

**CONFORMED COPY**

**CREDIT NUMBER 4295 - UNI**

# **Financing Agreement**

**(State Education Sector Project)**

**between**

**FEDERAL REPUBLIC OF NIGERIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated October 30, 2007**

**CREDIT NUMBER 4295 - UNI**

**FINANCING AGREEMENT**

AGREEMENT dated October 30, 2007, entered into between FEDERAL REPUBLIC OF NIGERIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 forty three million three hundred thousand Special Drawing Rights (SDR 43,300,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Participating States in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following: at least one Subsidiary Agreement has been executed on behalf of the Recipient and a Participating State.
- 4.02. The Additional Legal Matter consists of the following: The Subsidiary Agreement referred to in the above Section 4.01 has been duly authorized or ratified by the Recipient and the Participating State and is legally binding upon the Recipient and the Participating State in accordance with its terms.
- 4.03. The Effectiveness Deadline is the date hundred and eighty (180) days after the date of this Agreement.
- 4.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient's Representative is the Federal Minister of Finance

5.02. The Recipient's Address is:

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

Facsimile:  
234-9-2343609

5.03. The Association's Address is:

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

| Cable:                      | Telex:                         | Facsimile:     |
|-----------------------------|--------------------------------|----------------|
| INDEVAS<br>Washington, D.C. | 248423 (MCI) or<br>64145 (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/ Shamsuddeen Usman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hafez H. Ghanem

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the quality of basic education in targeted LGAs in the Participating States focusing particularly on girls' participation.

The Project consists of the following parts:

1. School Development Scheme

- (a) Provision of Grants to support: (i) improving the quality of teaching and learning, particularly for girls and the poor; (ii) empowering parents and communities to improve the quality of education; (iii) strengthening the capacity of schools to plan and manage resources more effectively; and (iv) promoting participation in planning and implementation among school communities and LGAs.
- (b) Strengthening the capacity of schools in planning and management through provision of training.

2. Quality Improvement in Basic Education

Supporting efforts to improve the quality of education in primary and junior secondary schools including: (a) enhancing professional development of selected teachers; (b) provision of textbooks, library books, instructional materials, and reading and learning materials; and (c) expanding, upgrading, and rehabilitating infrastructure and facilities in selected schools.

3. Institutional Development

Strengthening the capacity of the Ministry of Education and LGEAs in Participating States to monitor the delivery of education services through carrying out of reforms and capacity development including: (a) strengthening and expanding education management information system; and (b) acquisition of goods and equipment.

4. Project Management and Monitoring and Evaluation

Provision of support for effective Project management, and monitoring and evaluation including: (a) supporting Project Support Units in carrying out effective Project coordination, financial management, procurement, and reporting; and (b) supporting effective Project monitoring and evaluation.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements.**

1. The Recipient shall establish and maintain, at all times during the Project implementation period, a Project Consultative Steering Committee to be chaired by the Federal Minister of Education or his or her representative and including the Education Commissioners of the Participating States and representatives from federal and state agencies, LGAs, and other Project stakeholders.
2. The Project Consultative Steering Committee shall be responsible for:  
(a) providing overall strategic guidance for Project implementation; (b) ensuring that that agreed performance targets and timelines for activities under the different components are met; and (c) ensuring effective Project implementation and proactively addressing critical issues that could hinder Project implementation.
3. The Recipient shall cause each Participating State to establish and maintain, at all times during the Project implementation period, a State Project Implementation Committee chaired by the Commissioner of Education or his or her representative of the Participating State Ministry of Education and including representatives from state agencies, LGAs, and other Project stakeholders.
4. The State Project Implementation Committee shall be responsible for  
(a) coordinating the implementation of Project; (b) reviewing progress reports; (c) reviewing and approving annual work programs and budgets; and (d) overseeing the Project Support Unit in the respective Participating State.
5. The Recipient shall cause each Participating State to establish and maintain, at all times during the Project implementation period, a Project Support Unit and appoint and recruit thereto, qualified staff in accordance with terms and conditions which shall have been approved by the Association.
6. The Project Support Unit shall be responsible for the management and coordination of the Project in the respective Participating States.



