completion.
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