Financing Agreement

(Transforming Irrigation Management in Nigeria Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 7, 2014
CREDIT NUMBER 5506 -NG

FINANCING AGREEMENT

AGREEMENT dated ____________, 2014, entered into between FEDERAL REPUBLIC OF NIGERIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) (i) the Association has received from the Recipient its Statement of Irrigation Sector Policy, describing a program of objectives, policies and actions designed to promote the Project and the Recipient’s realization of its agenda on agricultural transformation and its Delegation of Authority authorizing the progressive transfer of irrigation infrastructure in the Project Areas to the applicable WUA and (ii) the Recipient has committed to maintain the Ministerial Directive on the remittance of revenue expenditure and internally generated revenue for the purpose of revenue retention at the scheme levels of irrigation operation and management structure;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule I to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE 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 three hundred and nineteen million seven hundred thousand Special Drawing Rights (SDR 319,700,000) (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. The Recipient’s Representative for
purposes of taking any action required or permitted to be taken pursuant to this Section is the permanent secretary, director, or deputy director of the department responsible for international economic relations within the Federal Ministry of Finance.

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 Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25 %) per annum.

2.06. The Payment Dates are October 15 and April 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 objectives of the Project. To this end, the Recipient shall carry out the Project through the FMWR 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 Conditions of Effectiveness consist of the following:

(a) The Recipient has established the Change Management Committee in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.

(b) The Recipient has adopted the Project Implementation Manual in accordance with the provisions of Section I.C of Schedule 2 to this Agreement.
4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

4.03. 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 its Federal Minister at the time responsible for finance.

5.02. The Recipient’s Address is:

Federal Ministry of Finance
Ahmadu Bello Way
Abuja, Nigeria

Facsimile: 234 9 6273609

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 248423 (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:** Ngozi Okonjo-Iweala

**Title:** Minister of Finance

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

*Authorized Representative*

**Name:** Marie Françoise Marie-Nelly

**Title:** Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve access to irrigation and drainage services and to strengthen institutional arrangements for integrated water resources management and agriculture service delivery in selected large-scale public schemes in the Recipient’s northern region.

The Project consists of the following parts:

Part A. Water Resources Management and Dam Operations Improvement

1. Support to integrated water resources management in the Project Areas through, *inter alia*: (a) rehabilitation of hydrological and meteorological data infrastructure; (b) dissemination of the catchment management plan to water resources stakeholders in the Project Areas; and (c) river channel and embankment works.

2. Improvement of dam operation and safety in the Project Areas through, *inter alia*:

   (a) rehabilitation of the Bakolori dam, Zobe dam, Goronyo dam, Tiga dam, Challawa Gorge dam, Dadin Kowa dam, Ruwan Kanya Operational Reservoir and Hadeija Barrage Weir (“Project Dams”);

   (b) (i) preparation of dam operations and safety documents for the Project Dams referred to in Part A.2(a) above (“Dam Operations and Safety Documents”), including, emergency preparedness plans and operations and maintenance manuals; (ii) training of FMWR and RBDA staff on said dam operations and safety documents; and (iii) de-silting of heavily sedimented reservoirs;

   (c) strengthening of the FMWR’s dam and reservoir operations department through, *inter alia*, improving its archiving system and training of relevant staff; and

   (d) support towards the establishment and maintenance of the Dam Safety Panel.
Part B. Irrigation Development and Management

1. Investments in irrigation infrastructure in the Project Areas through, \textit{inter alia}:

(a) improvement of an aggregated 50000 hectares of irrigation schemes in the Project Areas, including restoration and strengthening of their channels, pump stations, drains, roads and fields for the purpose of reinstalling the schemes’ full functionality for irrigated agriculture, including supervision of said rehabilitation works.

(b) (i) Carrying out of a program of activities aimed at supporting the preparation and implementation of the environmental and social instruments for mitigating the risks associated with the Project, including specifically; (ii) implementation of social Safeguards Instruments-derived mitigation measures associated with the Project.