7. The Recipient shall cause each Participating State to maintain, at all times during the Project implementation period, the Project Financing Management Unit and appoint thereto staff with qualifications and experience acceptable to the Association to provide financial management support for Project implementation.
8. The Recipient shall cause each Participating State to prepare by June 1, 2007 and furnish to the Association, a Project Implementation Manual in form and substance satisfactory to the Association, including details of procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements.
9. The Recipient shall cause each Participating State to carry out the Project in accordance with the Project Implementation Manual and the Environmental and Social Management Framework, and not, except as the Association shall otherwise agree, amend or waive any provision of these documents, which in the opinion of the Association, may adversely and materially affect the implementation of the Project.

**B. Subsidiary Agreements.**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Participating States under Subsidiary Agreements between the Recipient and Participating States, under terms and conditions which shall have been approved by the Association.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, arrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Grants.**

1. The Recipient shall cause each Participating State to prepare and furnish to the Association, a School Development Scheme Grants Manual in form and substance satisfactory to the Association, including details of eligibility criteria, procedure, rules, and model Grant Agreement for provision of the Grants to Beneficiaries.
2. The Recipient shall cause each Participating State to provide Grants to Beneficiaries in accordance with the School Development Scheme Grants

Manual and under a Grant Agreement with the Beneficiary, which shall include the following:

- (a) The Participating State shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to suspend or terminate the right of the Beneficiary to use the proceeds of the Grant or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Grant Agreement.
  
- (b) The Participating State shall require each Beneficiary to:
  - (i) carry out Project activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement; and (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Project activities and the achievement of its objectives.
  
- (c) The Participating State shall require each Beneficiary to:
  - (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project activities; (ii) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (iii) enable the Recipient and the Association to inspect the Project activities, its operation and any relevant records and documents; and (iv) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Recipient shall cause each Participating State to exercise its rights under each Grant Agreement in such manner as to protect its interests and the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Recipient and Association shall otherwise agree, the Participating State shall not assign, amend, abrogate or waive any Grant Agreement or any of its provisions.

**D. Safeguards.**

The Recipient shall prepare and furnish to the Association an Environment and Social Management Framework including the mitigation, enhancement, monitoring and evaluation measures to be taken during the design and implementation of Project activities to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts, including plan of actions needed to implement such measures.

**E. Letters of Sector Policies**

The Recipient shall cause each Participating State to implement the Project in accordance with the principles of the State Letter of Sector Policy and to this end the Recipient shall not, except as the Association shall otherwise agree, amend or waive any provision of any State Letter of Sector Policy, which in the opinion of the Association, may adversely and materially affect the implementation of the Project.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. (a) The Recipient shall cause each Participating State to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) Increased primary completion rates for boys and girls in targeted LGAs.
  - (ii) Increased junior secondary completion rates for boys and girls in targeted LGAs.
  - (iii) Increased transition rates from primary to junior secondary for girls and boys in targeted LGAs.
  - (iv) Improved learning conditions in schools supported by the Project.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months.

**B. Financial Management, Financial Reports and Audits**

- 1. The Recipient shall cause each Participating State to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause each Participating State to prepare and furnish to the Association as part of the Project Report not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall cause each Participating State to have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
  
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
  
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
  
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

| <b>Procurement Method</b>                  |
|--|
| (a) National Competitive Bidding           |
| (b) Shopping                               |
| (c) Direct Contracting                     |
| (d) Community Participation in Procurement |

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b>Procurement Method</b>                         |
|---|
| (a) Single Source Selection                       |
| (b) Selection of Individual Consultants           |
| (c) Selection Based on Consultants’ Qualification |
| (d) Least Cost Selection                          |

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the

amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

| <b>Category</b>  | <b>Amount of the Financing Allocated (expressed in SDR)</b> | <b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b> |
|--|---|---|
| (1) Goods,   | 6,490,000   | 100%  |
| (2) Works  | 9,420,000   | 100%  |
| (3) Consultants' Services including Audits, Training and Workshops | 7,000,000   | 100%  |
| (4) Grants   | 5,600,000   | 100% of mounts disbursed  |
| (5) Operating Costs  | 270,000   | 100%  |
| (6) Refund of Project Preparation Advance                          | 620,000   | Amount payable pursuant to Section 2.07 of the General Conditions     |
| (7) Unallocated  | 13,900,000  |   |
| <b>TOTAL AMOUNT</b>  | <b>43,300,000</b>   |   |

