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CREDIT NUMBER 4644 - NG

# Financing Agreement

(Financial Sector and Public Financial Management  
Development Policy Credit)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 24, 2009

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CREDIT NUMBER 4644 - NG

FINANCING AGREEMENT

AGREEMENT dated September 24, 2009, entered into between the FEDERAL REPUBLIC OF NIGERIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

#### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

#### **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three hundred and twenty three million Special Drawing Rights (SDR323,000,000) (variously, “Credit” and “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollars.

**ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension shall be that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

**ARTICLE V — TERMINATION**

- 5.01. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Federal Minister of Finance.
- 6.02. The Recipient's Address is:

The Honorable Minister  
Federal Ministry of Finance  
Ahmadu Bello Way  
Abuja, Nigeria

Facsimile:

234 9 6273609

6.03. The Association's Address is:

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

|                             |             |                |
|-----------------------------|-------------|----------------|
| Cable address:              | Telex:      | Facsimile:     |
| INDEVAS<br>Washington, D.C. | 248423(MCI) | 1-202-477-6391 |

AGREED at Abuja, Federal Republic of Nigeria, as of the day and year first above written.

**FEDERAL REPUBLIC OF NIGERIA**

**By /s/ Mansur Muhtar**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ Onnu Rahl**

**Authorized Representative**

**SCHEDULE 1****Program Actions; Availability of Financing Proceeds****Section I. Actions Taken Under the Program**

The actions taken by the Recipient under the Program include the following measures, all in accordance with the relevant provisions of the Letter of Development Policy:

**A. CBN has:**

1. taken action to ensure the liquidity of the banking system by: (a) providing a new extended window facility and expanding the range of acceptable collateral for borrowing; (b) reducing the liquidity ratio requirement from 40% to 25%; (c) reducing the reserve requirement from 4% to 1%; and (d) reducing the monetary policy rate from 9.75% to 8%;
2. adopted a timetable for: (a) banks to implement IFRS-based regulatory reporting as of December 31, 2010; and (b) all banks to implement a January 1 to December 31 financial year;
3. adopted a program for introduction of consolidated risk-based banking supervision; and
4. placed resident inspectors in all banks.

**B. The Recipient has:**

5. enacted its 2009 budget using a conservative oil price of US\$45 per barrel;
6. continued to implement a policy under which the Excess Crude Account is credited with excess oil revenue (after compensating for shortfalls in revenue);
7. enacted its 2009 budget containing recurrent spending to N1.6273 trillion (61.4 percent) and increasing capital spending to N1.0223 trillion (38.6 percent) of its budget (excluding statutory transfers and debt service);
8. released capital expenditure of N187 billion to MDAs by January 31, 2009;
9. adopted a framework for strategic interventions to address supply constraints and unemployment in the context of the global economic crisis;
10. implemented the interim Accounting Transaction Recording and Reporting System;
11. adopted the Cash Management Policy;

12. enacted and made operational the Public Procurement Act and implementation regulations consistent with international best practices, and made the regulations available to the public; and
13. published on a bi-monthly basis public procurement contract awards in the National Procurement Journal and on the BPP website.

**Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

| Allocations    | Amount of the Financing Allocated<br>(expressed in SDR) |
|----------------|---|
| Single Tranche | 323,000,000   |
| TOTAL AMOUNT   | 323,000,000   |

- C. Deposits of Financing Amounts.** Except as the Association may otherwise agree:
  1. all withdrawals from the Financing Account shall be deposited by the Association into a US\$ account designated by the Recipient and acceptable to the Association; and
  2. the Recipient shall ensure that upon deposit of an amount of the Financing into this account referred to in paragraph (1) above , an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.
- D. Audit.** The Recipient shall:
  1. have the account and the recording of the amounts of the Financing into the Recipient's budget management system referred to in Part C of this Section audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
  2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the said account and recording of the amounts of the Financing into the budget management system, and their audit, as the Association shall reasonably request.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is June 30, 2010.

**SCHEDULE 2****Repayment Schedule**

| <b>Date Payment Due</b>                                   | <b>Principal Amount of the Credit repayable (expressed as a percentage)*</b> |
|---|--|
| On each April 1 and October 1:                            | <b>1%</b>  |
| commencing October 1, 2019 to and including April 1, 2029 | <b>1%</b>  |
| commencing October 1, 2029 to and including April 1, 2049 | <b>2%</b>  |

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Accounting Transaction Recording and Reporting System” means a computerized system used by the Recipient’s Office of the Accountant General to record transactions at the various Federal Pay Offices (FPOs), MDAs and at the main Treasury and electronic transcripts of transactions submitted by the FPOs and MDAs to the Treasury using compact discs for consolidation and reporting.
2. “BPP” means the Bureau of Public Procurement of the Recipient.
3. “Cash Management Policy” means the process by which cash is controlled to ensure that it is readily available when needed to undertake government activities in a cost-effective manner by avoiding idle cash balances and investing surplus cash prudently.
4. “CBN” means the Central Bank of Nigeria.
5. “Excess Crude Account” means an account as defined in Part VII of the Recipient’s Fiscal Responsibility Act 2007 which shall form part of the respective Government’s Consolidated Revenue Fund and where excess proceeds resulting from a rise of the reference commodity price above the predetermined price are being saved.
6. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

| Group | Sub-group | Description of Item                                       |
|-------|-----------|---|
| 112   |           | Alcoholic beverages                                       |
| 121   |           | Tobacco, un-manufactured, tobacco refuse                  |
| 122   |           | Tobacco, manufactured (whether or not containing tobacco) |

|     |        |   |
|-----|--------|---|
|     |        | substitutes)  |
| 525 |        | Radioactive and associated materials  |
| 667 |        | Pearls, precious and semiprecious stones, unworked or worked  |
| 718 | 718.7  | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors   |
| 728 | 728.43 | Tobacco processing machinery  |
| 897 | 897.3  | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971 |        | Gold, non-monetary (excluding gold ores and concentrates)   |

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party);
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
7. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
8. "IFRS" means international financial reporting standards.

9. "Letter of Development Policy" means the Recipient's letter to the Association dated June 22, 2009 declaring the Recipient's commitment to the execution of the Program and requesting assistance from the Association in support of the Program during its execution.
10. "MDAs" means the Recipient's ministries, departments and agencies.
11. "Naira" or "N" means the lawful currency of the Recipient.
12. "Program" means the program of actions, objectives and policies designed to promote economic governance and reduce poverty and set forth or referred to in the Letter of Development Policy dated June 22, 2009.

## **Section II. Modifications to the General Conditions**

The modifications to the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of

such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program specified in the Recipient’s Letter of Development Policy dated June 22, 2009 and referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.