(c) Carrying out of feasibility and detailed design studies for the: (i) rehabilitation and expansion of existing; and (ii) possible development of new irrigation schemes in the Project Areas.

2. Improvement of irrigation management in the Project Areas through, \textit{inter alia}:

(a) Support towards the establishment and capacity building of water users associations (WUAs) in the Project Areas, including, \textit{inter alia}: (i) provision of technical, administrative, and financial training in operation and maintenance of irrigation infrastructure; (ii) provision of necessary office buildings and equipment for the associations’ purpose; and (iii) provision of transitional grants for coverage of a percentage of the full cost of the associations’ operation and irrigation services charges.

(b) Piloting of program of activities aimed at the progressive transfer of the operation and maintenance of the Recipient’s Water Distribution Infrastructure and Water Transmission Infrastructure from RBDAs to WUAs, including, \textit{inter alia}: (i) development and implementation of a communication strategy to facilitate attitudinal change towards WUA-centered participatory irrigation management among farmers, local leaders, RBDAs and relevant government institutions; and (ii) support towards the preparation of legal and other documents required for said transfer.
Part C  Enhancing Agricultural Productivity and Value Chains

1. Support to agricultural productivity and market linkages, including: (a) establishment of farmers management and services delivery centers in the select irrigation schemes within the Project Areas; (b) provision of technical assistance for assessment and establishment of market linkages between producers and off-takers and provision of training on said linkages; and (c) provision of matching grants to eligible beneficiaries for the improvement of productive water use in agricultural processing and mechanization.

2. Support to innovation and research and development, including: (a) provision of grants to eligible research institutions for the carrying out of applied research on irrigated agriculture; and (b) testing and dissemination of innovations aimed at enhancing agricultural productivity and supply chain.

Part D  Institutional Development and Project Management

1. Carrying out of a program of institutional development and governance activities aimed at strengthening the transparent, efficient and sustainable functioning of water resource management institutions, including, inter alia, (a) capacity development and training of staff of the FMWR, with particular focus on training engineers and reinforcing the capacity of staff in the irrigation and dam departments of the FMWR; (b) capacity development of the RBDAs, development of operational plans for better planning and effective operation of dams, reservoirs and canals and support towards the implementation of change management plans within the RBDAs; (c) (i) carrying out of studies on impediments to water sector reform, (ii) support towards consensus building among stakeholders, including design and implementation of awareness campaign on water sector reform and (iii) design and implementation of (and provision of oversight over) performance-based agreements between water users associations and local service providers, including provision of accountability and redress mechanisms; (d) (i) design and implementation of an information and data collection system and (ii) support towards the public dissemination of project pilot results; and (e) overall strengthening of sector oversight and accountability.

2. (a) Strengthening the Project institutional arrangement, including the PMU’s technical and fiduciary capacity to coordinate, manage and implement the Project, including technical assistance, recruitment of requisite staff, purchase of equipment, and provision of trainings, audits, and monitoring and evaluation activities and (b) monitoring and evaluations, communication and knowledge production and sharing, including, inter alia, development of a Project-purposed information system for monitoring and evaluation, carrying out of feasibility studies for the development of future schemes and development of an electronic record and document management system.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Federal Ministry of Water Resources

The Recipient’s Federal Ministry of Water Resources (“FMWR”) shall be responsible for overall Project implementation and management.

2. Project Steering Committee

(a) The Recipient shall maintain, at all times during the implementation of the Project, the Project Steering Committee with a mandate, composition and resources satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph (a) of Section I.A.2 of this Schedule 2, the Project Steering Committee shall be chaired by the permanent secretary of FMWR and shall be comprised of, inter alia, representatives of the Recipient’s ministries at the time responsible for finance, environment and agriculture and rural development; representatives of NIMET and select non-governmental organizations; and the Project Coordinator who shall serve as the secretary of the Project Steering Committee.

