

**OFFICIAL
DOCUMENTS**



LOAN NUMBER 8441-NG

Loan Agreement

(Development Finance Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated FEBRUARY 25, 2015



LOAN NUMBER 8441-NG

LOAN AGREEMENT

AGREEMENT dated FEBRUARY 25, 2015, entered into between FEDERAL REPUBLIC OF NIGERIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS: (A) the Bank has received a letter from the Borrower dated May 23, 2014, describing a set of objectives, policies and actions designed to strengthen access to finance by micro, small and medium enterprises (MSMEs) in all sectors of the economy and thereby create sustainable jobs and improve prosperity and living standards of Nigerians, *inter alia*, by establishing a new financially self-sustainable development finance institution, undertaking comprehensive reform of the development finance sector and improving the legal, regulatory and institutional environment for MSME lending;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement (“Project”), has requested the Bank to extend a loan to assist in the financing of the Project; and

(C) the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend a loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Borrower and the Bank 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of five hundred million United States Dollars (USD\$500,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower's Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister, Permanent Secretary, or Director (International Economic Relations Department) in the Federal Ministry of Finance.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
 - (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Parts 1 and 4 of the Project through the Federal Ministry of Finance and cause Parts 2 and 3 of the Project to be carried out by Development Finance Institution (“DFI”) in accordance with the provisions of Article V of the General Conditions and the Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:

- (a) any of the documents constituting the DFI Legal and Regulatory Framework has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the DFI to perform any of its obligations under the Agreement;
 - (b) the assignment, amendment, abrogation or waiver of any provision of any signed Master Credit Agreement, without the prior written approval of the Borrower and the Bank; or
 - (c) the DFI's license has been withdrawn, revoked, amended or suspended, or its renewal has been withheld, so as to materially and adversely affect, in the sole opinion of the Bank, the ability of the DFI to perform any of its obligations under this Agreement, the Subsidiary Agreement or any Master Credit Agreement.
- 4.02. The Additional Events of Acceleration consist of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Borrower has adopted the Project Operations Manual; and
 - (b) the DFI has been duly incorporated, in form and substance satisfactory to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its minister responsible for finance.
- 6.02. The Borrower's Address is:
- Federal Ministry of Finance
Ahmadu Bello Way
Abuja, Federal Republic of Nigeria

| | |
|--------------------|---------------|
| Cable address: | Facsimile: |
| FEDMINFIN Abuja | 234-9-2343609 |

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

| | | |
|-------------------------------|------------------------------|----------------|
| Cable address: | Telex: | Facsimile: |
| INTBAFRAD Washington, D.C. | 248423(MCI) or 64145(MCI) | 1-202-477-6391 |

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

FEDERAL REPUBLIC OF NIGERIA

By

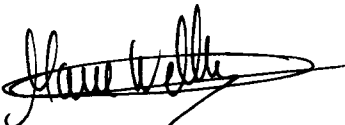

Authorized Representative

Name: Dr. Ngozi Okonjo-Iweala

Title: Minister of Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Authorized Representative

Name: Marie Françoise Marie-Nelly

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to increase the availability and access to finance for micro, small, and medium enterprises through eligible financial intermediaries with the support of a new wholesale development finance institution.

The Project consists of the following parts:

Part 1. Technical Assistance and Capacity Building Program

Carrying out of a technical assistance and capacity building program designed to enhance availability of and access to finance micro, small and medium enterprises (MSMEs) in the Federal Republic of Nigeria and comprising such activities as:

- (a) provision of operational support to the Development Finance Institution (DFI) through provision of goods, Training and Operating Costs required for the purpose as well as provision of technical assistance to DFI for: (i) developing its operating principles, policies and procedures as well as its governance structure; (ii) designing and rolling out of its financing instruments; (iii) designing its monitoring and evaluation system; and (iv) issuing its pilot bond;
- (b) assistance to PFIs to strengthen their institutional capacity for MSME finance including: (i) strengthening MSMEs lending policies and procedures; (ii) instituting appropriate risk management and management information systems; (iii) developing and operating environmental and social management system for identifying, assessing and managing environmental and social risks and impacts; and (iv) training of loan officers; and
- (c) carrying out a technical assistance and capacity building program targeting the Federal Ministry of Finance including: (i) enhancing its capacity to provide policy and technical oversight of the DFI; (ii) reviewing and exploration of options for consolidation within the DFI of existing development finance schemes operating under the Central Bank of Nigeria; and (iii) developing a set of financial consumer protection standards for adoption by all PFIs.