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement;
  - (b) for payments under any Category made with respect to any Participating State until: (i) a Subsidiary Agreement under terms and conditions satisfactory to the Association has been executed between the Recipient and such Participating State and is binding and has become effective; and (ii) the Association has received an opinion pursuant to Section 8.02 (b) of the General Conditions that the Subsidiary Agreement has been duly

authorized or ratified by the Recipient and such Participating State and is legally binding upon the Recipient and such Participating State;

- (c) for payments under any Category made with respect to Kano State until Kano State has established a Project Financial Management Unit in form and substance satisfactory to the Association and appoint thereto staff with adequate qualifications and experience; and
- (d) for payments made under category (4) unless: (i) a School Development Scheme Grant Manual in form and substance satisfactory to the Association has been prepared and furnished to the Association; and (ii) the respective Grant has been made in accordance with the criteria, procedure, terms, and conditions set forth in the Grants School Development Scheme Grant Manual.

2. The Closing Date is July 1, 2011.



**SCHEDULE 3****Repayment Schedule**

| <b>Date Payment Due</b>                                      | <b>Principal Amount of the Credit repayable<br/>(expressed as a percentage)*</b> |
|--|--|
| On each February 15 and August 15:                           |  |
| commencing August 15, 2017 to and including February 15 2027 | <b>1%</b>  |
| commencing August 15 2027 to and including February 15, 2047 | <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. “Beneficiary” means a school in any Participating State which has met the eligibility criteria as set out in the Grant Manual and as a result, has received, or is entitled to receive a Grant.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, with the modifications set forth in Section II of this Appendix.
5. “Environment and Social Management Framework” means the environmental and social management framework dated January 16, 2007 defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities.
6. “Grant” means a grant to be made out of the proceed of the Financing to a Beneficiary.
7. “Grant Agreement” means an agreement to be entered into between a Beneficiary and a Participating State for the provision of a Grant.
8. “Local Government Area” or “LGA” means any local government area established and operating pursuant to the Recipient’s Constitution dated May 29, 1999.
9. “Local Government Education Authority” or “LGEA” means the education authority established within each LGA to oversee the provision of basic education.

10. “Operating Costs” means the incremental expenses incurred on account of Project implementation, management, and monitoring, including office space rental and utilities, office supplies and equipment, bank charges, communications, vehicle operation, maintenance, insurance cost, building and equipment maintenance, travel, supervision and advertising.
11. “Participating State” means any of the Recipient’s States of Kano, Kaduna, and Kwara and which has entered into a Subsidiary Agreement with the Recipient in accordance with Section I.B of Schedule 2 to this Agreement.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 20 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. “Project Consultative Steering Committee” means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement established in each Participating State for the overall Project oversight.
15. “Project Implementation Manual” means the manual referred to in Section I.A.8 of Schedule 2 to this Agreement and comprising policies, procedures, and guidelines which shall be followed by Participating States in the implementation of the Project.
16. “Project Financial Management Unit” means the financial management unit established in each Participating State’s Office of Accountant General to provide financial management services to State’s projects including this Project.
17. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 2, 2007 and on behalf of the Recipient on May 15, 2007.
18. “Project Support Unit” means the unit referred to in Section I.A.5 of Schedule 2 to this Agreement established in each Participating State for management and implementation of the Project in each Participating State.

19. “School Development Scheme Grants Manual” means the manual to be prepared by each Participating State comprising rules, procedures, and guidelines necessary which shall be followed by the Participating State in the provisions of Grants to Beneficiaries.
20. “State Letter of Sector Policy” means the letter furnished by each Participating State to the Recipient and the Association describing the set of policies adopted by the Participating State necessary to achieve, among other things, the Project development objective.
21. “State Project Implementation Committee” means the committee referred to in Section I.A.3 of Schedule 2 to this Agreement established in each Participating State for the oversight of Project implementation in each Participating State.
22. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part the proceeds of the Financing available to a Participating State.

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

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 are as follows:

The General Conditions is amended by replacing the word “Project Implementing Entity” with the word “Participating State”.