(c) The Project Steering Committee shall (i) meet at least once every calendar semester and one such meeting shall be held immediately following a visit to the Project Areas by a delegation consisting of, inter alia, the Recipient’s ministers responsible for water and agriculture, the Project Steering Committee, representatives of the RBDAs and relevant state and local representatives and (ii) shall be responsible for Project oversight, including inter alia: providing overall Project guidance, facilitating coordination of Project activities; reviewing Project progress and performance; reviewing each Annual Work Plan and Budget and assuring coherence with other related programs.

3. Change Management Committee

(a) The Recipient shall establish and maintain, at all times during the implementation of the Project, the change management committee with a mandate, composition and resources satisfactory to the Association (“Change Management Committee”).
Without limitation upon the provisions of paragraph (a) of Section I.A.3 of this Schedule 2, the Change Management Committee shall be comprised of, *inter alia*, representatives of FMWR and other ministries of the Recipient, at the time responsible for finance, environment and agriculture and rural development; representatives of the Project RBDAs; and select relevant experts.

The Change Management Committee shall be responsible for, *inter alia*: advising the Project Steering Committee and the Project Management Unit on the change management process for large-scale public irrigation schemes within the Recipient’s territory as outlined in the Statement of Irrigation Sector Policy.

4. **Project Management Unit**

   (a) The Recipient shall, throughout the implementation of the Project, maintain the Project Management Unit within the Federal Ministry of Water Resources with composition, functions and resources satisfactory to the Association.

   (b) Without limitation to the provisions of sub-paragraph (a) of this Part I.A.4, the Project Management Unit shall at all times: (i) be comprised of qualified and experienced personnel in adequate numbers, and to this end, *inter alia*, recruit: not later than one month after the Effective Date, an internal auditor, agribusiness specialist, water resources activities manager, a communications specialist and a monitoring and evaluations specialist; all with qualifications and terms of reference acceptable to the Association; and (ii) be responsible for overall day-to-day Project management and implementation, including, *inter alia*: (A) consolidating and preparing proposed annual work plans of activities for inclusion in the Project, and updating the procurement plan and related budgets and consolidating Project Reports for the Project Steering Committee’s review; (B) carrying out Project procurement activities; and (C) monitoring and evaluating the Project.

5. **Federal Project Financial Management Division**

   (a) The Recipient shall dedicate and retain throughout the implementation of the Project staff from the accounting unit of FPFMD, in adequate numbers and with qualifications and terms of reference satisfactory to the Association, to be responsible for the financial management of the Project in accordance with the provisions of this Agreement including, but not limited to the preparation of budgets, monthly reports, interim unaudited financial reports, and annual financial statements.

   (b) The Recipient shall dedicate and retain throughout the implementation of the Project staff from the internal audit unit of the FPFMD, in adequate numbers and with qualifications and terms of reference satisfactory to the Association, to perform internal audit functions for the purposes of the Project including, but not
limited to the application and reliability of managerial, financial, operational and budgetary controls

6. Independent Dam Safety Panel

For the purpose of the rehabilitation of the Project Dams, the Recipient shall, not later than thirty (30) days before the launching of the bidding documents for Part A.2(a) of the Project, establish and thereafter maintain, until the Association is satisfied that the Project Dams have been fully rehabilitated, an independent dam safety panel ("Dam Safety Panel") comprised of experts having the qualifications, experience and terms of reference acceptable to the Association, to advise on associated dam safety risks and to periodically report to the Recipient and the Association on, inter alia, progress in rehabilitating the Project Dams, and (b) shall carry out Part A.2 of the Project in accordance with the recommendations of the Dam Safety Panel.

B. Anti-Corruption

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

C. Project Implementation Manual

1. The Recipient shall prepare or cause to be prepared, in accordance with terms of reference acceptable to the Association, a Project implementation manual, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) monitoring, evaluation, reporting and communication; (e) environmental and safeguard management; and (f) such other administrative, financial, technical and organizational arrangements and procedures, including the terms of reference for the auditors of the Matching Grant and Sub-Grant, as shall be required for the Project.