Part 2. Line of Credit Facility

Provision of DFI Loans to PFIs for the purposes of on-lending to Eligible Beneficiaries for the carrying out of Sub-projects.

Part 3. Credit Guarantee Facility

Provision of Partial Credit Guarantees to PFIs on their Sub-loans to Eligible Beneficiaries.

Part 4. Project Management

Carrying out of Project management, including coordination, financial management, procurement, communication and outreach, audits, environmental and social standards management, and monitoring and evaluation, piloting and testing innovative instruments such as auctions and first loss facility, and provision of goods, Training and Operating Costs required for the purpose.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper implementation of the Project, the Borrower shall maintain at all times during the implementation of the Project, a Project Implementation Unit comprising of staff with qualifications, experience and terms of reference acceptable to the Bank, to be responsible for providing policy oversight and strategic direction in the execution of the Project, including reviewing and adopting the Annual Work Plans.
2. The Borrower shall cause the DFI to carry out its obligations provided for under this Agreement, including providing promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project, in an effective and timely manner, and to the satisfaction of the Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make part of the proceeds of the Loan available to DFI under a Subsidiary Agreement between the Borrower and DFI, under the terms and conditions approved by the Bank, which shall include, *inter alia*, the following: The principal amount of the Loan made available under the Subsidiary Agreement ("Subsidiary Loan") shall be: (a) denominated and repayable in Naira; (b) charged interest on the principal amount withdrawn and outstanding from time to time at the rate acceptable to the Bank; and (c) on repayment terms acceptable to the Bank.
2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Project Operations Manual

1. To ensure the proper implementation of the Project, the Borrower shall prepare a manual, in form and substance satisfactory to the Bank, for the implementation of the Project. The said manual shall include, *inter alia*: (a) institutional arrangements for the management of the Project (including allocation of responsibilities among various entities and their staff involved in Project implementation, yearly planning of activities and budget and time allocation for those activities); (b) internal control systems, financial management and accounting procedures annexes; (c) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, procurement as well as environmental and social risks management mechanisms and procedures) to be followed during Project implementation; (d) a detailed communication plan as well as social accountability tools proposed to be utilized for Project purposes; and (e) the guidelines and indicators for Project monitoring and evaluation.
2. Without limitation upon the provisions of sub-paragraph 1 above, the manual referred to in sub-paragraph 1 shall have an annex containing provisions guiding the operations and procedures of the DFI (the DFI Operations Manual) which the Borrower shall cause DFI to develop and adopt (in compliance with the relevant disbursement linked indicator set forth in Schedule 4 to this Agreement), all in the form and substance satisfactory to the Bank.
3. The Borrower shall: (a) furnish to, and exchange views with the Bank on such manual promptly upon its preparation; (b) adopt such manual as shall have been approved by the Bank (“Project Operations Manual”); and (c) thereafter implement the Project, and cause the Project to be implemented, in accordance with the Project Operations Manual.
4. Except as the Bank may otherwise agree to in writing, the Borrower shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Project Operations Manual or any provision thereof.

E. Annual Work Plan

1. The Borrower shall prepare and furnish to the Bank not later than November 1 of each year during the implementation of the Project (or such later date as the Bank may agree), for the Bank approval, a consolidated annual work plan (and budget) containing all eligible Project activities and expenditures, including the proposed annual business plan of the DFI, proposed to be implemented the following Fiscal Year.
2. The Borrower shall ensure that the Project is implemented in accordance with the annual work plan approved by the Bank for the respective Fiscal Year (“Annual

Work Plan”); provided, however, that in case of any conflict between the Annual Work Plans and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Borrower shall not make or allow to be made any change to the Annual Work Plans without the prior approval in writing by the Bank.

