Financing Agreement

(Electricity Transmission Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date, between the FEDERAL REPUBLIC OF NIGERIA ("Recipient") and the 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) apply to and form 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, a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to eighty-six million two hundred thousand Special Drawing Rights (SDR 86,200,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

2.06. The Payment Dates are April 15 and October 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out by the Transmission Company of Nigeria ("Project Implementing Entity" or "PIE") in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

(a) The PIE’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PIE to perform any of its obligations under this Agreement.

(b) The PIE has failed to perform any of its obligations under this Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

(b) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) The Financing Agreement dated the same date as this Agreement, between the Recipient and the Association, providing a credit in support of the Project ("Financing Agreement"), has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Additional Legal Matter is that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
5.03. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

5.04. For purposes of Section 10.05(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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its minister responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

The Honorable Minister  
Federal Ministry of Finance  
Ahmadu Bello Way  
Central Business District  
Abuja, Federal Republic of Nigeria

Facsimile: 234 9 6273609

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association's Address is:

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

(b) the Association's Electronic Address is:

Telex:  
Facsimile:  
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

FEDERAL REPUBLIC OF NIGERIA

By:

Authorized Representative

Name: MAS KEMI ADEOSUN
Title: HONOURABLE MINISTER OF FINANCE
Date: MAY 7, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Authorized Representative

Name: RACHID BENMESSAOUD
Title: COUNTRY DIRECTOR FOR NIGERIA
Date: MARCH 23, 2018
SCHEDULE 1

Project Description

The objective of the Project is to increase the transfer capacity of the transmission network in Nigeria.

The Project consists of the following parts:

**Part 1: Transmission Network Strengthening and Improvement**

(a) Upgrading and rehabilitation of approximately 48 existing 330/132kV and 132/33 kV substations.

(b) Replacement of conductor on approximately 13 existing 132kV transmission lines (of up to 960 kilometers in total length) and reconstruction of two existing 132kV transmission lines (of up to 300 kilometers in total length) from single circuit to double circuit within existing rights of way.

(c) Upgrading and expansion of the transmission network’s SCADA and telecommunication systems and construction of four regional control centers.

(d) Installation of a static var compensator (SVC) at Gombe 330/132kV substation and acquisition of spare equipment for transmission grid network maintenance (including, power transformers of various capacities, sets of isolators, circuit breakers, insulators and instrument transformers).

**Part 2: Capacity Building and Technical Assistance**

(a) Provision of consulting services for design and preparation of a public-private partnership in green-field transmission line development as well as undertaking procurement of the private sector entity to construct and operate the line.

(b) Provision of consulting services for strengthening the capacity of the Project Management Unit (“PMU”) for Project implementation, through: (i) carrying out of a performance assessment of the PMU to identify areas for improvement; and (ii) implementing the recommendations of said performance assessment so as to strengthen the PMU’s business processes such as performance monitoring and reporting, environmental and social management, leadership and accountability, workplace culture, employee performance objectives and evaluation, and information communications technology infrastructure and software assessment.

(c) Provision of consulting services for strengthening the institutional, governance and accountability framework of the PIE.
(d) Provision of engineering consulting services for supervision and management of works (including, environmental and social impacts due diligence) under Part I immediately above, all with a view to strengthening the capacity of the PMU for management of said works.

(e) Provision of consulting services for carrying out feasibility studies on future priority investment activities, such as rehabilitation and construction of additional substations and transmission lines, and for undertaking associated environmental and social impacts’ due diligence.