2. The Recipient shall afford the Association a reasonable opportunity to review and approve such manual, and shall thereafter adopt such manual as shall have been approved by the Association ("Project Implementation Manual").

3. The Recipient shall carry out the Project in accordance with the Project Implementation Manual and shall, not amend, abrogate, waive, or permit to be amended, abrogated, or waived, the aforementioned, or any provision of either one thereof, without the prior written consent of the Association.
4. In the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Sub-Grants

1. The Recipient shall, during Project implementation, provide to (1) each eligible WUA, an annual regressive grant, for the coverage of a percentage of the full cost of the associations' operation and irrigation services charges as calculated on the basis of an assessment of the recurrent expenditures of such eligible WUA and (2) each eligible research entity, a competitive grant for the carrying out of applied research at the scheme level, all in accordance with the criteria and procedures acceptable to the Association as set forth in the Project Implementation Manual ("Sub-Grant"), which shall include the following:

   (a) the auditing arrangements for the review of Eligible Expenditures associated with the Sub-Grant; and

   (b) a detailed categorization of Eligible Expenditures to be financed out of the proceeds of the Sub-Grant.

2. The Recipient shall ensure that each eligible beneficiary of the Sub-Grant is required to (a) maintain policies and procedures adequate to enable it to monitor and evaluate its operations as financed by the Sub-Grant in accordance with indicators acceptable to the Association; (b) (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 Sub-Grant; and (ii) at the Recipient’s or the Association’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; (c) enable the Recipient and the Association to inspect its operation and any relevant records and documents; and (d) 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.

E. Matching Grants.

1. The Recipient shall make matching grants to Eligible Beneficiaries for Sub-projects ("Matching Grants") in accordance with eligibility criteria and procedures set forth in the Project Implementation Manual and acceptable to the Association, which shall include the following:
(a) No proposed Sub-project shall be eligible for financing under a Matching Grant to an Eligible Beneficiary unless the Recipient shall have determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the Project Implementation Manual, that:

(i) the proposed Sub-project: (A) is designed to enhance farmers’ productivity and promote value chain development; (B) is technically feasible and economically and financially viable; and (C) if, pursuant to the ESMF or RPF, one or more Safeguard Instruments for the Sub-project are required, such Supplemental Safeguard Instruments have been prepared and approved by the Association in accordance with the provisions of paragraph (c) of this Section I.E.1 and all measures required to be taken in accordance with Section I.G. of Schedule 2 to this Agreement prior to commencement of the activities covered by the Safeguard Instruments have been taken; and

(ii) the proposed Eligible Beneficiary: (1) is a legal entity established and operating under the laws of the Recipient with the organization, management, technical capacity and financial resources necessary to carry out the proposed Sub-project; (2) has prepared a satisfactory business plan, including financing plan and budget and a satisfactory implementation plan and has established a comprehensive record keeping system; and (5) has demonstrated the capacity, and has committed, to finance a percentage of the total estimated cost of the Sub-project out its own resources, with said percentage to be detailed by category of Eligible Beneficiary, in the Project Implementation Manual.

(b) The maximum amount: (i) of all Matching Grants to a single Eligible Beneficiary shall not exceed the equivalent of $300,000; and (ii) of each Matching Grant for a Sub-project shall not exceed the equivalent of $300,000.

(c) Each Matching Grant for a Sub-project requiring a Safeguard Instrument shall be subject to the Association’s prior written approval and shall only be eligible for financing under the Financing if and to the extent approved by Association.