F. Performance Standards for Private Sector Activities

1. The Borrower shall cause the DFI to: (a) prepare an environmental and social risk management operations manual, satisfactory to the Bank, for the purpose of identifying, assessing and managing environmental and social risks and impacts under the Project; (b) furnish to, and exchange views with, the Bank on such manual promptly upon its preparation; (c) thereafter adopt and publicly disclose such manual as shall have been approved by the Bank (“Environmental and Social Operations Manual” or “ESOM”); and (d) ensure that the Project is implemented in accordance with the ESOM.
2. Without limitation upon its other reporting obligations under this Agreement, the Borrower shall cause the DFI to collect, compile and submit to the Bank, each calendar year (or at such other frequency as may be agreed with the Bank), consolidated reports on the status of compliance with the ESOM (“Environmental and Social Performance Report”) giving details of: (a) measures taken by the DFI and Participating Financial Institutions in furtherance of the ESOM, including, development and operation of their respective environment and social management systems; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

G. DFI Legal and Regulatory Framework

1. The Borrower shall cause the DFI to comply with the provisions of the DFI Legal and Regulatory Framework at all times during the implementation of the Project.
2. Without limitation to the provision of sub-paragraph (1) above, the Borrower shall not abrogate, amend, repeal, suspend or waive, or allow DFI abrogate, amend, repeal, suspend or waive, the DFI memorandum and articles of association, without prior approval in writing by the Bank.

H. Credit Guarantee Facility

1. No later than eighteen (18) months after the Effective Date, the Borrower shall establish, or cause to be established, a CGF Entity in form and substance and

with resources satisfactory to the Bank, for the purpose of providing Partial Credit Guarantee to PFIs on their Sub-loans to Eligible Beneficiaries.

2. Not later than twenty-four (24) months after the Effective Date, the Borrower shall cause the CGF Entity to adopt a guarantee manual, in form and substance satisfactory to the Bank (Guarantee Manual), which shall, as a minimum, address the following elements of the Credit Guarantee Facility: (a) eligibility criteria for potential beneficiaries; (b) detailed conditions to be met by potential beneficiaries in order to receive the benefits of the Credit Guarantee Facility; (c) mechanisms for delivery of the proposed Partial Credit Guarantees; (d) environmental and social risk management arrangements; and (e) monitoring and evaluation system, including details on how to audit said Credit Guarantee Facility.
3. The Borrower shall cause the CGF Entity to implement Part 3 of the Project in accordance with the Guarantee Manual. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate or waive the Guarantee Manual or any of its provisions nor allow such Manual or any of its provisions to be assigned, amended, abrogated or waived.

I. DFI Loans

1. The Borrower shall cause the DFI to make DFI Loans to Participating Financial Institutions in accordance with eligibility criteria and procedures acceptable to the Bank as further detailed in the DFI Operations Manual,
2. The Borrower shall cause the DFI to make each DFI Loan under a Master Credit Agreement with the respective Participating Financial Institution on terms and conditions approved by the Bank, and detailed in the DFI Operations Manual, which shall include the following:
 - (a) The DFI Loan shall be: (i) denominated and repayable in Naira; (ii) charged interest on the principal amount withdrawn and outstanding from time to time at a rate acceptable to the Bank; and (iii) on repayment terms acceptable to the Bank.
 - (b) The DFI shall obtain rights adequate to protect its interests and those of the Borrower and the Bank, including the right to: (i) suspend or terminate the right of the PFI to use the proceeds of the DFI Loan, or declare to be immediately due and payable all or any part of the amount of the DFI Loan then withdrawn, upon the Participating Financial Institution's failure to perform any of its obligations under the Master Credit Agreement; and (ii) require each Participating Financial Institution to: (A) use the proceeds of the DFI Loan with due diligence and efficiency and in accordance with sound technical, economic,

financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the use of the proceeds of the DFI Loan and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the use of the DFI Loan; and (2) at the Bank's or the Borrower's or the DFI's request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower, the Bank and the DFI; (F) enable the Borrower, the Bank and the DFI to inspect the use of the proceeds of DFI Loan and any relevant records and documents; and (G) prepare and furnish to the Borrower, the Bank and the DFI all such information as the Borrower or the Bank or the DFI shall reasonably request relating to the foregoing.

3. The Borrower shall ensure that the DFI exercises its rights under each Master Credit Agreement in such manner as to protect the interests of the Borrower, the Bank and the DFI and to accomplish the purposes of the Loan. Except as the Borrower and the Bank shall otherwise agree, the DFI shall not assign, amend, abrogate or waive any Master Credit Agreement or any of its provisions.

