September 26, 2016

Honorable Udoma Udo Udoma
Minister of Budget and National Planning
Federal Ministry of Budget and National Planning
Finance Building
Central Business Area
Abuja, Nigeria

Re: EU TF Grant No. TF017831
(Nigeria: State Employment and Expenditure for Results Project)
Additional Instructions: First Revised Disbursement Letter

Honorable Minister:

I refer to the Grant Agreement ("Agreement") between the Federal Republic of Nigeria ("Recipient") and the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of a European Union trust fund for the above-referenced project, dated May 12th, 2016. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF017831 ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This revised letter relates to changes made on the grant number to read "Grant Number TF017831"

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment
(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Grant Agreement.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1).
A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank,
Nigeria Country Office,
102, Yakubu Gowon Crescent,
Asokor, Abuja,
Federal Republic of Nigeria

Attention: Mr. Rachid Benmessaooud, Country Director for Nigeria

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank,
13th Floor Delta Centre,
Menengai Road, Upper Hill
P.O.Box 30557-00100
Nairobi, Kenya

Tel: +254 20 2936 0000

Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with SIDC for the designated
officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SDIC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of SIDC”) provided in Attachment [3]; and (b) to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is USD 200,000

(vi) Advances (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):**

  **Designated Account A1: Segregated**

  The Designated Account will be managed by the Federal Project Financial Management Directorate (FPFMD) within the Office of the Accountant General of the Federation (OAGF) for the National Project Coordination Unit (NPCU) at the National Planning Commission (NPC).

  **Designated Accounts B1, C1, D1, and E1: Segregated**

  The Designated Account B1 will be managed by the Delta State (Project Project Finance Management Unit (Delta State PFMU); Designated Account C1 will be managed by the Edo State Project Finance Management Unit (Edo State PFMU); Designated Account D1 will be managed by the Rivers State Project Finance Management Unit (PFMU). (Rivers State PFMU); and Designated Account E1 will be managed by the Bayelsa State Project Finance Management Unit (Bayelsa State PFMU)

- **Currency of Designated Account[s] (subsection 5.4):** EURO

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Central Bank of Nigeria, Nigeria for the NPCU, and for the States the same commercial bank wherein the existing DAs used by the respective States are opened.

- **Ceiling (subsection 6.1):** A flexible ceiling will be determined for this operation for each Designated account based on a quarterly review of expenditure forecasts. Initial ceiling will be the expenditure forecast for the first 6 months after project effectiveness, as indicated in the approved Annual Work Plan and Budget, as reduced by amounts expected to be disbursed using the Direct Payment and Special Commitment methods. Subsequent ceilings will be
equivalent to funding forecasts for next 2 calendar quarters, as included in the approved Annual Work Plan and Budget or approved Interim Financial Reports, as reduced by amounts expected to be disbursed using the Direct Payment and Special Commitment methods.

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and For reporting eligible expenditures paid from the Designated Account:**
  
  o Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices, documentary evidence of delivery and acceptance of contracted goods or service) (i) goods and works valued at USD 300,000 or more; (ii) consulting firms valued at USD 100,000 or more, and (iii) individual consultants valued at USD 50,000 or more;
  
  o Statement of Expenditure in the form attached (Attachment 4) for all other expenditures / contracts; and
  
  o List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5)

- **For requests for Direct Payment:** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Monthly

(iii) Other Supporting Documentation Instructions

- For disbursement of Grants to a Beneficiary, the Statement of Expenditures (Attachment 6) should include information on the identity of the Beneficiary, the reference number and date of the Sub-project Grant agreement, a brief description of the productive expenditures the Grant was applied to, the amount of Beneficiary contribution for the CDD component, and the amount of matching contribution from the World Bank.

- Copies of the bank statement of all the Designated Accounts and project bank account and a reconciliation statement for these Accounts should be submitted with each Application of replenishment.

IV. Withdrawal Conditions and Other Disbursement Instructions
• Payment for all incurred eligible expenditures under the project will be financed from the IDA credit (64%) and EU Grant (36%). Information to be provided in the schedule shall include PV no; Date; Description of Expenditure; Total Amount; and EU's share of expenditure. This schedule shall be prepared by the Project Accountant, checked by the Project Internal Auditor and approved for transfer by the PM/PC;

• Taxes' are 100% included under the pooled designated accounts for IDA and EU; or

• 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.; or

(b) under any Category to be made with respect to any Participating State unless the World Bank has received:

(i) evidence satisfactory to the World Bank that the Recipient has concluded a Subsidiary Agreement with the concerned Participating State on terms and conditions satisfactory to the World Bank;

(ii) an opinion pursuant to Section 8.02(b) of the General Conditions that the respective Subsidiary Agreement has been duly authorized or ratified by the Recipient and concerned Participating State and is legally binding upon the Recipient and the Participating State in accordance with its terms; and

(i) evidence satisfactory to the World Bank that the concerned Participating State has established an SPCU with composition, mandate, staffing, capacity and resources satisfactory to the World Bank

V. Other Important Information


From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.
If you have any queries in relation to the above, please contact us at service account email address ‘LOA-afr@worldbank.org’ using the above reference.

Yours sincerely,

[Signature]

Luis Schwarz
Senior Finance Officer

Attachments

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Form of “Statement of Expenditure” (SOE)
5. Form of Summary Sheet for Payments Against Contracts Subject to the World Bank’s Prior Review
6. Form of Transfers of Grants to a Beneficiary