2. The Recipient shall make each Matching Grant under a Matching Grant Agreement with the respective Eligible Beneficiary on terms and conditions approved by the Association, which shall include the following:

(a) The Matching Grant shall be made on a non-reimbursable grant basis.
(b) 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 Eligible Beneficiary to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Eligible Beneficiary's failure to perform any of its obligations under the Matching Grant Agreement; and

(ii) require each Eligible Beneficiary to:

(A) carry out its Sub-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 ESMF or RPF (and any Safeguard Instrument required for the Sub-project pursuant to the ESMF or RPF), and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods and services to be financed out of the Matching Grant in accordance with the provisions of Section III of this Schedule;

(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 Sub-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 its operations, including the operations, resources and expenditures related to the Sub-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, and permit the Association to make such statements as so audited available to the public, along with the Matching Grant Agreement;

(F) maintain a satisfactory record keeping and filing system and enable the Recipient and the Association to inspect the Sub-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.

(c) The Recipient shall exercise its rights and carry out its obligations under each Matching Grant Agreement in such 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, abrogate or waive any Matching Grant Agreement or any of its provisions.

F. Annual Work Plans and Budgets

1. Not later than November 1 in each calendar year (or one month after the Effective Date for the first year of Project implementation), the Recipient shall prepare or cause to be prepared for the purpose of forwarding to the Association, a draft annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of Project implementation, of such scope and detail as the Association shall have reasonably requested.

2. The Recipient shall afford the Association a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out (or cause to be carried out) such annual work plan and budget during such subsequent calendar year as shall have been approved by the Association (“Annual Work Plan and Budget”). Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.

3. Any Training proposed to be included in an Annual Work Plan and Budget, shall include, inter alia: (a) particulars of the Training envisaged; (b) the criteria for selection of the personnel to be trained, and such personnel if known; (c) the selection method of the institution or individuals conducting such Training; (d) the institution conducting such Training if identified; (e) the purpose and justification for such Training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such Training.
4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior written approval.

G. Safeguards.

1. The Recipient shall implement the Project in accordance with the relevant Safeguards Instruments, and shall, to that end:

(a) if any activity under the Project would require the adoption of any Supplemental Safeguard Instrument:

(i) prepare (A) such Supplemental Safeguard Instrument in accordance with the applicable ESMF or RPF; (B) furnish such Supplemental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Safeguard Instrument prior to implementation of the activity; and

(ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Safeguard Instrument; and

(iii) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under a Supplemental Safeguard Instrument prepared in accordance with the RPF including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been taken.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, for each Supplemental Safeguard Instrument, regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association, on the status of compliance with each Supplemental Safeguard Instrument, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of such Supplemental Safeguard Instrument;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Supplemental Safeguard Instrument; and

(c) remedial measures taken or required to be taken to address such conditions.
3. In the event that any provision of the Safeguards Instruments shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:

   (a) all terms of reference for any technical assistance and studies to be carried out under the Project are consistent with the Association's environmental and social safeguard policies; and

   (b) in any Project activity that may support the drafting of regulatory instruments for the purpose of community development planning or other land related reforms, due attention will be given to said policies.

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

A. **Project Reports**

1. The Recipient shall 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 indicators acceptable to the Association and set out in the Project Implementation Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association 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 Recipient shall 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 prepare and furnish to the Association 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 Association.

3. The Recipient shall 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 was made under the Project. 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.

4. The Recipient shall, not later than three (3) months after the Effective Date, adapt for the purposes of the Project, its computerized multi-project financial and
accounting system in a manner satisfactory to the Association, and successfully train relevant staff in the use thereof.

5. The Recipient shall, not later than three (3) months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule, with qualifications, experience and terms of reference satisfactory to the Association.

6. The Recipient shall, no later than one month after the Effective Date, train relevant staff within the PMU and the FPFMD on the Association’s financial management procedures and disbursement guidelines in a manner satisfactory to the Association.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works, and non-consulting 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 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 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, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for
those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Direct Contracting; and (c) Shopping.

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) Single-source procedures for the Selection of Individual Consultants; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; and (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.

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.