J. Verification Arrangements

In order to verify the achievement of DLIs under tranches IV, V and VI, the Borrower shall: (a) not later than eighteen (18) months after the Effective Date, employ a verification agent, in accordance with the provisions of Section III of this Schedule, with qualifications, experience and terms of reference acceptable to the Bank; and (b) prior to each disbursement of Loan proceeds against the achievement of DLIs for tranches IV, V and VI, ensure that the verification agent has verified the status of achievement of the DLIs corresponding to the tranche with respect of which the disbursement of a portion of Loan proceeds is proposed, all in form and substance acceptable to the Bank.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank and set forth in the Project Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.
4. Without limitation on the provisions of Part B.3 of this Section, the Borrower shall cause the DFI to: (a) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the DFI, including the operations, resources and expenditures related to its Respective Parts of the Project; (b) have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the DFI; and (c) ensure that the audited financial statements for each period shall be: (i) furnished to the Borrower and the Bank not later than six months after the end of the period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Bank.
5. Not later than ninety (90) days after the Effective Date, the Borrower shall:

- (a) appoint the independent auditors referred to in Section 5.09(b) of the General Conditions, in accordance with the provisions of Section III of this Schedule;
- (b) update its computerized accounting systems to incorporate Project activities, all in a manner satisfactory to the Bank; and
- (c) train its internal auditor on risk-based internal audit.

Section III. Procurement

A. General

- 1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan 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 Loan 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 Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding; (c) Shopping; (d) Direct Contracting; and (e) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

E. Procurement related Covenant

The Borrower shall, not later than ninety (90) days after the Effective Date, establish a procurement complaint mechanism comprising an online database or a complaint hotline, in form and substance satisfactory to the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank 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 Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| Category | Amount of the Loan Allocated (expressed in USD) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|--|--|--|
| (1) Lines of Credit to PFIs for DFI Loans and Partial Credit Guarantees under Parts 2 and 3 of the Project | 480,000,000 | 100% |
| (2) Goods, non-consulting services, consultants’ services, Operating Costs and Training under Parts 1 and 4 of the Project | 18,750,000 | 100% |
| (3) Front-end Fee | 1,250,000 | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions |
| (4) Interest Rate Cap or Interest Rate Collar premium | 0 | Amount due pursuant to Section 2.07(c) of this Agreement |
| TOTAL AMOUNT | 500,000,000 | |

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement; or
 - (c) for any payments under Category (1), unless and until evidence satisfactory to the Bank is furnished to the Bank confirming that DFI has

met the DLI(s) for the tranche for which payment is requested as set forth in Schedule 4 to this Agreement.

2. The Closing Date is December 31, 2021.

Section V. Other Undertakings

For the purpose of supervising the implementation of the Project, the Bank representatives may attend the DFI Board discussions, as observers, without the right to vote, the right to move substantive or procedural motions or the right to contribute to deliberations at the meeting. To that end, and without limitation to the provisions of Article V of the General Conditions, the Borrower shall enable the Bank's representatives to participate as observers in the meetings of the DFI Board under the terms set forth in the Project Operations Manual.

SCHEDULE 3

Amortization Schedule

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each April 15 and October 15, the first installment to be payable on the eleventh (11th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the forty-second (42nd) Payment Date following the Maturity Fixing Date for the Disbursed Amount. The following table sets forth the percentage of the Disbursed Amount payable on each Principal Payment Date.

| Principal Payment Date | Installment Share (Expressed as a Percentage) |
|-------------------------------|--|
| First | 2.08000 |
| Second | 2.13000 |
| Third | 2.19000 |
| Fourth | 2.24000 |
| Fifth | 2.30000 |
| Sixth | 2.35000 |
| Seventh | 2.41000 |
| Eighth | 2.47000 |
| Ninth | 2.53000 |
| Tenth | 2.60000 |
| Eleventh | 2.66000 |
| Twelfth | 2.73000 |
| Thirteenth | 2.80000 |
| Fourteenth | 2.87000 |
| Fifteenth | 2.94000 |
| Sixteenth | 3.01000 |
| Seventeenth | 3.09000 |
| Eighteenth | 3.17000 |
| Nineteenth | 3.24000 |
| Twentieth | 3.33000 |
| Twenty-first | 3.41000 |

| | |
|----------------|---------|
| Twenty-second | 3.49000 |
| Twenty-third | 3.58000 |
| Twenty-fourth | 3.67000 |
| Twenty-fifth | 3.76000 |
| Twenty-sixth | 3.86000 |
| Twenty-seventh | 3.95000 |
| Twenty-eighth | 4.05000 |
| Twenty-ninth | 4.15000 |
| Thirtieth | 4.26000 |
| Thirty-first | 4.36000 |
| Thirty-second | 4.32000 |

2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after October 15, 2042, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency.