(f) Provision of consulting services and Training and supporting capacity building for the Transmission Company of Nigeria, the Federal Ministry of Power, Works and Housing, the Federal Ministry of Finance, Nigerian Electricity Regulatory Commission, the Bureau of Public Enterprises, Nigerian Bulk Electricity Trading PLC, and key government agencies in the sector (including the power task force attached to the Vice President’s office).
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Project Implementing Entity ("PIE")

The Recipient shall designate, at all times during the implementation of the Project, the PIE to be responsible for implementation of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the PIE under a subsidiary agreement between the Recipient and the PIE, under terms and conditions approved by the Association, which shall include:

   (a) the principal amount of the Credit made available under the Subsidiary Agreement ("Subsidiary Financing") shall be denominated (and repayable) in Dollars;

   (b) the Subsidiary Financing shall be charged interest on the principal amount withdrawn and outstanding from time to time at the rate stipulated in Section 2.05 of Article II to this Agreement;

   (c) the Subsidiary Financing shall be repayable over a period not exceeding 35 years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding 5 years;

   (d) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the PIE, to use the proceeds of the Subsidiary Financing, or obtain a refund of all or any part of the amount of the Subsidiary Financing then withdrawn, upon the PIE's failure to perform any of its obligations under the Subsidiary Agreement; and (ii) require the PIE to: (A) carry out the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works, non-consulting services and consulting services to be financed out of the Subsidiary Financing in accordance with
the provisions of this Agreement; (D) 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 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 Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; and (2) 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; (F) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (G) 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 ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient and the PIE shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Implementation Arrangements

1. Project Implementation Manual

(a) The Recipient shall cause the PIE to prepare, in accordance with terms of reference acceptable to the Association and furnish to the Association for review, a manual, which shall include provisions on the following matters: (i) capacity building activities for sustained achievement of the Project's objectives; (ii) arrangements on financial management, setting forth the detailed policies and procedures for financial management under the Project; (iii) procurement management procedures, including a manual to guide procurement; (iv) institutional administration, coordination and day to day execution of Project activities; (v) monitoring and evaluation; (vi) reporting; (vii) information, education and communication of Project activities and results; (viii) guidelines for assessing potential environmental and social impacts of Project activities and designing appropriate mitigation, management and monitoring measures in respect of said impacts (namely, guidelines for preparation and implementation of Safeguards Instruments as required by the Safeguards Frameworks); and (ix) such other technical and organizational arrangements and procedures as shall be required for the Project.
(b) The Recipient shall cause the PIE to afford the Association a reasonable opportunity to exchange views with the Recipient on said manual, and thereafter, shall adopt such manual, as shall have been approved by the Association ("Project Implementation Manual").

(c) The Recipient shall ensure that the PIE carries out the Project in accordance with the Project Implementation Manual; provided, however, that in case of any conflict between the provisions of the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(d) Except as the Association shall otherwise agree, the Recipient shall ensure that the PIE does not amend, abrogate or waive any provision of the Project Implementation Manual.

2. Annual Work Plan and Budget

(a) The Recipient shall cause the PIE to prepare and furnish to the Association not later than September 30 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project (including Safeguards Instruments applicable to said activities in accordance with the provisions of Section I.E of this Schedule 2) during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

(b) Each such proposed work plan and budget shall specify any Training activities that may be required under the Project, including: (i) the type of Training; (ii) the purpose of the Training; (iii) the personnel to be trained; (iv) the institution or individual who will conduct the Training; (v) the location and duration of the Training; and (vi) the cost of the Training.

(c) The Recipient shall cause the PIE to afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget and thereafter ensure that the Project is implemented with due diligence during said following Fiscal Year in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

(d) The Recipient shall ensure that the PIE does not make or allow to be made any change(s) to the approved Annual Work Plan and Budget without prior approval in writing by the Association.
D. Safeguards

1. The Recipient shall cause the PIE to carry out the Project in accordance with the Safeguards Frameworks and Safeguards Instruments. To this end, the Recipient shall ensure that the following actions are taken in a manner acceptable to the Association:

(a) if any Project activity would, pursuant to the Environmental and Social Management Framework ("ESMF"): (i) require the carrying out of an Environmental and Social Impact Assessment ("ESIA"), the Recipient shall cause the PIE to ensure that an ESIA for such activity is: (A) carried out, in accordance with the requirements of the ESMF and furnished to the Association for review and approval; and (B) disclosed as required by the ESMF and approved by the Association; and (ii) require the preparation of an Environmental and Social Management Plan ("ESMP"), the Recipient shall ensure that the PIE prepares such ESMP in accordance with the ESMF and furnishes it to the Association for review and approval, and that said ESMP is disclosed as required by the ESMF and approved by the Association; and