E. **Other Procurement Covenants.** The Recipient shall, no later than three (3) months after the Effective Date, (a) train the procurement staff of the Project Management Unit in the use of the Association’s procurement tracking system (b) establish a procurement records management system and successfully train relevant staff in the use thereof and (c) organize contract administration training for the procurement staff of the Project Management Unit, all with specifications and in a manner satisfactory to 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:

<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, consultants' services and Training for Part A and B of the Project, except Works under Parts A.2(a) and B.1(a) of the Project, Part A.2(b)(iii) of the Project, Part B.1(b)(ii) of the Project and Grants under Part B.2(a)(iii) of the Project</td>
<td>54,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works under Parts A.2(a) and B.1(a) of the Project</td>
<td>211,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-Grants to WUAs under Part B.2(a)(iii) of the Project</td>
<td>6,500,000</td>
<td>100% of amounts paid by the Recipient under the Sub-Grants</td>
</tr>
<tr>
<td>(4) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts C of the Project, except Parts C.1(c) and C.2(a) of the Project</td>
<td>16,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Matching Grants under Part C.1(c) of the Project</td>
<td>7,800,000</td>
<td>100% of amounts paid by the Recipient under the Matching Grants</td>
</tr>
<tr>
<td>(6) Sub-Grants to eligible research entities under Part C.2(a) of the Project</td>
<td>2,600,000</td>
<td>100% of amounts paid by the Recipient under the Sub-Grants</td>
</tr>
<tr>
<td>(7) Goods, consultants' services, Training and Operating Costs for Part D of the Project</td>
<td>14,800,000</td>
<td>60%</td>
</tr>
<tr>
<td>(8) Refund of Preparation Advance</td>
<td>5,800,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>319,700,000</td>
<td></td>
</tr>
</tbody>
</table>
B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is April 30, 2022.

Section V. **Other Undertakings**

A. The Recipient shall:

1. establish and, throughout the implementation of the Project, maintain in a financial institution and on terms and conditions acceptable to the Association, an account into which it shall deposit all counterpart funds required for Parts A.2(b) (iii), B.1(b)(ii) and D of the Project ("Counterpart Funds Account");

2. without limitation upon the provisions of Section 4.03 of the General Conditions, deposit into the Counterpart Funds Account, (a) not later than six (6) months after the Effective Date, an amount equivalent to two million five hundred thousand Dollars ($2,500,000) and (b) thereafter, on a schedule and in installments agreed with the Association as reflected in the Annual Work Plan and Budget, a total amount equivalent to forty-one million five hundred thousand Dollars ($41,500,000), all in the Recipient’s currency (“Counterpart Funds”); and

3. ensure that all Counterpart Funds shall be used exclusively to pay for Eligible Expenditures required for said parts of the Project.

B. The Recipient shall furnish to the Association, for its review and comments, copies of the Dam Operations and Safety Documents, including the emergency preparedness plans and operations and maintenance manuals, and the operation and maintenance plan for all irrigation infrastructure facilities referred to under Part B of the Project and, following approval of these documents by the Association, shall adopt said documents, taking into account the comments of the Association.

C. The Recipient shall comply with its commitments under the Statement of Irrigation Sector Policy, the Delegation of Authority and Ministerial Directive, regarding the specific regulatory, legal and financial actions to be taken for the purpose of the progressive implementation of participatory irrigation management at the Project irrigation schemes in a manner and schedule satisfactory to the Association.
<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 October 15 and April 15:</td>
<td></td>
</tr>
<tr>
<td>commencing October 15, 2019 to and including April 15, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 15, 2029 to and including April 15, 2039</td>
<td>3.35%</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 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Affected Persons" means persons who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffer adverse impacts on his or her livelihood; and "Affected Person" means any of the Affected Persons.

2. "Annual Work Plan and Budget" means the annual work plan and budget as prepared by the Recipient and approved by the Association in accordance with the provisions of Section I.F of Schedule 2 to this Agreement.