SCHEDULE 4

Disbursement Linked Indicators for Category (1) of the Disbursement Table

| Tranche | Maximum Amount Allocated (USD) | Disbursement Linked Indicators |
|----------------|---------------------------------------|---|
| I | 20,000,000 | Evidence, in form and substance satisfactory to the Bank, that: (i) the DFI chief executive officer has been duly appointed and the DFI Board duly constituted; (ii) the Subsidiary Agreement has been duly executed on behalf of the Borrower and the DFI, such execution has been duly authorized or ratified by the Borrower and the DFI and the Subsidiary Agreement is legally binding upon the parties thereto; (iii) the DFI has adopted the Environmental and Social Operations Manual and the DFI Operations Manual; and (iv) the DFI has acquired the license from the Central Bank of Nigeria required for its operation and a legal counsel, acceptable to the Bank, has issued an opinion confirming that the DFI has been duly established and has the mandate and capacity to perform the functions and obligations assigned to it under the Project, all of the above in form and substance satisfactory to the Bank. |
| II | 100,000,000 | Evidence, in form and substance satisfactory to the Bank, that DFI has selected at least two PFIs, based on the eligibility criteria set forth in the DFI Operations Manual, and signed Master Credit Agreements with the PFIs. |
| III | 35,000,000 | Evidence, in form and substance satisfactory to the Bank, that a CGF Entity has been established as a subsidiary of the DFI, the CGF Entity's manager has been duly appointed, and the CGF Entity has adopted the Guarantee Manual. |
| IV | 150,000,000 | Evidence, in form and substance satisfactory to the Bank, that during the period starting on the day immediately following Tranche II disbursement, DFI has provided to PFIs a minimum volume of USD\$30 million equivalent in DFI Loans. |
| V | 100,000,000 | Evidence, in form and substance satisfactory to the Bank, that during the period starting on the day immediately following Tranche IV disbursement, DFI has provided to PFIs a minimum volume of USD\$50 million equivalent in DFI Loans. |
| VI | 75,000,000 | Evidence, in form and substance satisfactory to the Bank, that during the period immediately following Tranche V disbursement, DFI has: |

| | | |
|--|--|--|
| | | <p>(i) provided to PFIs a minimum volume of USD\$100 million equivalent in DFI Loans; and (ii) unless otherwise agreed in writing by the Bank, issued and sold new bonds the proceeds of the sale of which shall be used to fund lines of credits to PFIs for on-lending to Eligible Beneficiaries with a minimum volume of bonds outstanding equivalent to USD\$50 million.</p> |
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APPENDIX

Section I. Definitions

1. **“Annual Work Plan”** means each annual work plan, together with the related budget, for the Project approved by the Bank pursuant to the provisions of Section I.E.2 of Schedule 2 to this Agreement.
2. **“Anti-Corruption Guidelines”** means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. **“Category”** means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. **“Central Bank of Nigeria”** means the central bank of the Borrower, established and operating pursuant to the Central Bank of Nigeria Act of 2007.
5. **“CGF Entity”** means a duly established subsidiary of the DFI, whose objective is to provide Partial Credit Guarantee to PFIs on their Sub-loans to Eligible Beneficiaries and thereby enhance the capacity of PFIs to serve the MSME sector sustainably.
6. **“Consultant Guidelines”** means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
7. **“Credit Guarantee Facility”** means the facility to be set up under Part 3 of the Project to provide Partial Credit Guarantees to PFIs on their Sub-loans to Eligible Beneficiaries as described in detail in the Guarantee Manual.
8. **“Development Finance Institution”** or **“DFI”** means a duly established company under Companies and Allied Matters Act which shall be responsible for implementing Parts 2 and 3 of the Project.
9. **“DFI Board”** means the board of directors established and operating pursuant to the memorandum and articles of association of DFI.
10. **“DFI Legal and Regulatory Framework”** means, collectively, documents related to the legal establishment and operation of the Development Finance Institution, including the memorandum and articles of association of the Development Finance Institution, and this term shall include the following legislative instruments of the Borrower governing the operation of the DFI: Companies and Allied Matters Act of 1990, Investments and Securities Act of

2007, Banks and Other Financial Institutions Act of 2004 and other relevant laws, and applicable guidelines and circulars of the Central Bank of Nigeria.