(b) if a Resettlement Action Plan ("RAP") would be required for any Project activity on the basis of the Resettlement Policy Framework ("RPF"): (i) said RAP shall be prepared in accordance with the requirements of the RPF, furnished to the Association for review and approval, and disclosed as required by the RPF and approved by the Association; and (ii) no works under said activity shall be commenced until all measures required to be taken under said RAP prior to the initiation of said works have been taken, including, inter alia: (A) timely allocation of adequate counterpart funds as required for payment of all RAP compensation costs; and (B) payment of said RAP compensation costs in a timely fashion and in a manner acceptable to the Association.

2. Without limitation upon its other reporting obligations under this agreement and under Section 4.08 of the General Conditions, the Recipient shall cause the PIE to include in the Project Reports referred to in Section II.A of this Schedule, adequate information on the implementation of the Safeguards Frameworks and Safeguards Instruments, giving details of: (a) measures taken in furtherance of such Safeguards Frameworks and Safeguards Instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Frameworks and Safeguards Instruments; and (c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguards Frameworks and Safeguards Instruments.
Section II.  Project Monitoring, Reporting and Evaluation

Project Reports

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III.  Withdrawal of the Proceeds of the Financing

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, training and operating costs for part 1 of the project</td>
<td>86,200,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made for payments made prior to the date of this Agreement.

3. The Closing Date is December 31, 2023.

Section IV.  Other Undertakings

1. The Recipient shall, not later than six (6) months after the Effective Date, appoint a board of directors for the PIE in accordance with the provisions of the Companies and Allied Matters Act 1990.

2. The Recipient shall, in each fiscal year after the Effective Date, prepare and furnish to the Association during said fiscal year, a five-year investment plan for transmission network expansion, all in form and substance satisfactory to the Association.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2023 to and including October 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 15, 2043 to and including October 15, 2047</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* 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 3.05(b) of the General Conditions.
APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project would suffer direct economic and social impacts resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; and (d) adverse impacts on the livelihoods of the affected persons as determined pursuant to the RPF.

2. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the PIE in accordance with the provisions of Section I.C.2 of Schedule 2 to this Agreement.

3. “Anti-Corruption Guidelines” means for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.


5. “Category” means a category set forth in the table in Section III.1 of Schedule 2 to this Agreement.


7. “Environmental and Social Impact Assessment” or “ESIA” means, with respect to each activity under the Project pursuant to which the ESMF requires an environmental and social impact assessment, such assessment, carried out in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

8. “Environmental and Social Management Framework” or “ESMF” means the framework of the Recipient disclosed in-country on March 29, 2017, and by the Association on March 30, 2017, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project, and such term includes all schedules and annexes to the ESMF, as the same may be amended from time to time with the written agreement of the Association.

9. “Environmental and Social Management Plan” or “ESMP” means: (a) the document of the Recipient entitled Environmental and Social Management Plan (ESMP) for Rehabilitation/Reinforcement of 7 No. Transmission Substations: 330/132/33kV
14. T/S at Kumbotso (Kano State), Shiroro and Kainji (Niger State) and 132/33kV T/S at Kankia (Katsina State), Dakata and Dan Agundi (Kano State), Central Area (Abuja FCT) respectively (Package 1 Lot 1), prepared and adopted by TCN-PMU for purposes of managing environmental and social impacts associated with the rehabilitation/reinforcement of substations grouped under Package 1 Lot 1 under the Project, dated January 1, 2018, and disclosed by the Association on January 22, 2018, and such term includes all schedules and annexes to the ESMP, as the same may be amended from time to time with the written agreement of the Association; (b) the document of the Recipient entitled Environmental and Social Management Plan (ESMP) for the proposed Rehabilitation/Re-Enforcement of Lekki, Alagbon and Egbin 330/132kV and Ijora, Maryland, Akoka, Itire, Amuwo-Odofin, Alausa and Ota 132/33kV Transmission Substations under Package 1, Lot 2 of the Nigeria Electricity Transmission Project (NETAP), prepared and adopted by ERSU-PMU TCN, for purposes of addressing the environmental and social impacts that may be associated with the rehabilitation/re-enforcement of Alagbon, Lekki and Egbin 330/132kV Transmission Substations and Ijora, Alausa, Akoka, Amuwo-Odofin, Itire, Maryland and Ota 132/33kV Transmission Substations under NETAP Package 1, Lot.2 under the Project, dated January 2018, and disclosed by the Association on February 5, 2018, and such term includes all schedules and annexes to the ESMP, as the same may be amended from time to time with the written agreement of the Association; and (c) any other ESMP prepared and disclosed by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