4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. "Change Management Committee" means the committee to be established in accordance with Section I.A.3 of Schedule 2 to this Agreement.


7. "Counterpart Funds" means an amount of approximately US$40 million to be deposited by the Recipient into the Counterpart Funds Account in accordance with the provisions of Section V.A.2 of Schedule 2 to this Agreement, to assist in financing the Project.

8. "Counterpart Funds Account" means the account to be opened by the Recipient in accordance with the provisions of Section V.A.1 of Schedule 2 to this Agreement.

9. "Dam Operations and Safety Documents" means the documents referred to in Part A.2(b)(i) of the Schedule 1 to this Agreement as further detailed in the Project Implementation Manual.

10. "Dam Safety Panel" means the dam safety panel to be established in accordance with Section I.A.6 of Schedule 2 to this Agreement.

12. “Eligible Beneficiary” means a farmers’ group, a WUA, a producer organization, a small to medium enterprise, or an agribusiness firm with a legal status established in accordance with the laws of the Recipient and operating in the Project Area; and “Eligible Beneficiaries” means more than one Eligible Beneficiary.

13. “Environmental and Social Management Framework” or “ESMF” means the framework document, disclosed in the Recipient’s territory and at the Association’s Infoshop on February 19, 2014, in form and substance satisfactory to the Association, outlining environmental and social implementation procedures, mitigation measures and monitoring procedures for the Project, as said framework may be amended from time to time with the Association’s prior written approval.

14. “Environmental and Social Management Plan” or “ESMP” means any plan approved by the Association for the Project, prepared by the Recipient on the basis of the ESMF (as hereinafter defined) giving details detailing appropriate mitigation, monitoring and institutional measures designed to mitigate potential adverse environmental impacts, offset them, reduce them to acceptable levels or enhance positive impacts, together with budget and costs estimates, sources of funding, and adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with such plan, notably specific provisions addressing (i) management of construction sites, (ii) compensation of biodiversity loss, (iii) development and implementation of an environmental monitoring plan, including, inter alia, sedimentology, water quality, erosion in the watershed, hydro-meteorological parameters, (iii) support to design and implementation of the affected protected areas management plans; and (iv) capacity building for the implementation of the ESMP; as such plan may be amended from time to time with the agreement of the Association, and such term includes any schedules or annexes to the plan.

15. “Federal Ministry of Finance” means the Recipient’s ministry responsible for finance and any successor thereto.

16. “Federal Ministry of Water Resources” or “FMWR” means the Recipient’s ministry in charge of water resources and any successors thereto.

17. “Fiscal Year” means the Recipient’s fiscal year commencing January 1 and ending December 31 in each year.
18. “FPFMD” means the federal project financial management division of the Recipient’s Office of the Accountant General, and any successor thereto, referred to in Section I.A.2 of Schedule 2 to this Agreement.

19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

20. “Matching Grant” means a grant made or to be made by Recipient out of the proceeds of the Financing to an Eligible Beneficiary for a Sub-project under Part C.I(c) of the Project.

21. “Matching Grant Agreement” means an agreement between the Recipient and an Eligible Beneficiary providing for a Matching Grant.


23. “NIMET” or “Nigeria Meteorological Agency” means the agency established and operating pursuant to the Recipient’s Nigerian Meteorological Agency (Establishment, etc.) Act of 2003.

24. “Operating Costs” means the reasonable incremental expenses incurred by the Project Management Unit on account of Project implementation, management and monitoring, including office space rental and utilities, office supplies, banking charges, advertising expenditures, communications, vehicle operation, maintenance and insurance, office and equipment maintenance costs, travel and supervision costs, and salaries of supporting staff, but excluding salaries of consultants and officials of the Recipient’s civil service.