11. **“DFI Loan”** means a loan made, in accordance with criteria set forth in the DFI Operations Manual, by DFI to a PFI out of the proceeds of the Loan for the purpose of on-lending as Sub-loans to Eligible Beneficiaries.
12. **“Disbursement Linked Indicators” or “DLIs”** means the disbursement linked indicators to be met by DFI as set forth in Schedule 4 to this Agreement.
13. **“Eligible Beneficiaries”** means micro, small and medium enterprises (MSMEs) established and operating within the territory of the Borrower, which meet the eligibility criteria outlined in the DFI Operations Manual to receive Sub-loans. For the purpose of this Agreement the MSMEs include small corporates whose size, in terms of number of employees, annual turnover or total assets, is defined in the DFI Operations Manual.
14. **“Environmental and Social Performance Report”** means the report referred to in Section I.F.2 of Schedule 2 to this Agreement.
15. **“Environmental and Social Operations Manual” or “ESOM”** means manual referred to in Section I.F.1(c) of Schedule 2 to this Agreement.
16. **“Fiscal Year”** means the Borrower’s fiscal year commencing January 1 and ending December 31 in each year.
17. **“Federal Ministry of Finance”** means the Borrower’s ministry responsible for finance and any successor thereto.
18. **“General Conditions”** means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
19. **“Guarantee Manual”** means the manual referred to in Section I.H.2 of Schedule 2 to this Agreement.
20. **“Lines of Credit”** means a portion of Loan proceeds proposed to be made available to DFI (for PFI Loans) or CGF Entity (for Partial Credit Guarantees) upon verification of compliance with applicable DLIs.
21. **“Master Credit Agreement”** means an agreement entered into between the DFI and a PFI, on terms and conditions set forth in Section I.2 of Schedule 2 to this Agreement, for the purposes of financing a DFI Loan.

22. **“Naira”** means the lawful currency of the Borrower.
23. **“Operating Costs”** means the reasonable costs of goods, non-consulting services and services required for the day-to-day implementation of the Project including maintenance of vehicles and equipment, fuel, office supplies, utilities, consumables, office rental and maintenance, bank charges, advertising expenses, travel, per diems, accommodation, and salaries of selected support staff, but excluding salaries of consultants and salaries of officials of the Borrower’s civil service.
24. **“Participating Financial Institution”** or **“PFI”** means a regulated financial institution, established and operating within the territory of the Borrower, which meets the eligibility criteria for PFIs set forth in the DFI Operations Manual.
25. **“Partial Credit Guarantees”** means guarantees to be provided by the CGF Entity under Part 3 of the Project to partially cover PFIs exposure to defaults of their Sub-loans to Eligible Beneficiaries.
26. **“Procurement Guidelines”** means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
27. **“Procurement Plan”** means the Borrower’s procurement plan for the Project, dated August 18, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
28. **“Project Implementation Unit”** means the unit maintained by the Federal Ministry of Finance and referred to in Section I.A.1 of Schedule 2 to this Agreement.
29. **“Project Operations Manual”** or **“POM”** means the manual approved by the Bank and adopted by the Borrower in accordance with the provisions of Section I.D.3 of Schedule 2 to the Agreement as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any annexes and schedules to such manual.
30. **“Sub-loan”** means a loan made or proposed to be made, pursuant to the provisions of a Sub-loan Agreement and in accordance with the criteria and procedures set forth in the DFI Operations Manual, by a PFI to an Eligible Beneficiary out of the proceeds of a DFI Loan for the purpose of financing a Sub-project.

31. **“Sub-loan Agreement”** means an agreement entered into between a PFI and an Eligible Beneficiary on the terms and conditions set forth in the DFI Operations Manual for the purpose of financing a Sub-loan.
32. **“Sub-project”** means economic activities carried out by an Eligible Beneficiary to be funded from a Sub-loan in accordance with criteria set forth in the DFI Operations Manual.
33. **“Subsidiary Agreement”** means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to DFI, as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes all schedules to such Subsidiary Agreement.
34. **“Subsidiary Loan”** means the principal amount of the Loan made available to DFI under the Subsidiary Agreement.
35. **“Training”** means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops and study tours under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of consultants.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

The definition of the term “Conversion Date” in paragraph 20 of the Appendix to the General Conditions is modified to read:

“‘Conversion Date’ means, for a Conversion, the Execution Date or such other date as the Bank shall determine on which the Conversion enters into effect, as further specified in the Conversion Guidelines; provided that if the Loan Agreement provides for automatic Conversions into the Approved Currency upon withdrawal of amounts of the Loan, the Conversion Date shall be the date of withdrawal from the Loan Account of the amount in respect of which the Conversion has been requested.”