10. “Federal Ministry of Power, Works and Housing” means the Recipient’s ministry responsible for power, and any successors thereto.

11. “Federal Ministry of Finance” means the Recipient’s ministry responsible for finance, and any successors thereto.


13. “Financing Agreement” means the financing agreement for the Project between the Recipient and the Association, dated the same date as this Agreement, as such financing agreement may be amended from time to time, and such term includes all appendices, schedules and agreements supplemental to the Financing Agreement.

14. “Finance Department” means the department referred to in Section I.A.4 of the Schedule to the Project Agreement.
15. "Fiscal Year" or "FY" means the Recipient's twelve-month period starting July 1 and ending June 30 of the following year.


17. "Nigerian Bulk Electricity Trading PLC" means the Recipient's company incorporated on July 29, 2010, as a special purpose vehicle for carrying out, under license from NERC, the bulk purchase and resale of electric power and ancillary services from independent power producers and from successor generation companies, pursuant to the Electric Power Sector Reform Act No. 6 of 2005.

18. "Nigerian Electricity Regulatory Commission" or "NERC" means the Recipient's commission established and operating pursuant to the Electric Power Sector Reform Act No. 6 of 2005.

19. "Operating Costs" means the incremental expenses incurred on account of Project implementation based on the Annual Work Plan and Budget, and consisting of, audit fees, expenditures for office supplies, vehicle operation and maintenance, maintenance of equipment, communication and insurance costs, office administration costs, utilities, rental, consumables, accommodation, travel and per diem, and salaries of Project staff, but excluding the salaries of the Recipient's civil service, meeting allowances, other sitting allowances, salary top ups and all honoraria.

20. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.


22. "Program Coordinator" means the office referred to in Section I.A.2 of the Schedule to the Project Agreement.

23. "Project Implementing Entity" or "PIE" means the Transmission Company of Nigeria.


25. "Project Implementation Manual" or "PIM" means the manual, in form and substance satisfactory to the Association, referred to in Section I.C.1 of Schedule 2 to this Agreement.
26. “Project Management Unit” or “PMU” means the unit established and operating within the PIE in accordance with the provisions of the PIM.

27. “Resettlement Action Plan” or “RAP” means a resettlement plan, in form and substance acceptable to the Association, prepared and implemented in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

28. “Resettlement Policy Framework” or “RPF” means the framework of the Recipient dated and disclosed on April 4, 2017, setting forth the modalities for resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the written agreement of the Association.

29. “Safeguards Framework” means, the ESMF or RPF, as the context may require; and “Safeguards Frameworks” means, collectively, two or more such frameworks.

30. “Safeguards Instrument” means an ESIA, ESMP or a RAP for a Project activity; and “Safeguards Instruments” means, collectively, two or more such instruments.

31. “SCADA” means Supervisory Control and Data Acquisition.

32. “Signature Date” means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to “the date of the Financing Agreement” in the General Conditions.

33. “Subsidiary Financing” means the principal amount of the Credit made available to the PIE under the Subsidiary Agreement.

34. “Training” means the costs associated with training, workshops and study tours provided under the Project, based on the Annual Work Plan and Budget approved by the Association pursuant to Section I.C.2 of Schedule 2 to this Agreement, consisting of reasonable expenditures (other than expenditures for consultants’ services) for: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.