25. “Pest Management Plan” and “PMP” mean the document disclosed for the purposes of the Project, in the Recipient’s territory and at the Association’s Infoshop on February 19, 2014, defining specific measures to be implemented for the management of pesticides under the Project, as the said plan may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

26. “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 first letter agreement signed on behalf of the Association and the Recipient on April 16, 2013 and the second letter agreement signed on behalf of the Association on April 24, 2014 and on behalf of the Recipient on May 19, 2014 respectively.

28. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 14, 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.

29. "Project Dams" means the dams located in the Project Areas and listed in Part A.2(a) of Schedule 1 to this Agreement.

30. "Project Implementation Manual" or "PIM" means the manual referred to in Section I.C of Schedule 2 to this Agreement as the same may be amended from time to time with the prior written agreement of the Association.

31. "Project Areas" means the Recipient's Sokoto, Rima, Hadejia Jama'are and Gongola sub-basins.

32. "Project Irrigation Schemes" means the Recipient's Bakolori, Middle Rima Valley, Kano River, Hadeija Valley and Dadin Kowa irrigation schemes within the Project Areas.

33. "Project Management Unit" or "PMU" means the unit to be maintained by the Recipient in accordance with the provisions of Section I.A.4 of Schedule 2 to this Agreement.

34. "Project Steering Committee" means the steering committee established on March 5, 2013 by the Recipient as confirmed in the Aide-memoire agreed upon between the Recipient and the Association, dated April 2013.

35. "RBDA" means a river basin development authority established pursuant to the Recipient's River Basins Development Authorities Act No 35, 1987 as amended, and operating in the Project Areas; and "RBDAs" means more than one RBDA.

36. "Resettlement Action Plan" and "RAP" mean any plan approved by the Association for the Project, prepared by the Recipient on the basis of the RPF (as hereinafter defined) giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF, along with procedural and institutional measures needed to implement such actions, measures and policies, as said document may be amended and/or supplemented from time to time with the prior written consent of the Association and subject to the initial consultation and disclosure requirements carried out on the RAP.

37. "Resettlement Policy Framework" and "RPF" mean the framework document disclosed for the purposes of the Project, in the Recipient's territory and at the
Association’s Infoshop on February 19, 2014, outlining the policies and procedures to be implemented in the event that specific activities implemented under the Project have negative or potentially negative impacts on the livelihoods, assets and land of the affected population including modalities for the compensation, resettlement and rehabilitation of Affected Persons, as said framework may be amended and/or supplemented from time to time with the prior written consent of the Association, and such term includes any schedules to such document.

38. “Safeguards Instruments” means the ESMF, the RPF, the PMP and any Supplemental Safeguard Instruments.

39. “Statement of Irrigation Sector Policy” means the statement issued by the Recipient through its minister responsible for water resources setting forth the policy and institutional context for the Project and the realization of the Recipient’s agenda on agricultural transformation, dated April 22, 2014.

40. “Sub-Grant” means a grant to be made by the Recipient out of the proceeds of the Financing to an eligible WUA or an eligible research entity under Part B.2(a)(iii) or Part C.2(a) respectively, as referred to in Section I.D of Schedule 2 to this Agreement.

41. “Sub-project” means a specific investment project to be carried out by an Eligible Beneficiary under Part C.1(c) of the Project and financed by a Matching Grant in accordance with the criteria set forth in Section I.E of Schedule 2 to this Agreement.

42. “Supplemental Safeguard Instruments” means any ESMP, RAP or other supplemental social and environmental safeguard instruments as required under the terms of the ESMF or RPF.

43. “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.

44. “Water Distribution Infrastructure” means the Recipient’s tertiary canals, drains and on-farm irrigation facilities in the Project Area.

45. “Water Transmission Infrastructure” means Recipient’s bulk water conveyance systems from the applicable dam to the upstream end of the water distribution system, currently under the management of the RBDAs.
46. “WUA” means a water user association established in accordance with the applicable laws of the Recipient and operating in the Project Areas; and “WUAs” means more than one WUA.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a)