Financing Agreement

(Lagos Metropolitan Development and Governance Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 2006
AGREEMENT dated July 31, 2006, between FEDERAL REPUBLIC OF NIGERIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Financing 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 one hundred thirty-eight million one hundred thousand Special Drawing Rights (SDR 138,100,000) ("Credit") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

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

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity 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 - REMEDIES OF THE ASSOCIATION

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

(a) Lagos State Urban Renewal Authority (LASURA) Law within which LASURA is established and operating, is amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under this Agreement.

(b) Lagos State Waste Management Authority (LAWMA) Law within which LAWMA is established and operating, is amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under this Agreement.

(c) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V – EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consist that: the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity
5.02. The Additional Legal Matter consist of that the: 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. TheEffectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient (other than those providing for payment obligations) shall terminate is 20 years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

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

Cable address: FEDMINFIN
Facsimile: 234 9 2343609

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
AGREED at Abuja, Federal Republic of Nigeria, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Nenadi Usman
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Hafez Ghanem
Authorized Representative
SCHEDULE 1
Project Description

The objective of the Project is to increase sustainable access to basic urban services in Lagos through carrying out of investments in critical infrastructure.

The Project consists of the following parts:

Part A: Infrastructure

1. Strengthening the capacity of Lagos State Urban Renewal Authority (LASURA) to assess, develop, plan and coordinate the execution of a city-wide upgrading program through: (i) infrastructure upgrading in Selected Slums; (ii) provision of support for Local Governments (LGs) to develop computerized revenue system and to strengthen maintenance of tertiary infrastructure; (iii) provision of technical support for LASURA to develop a city-wide upgrading program; (iv) provision of technical support for Lagos State Ministry of Physical Planning and Urban Development to develop policies to prevent the creation of new slums; and (v) provision of support to carry out HIV/AIDS awareness campaign.

2. Development and implementation of a long term solution to flooding in Lagos through: (i) carrying out of investments to mitigate flooding; (ii) establishment of global information systems (GIS) database management system using satellite imagery with relevant GIS software; (iii) review of drain designs to develop a prioritized construction program; (iv) implementation of a maintenance program to clear solid waste, silt, and vegetation; (v) development of a routine maintenance program to mitigate annual flooding; and (vi) provision of technical support and training for the Office of Drainage Services.

3. Enhancing solid waste management through separation of collection, transfer and disposal responsibilities through: (i) upgrading of six selected transfer stations and landfill sites; (ii) communal depots; (iii) provision of technical support for LAWMA to develop appropriate solid waste collection routes; contract instruments for private sector collection and contract instruments for management and transfer stations and landfills; (iv) carrying out of information and education activities to raise awareness on solid waste issues; (v) carrying out of HIV/AIDS awareness campaign in Project sites; (vi) provision of technical support for Lagos State Environment Protection Agency (LASEPA) and Lagos State Ministry of Environment; and (vii) review of the solid waste management system.
Part B: Public Governance and Capacity Building

1. Provision of support for a budget preparation and expenditure management reform through: (i) development of public finance law and regulations; (ii) consolidation of the medium-term expenditure framework (MTEF); (iii) improving budget execution and treasury management; and (iv) consolidation of the Integrated Financial Management System (IFMIS) for implementation by ministries responsible for the provision of economic infrastructure and social services.

2. Provision of support for the Office of Statistics to enhance economic intelligence and service delivery, and to strengthen statistical system delivery including: (a) consolidating initiative of surveys of firms and households surveys; and (b) enhancing economic performance and services delivery.

3. Carrying out of leadership training programs through facilitation of training and workshops.

Part C: Urban Policy Dialogue, Communication, Coordination and Support to CMCs and OPD

1. Provision of support to facilitate: (i) systematic monitoring of the Project; (ii) knowledge management to strengthen policy dialogue; (iii) communications to inform and educate stakeholders; and (iv) Project implementation and management through provision of operational support and facilitation of training.

2. Strengthening the capacity of Citizens Mediation Centers (CMCs) and Office of Public Defender (OPD) including the following: (i) capacity building for staff including development and facilitation of training programs; (ii) carrying out of public awareness activities; and (iii) provision of office support including acquisition of books, materials, vehicles, office supplies and equipment; and rehabilitation of office space, and provision of maintenance costs and office rent.
SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“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 Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, arrogate or waive the Subsidiary Agreement and any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one quarter, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following: (i) population with access to safe water in Selected Slums; (ii) households reporting flooding in LGs where the selected drainage basin lie; (iii) generated garbage that arrive for disposal at land fills; and (iv) ratio between approved and actually disbursed expenditures in Lagos State.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.
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 as part of the Project Report not later than 45 days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, 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 under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

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 Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Works

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

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(a) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. **Review by the Association of Procurement Decisions**

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

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

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient, 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</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>35,300,000</td>
<td>100% of foreign expenditures and 95% of local expenditures</td>
</tr>
<tr>
<td>(2) Works</td>
<td>72,160,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ Services</td>
<td>13,930,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>1,020,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>1,530,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Resettlement Payments</td>
<td>2,770,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Refund of Project Preparation Advance</td>
<td>730,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>10,660,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>138,100,000</strong></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 September 30, 2013.

Section V. **Other Undertakings**

The Recipient shall cause the Project Implementing Entity to carry out city wide upgrading programs in accordance with acceptable principles including those of the Resettlement Action Plan (RAP), such principles shall include the following: (i) involuntary resettlement should be avoided where feasible; (ii) where it is not feasible to avoid involuntary resettlement, displaced persons shall be meaningfully consulted and should have opportunities to participate in planning and implementing resettlement programs; and (iii) displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels.
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 June 15 and December 15</td>
<td></td>
</tr>
<tr>
<td>Commencing December 15, 2016 to and including June 15, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>Commencing December 15, 2026 to and including June 15, 2046</td>
<td>2%</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

Definitions

1. “Affected Person” means a person who on account of the acquisition of land, for purposes of rehabilitation or upgrading of the slums or drainage system under the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently;

2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement;

3. “Citizens’ Mediation Centers” or “CMCs” means the mediation centers established and operating pursuant to Lagos State Citizens Mediation Centers Law;


5. “Environmental and Social Impact Assessment” or “ESIA” means the mitigation, enhancement, monitoring, and institutional measures prepared by the Project Implementing Entity and dated June 20, 2005 to be taken during design, implementation and operation of any slums and drainage upgrading to eliminate any adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts, including a plan of actions needed to implement such measures;

6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005;

7. “HIV/AIDS” means human immuno deficiency virus / acquired immune deficiency syndrome;

8. “Local Government” or “LG” means local government administration or area established and operating pursuant to the Recipient’s Constitution dated May 29, 1999;
9. “Lagos States Environmental Protection Agency” or “LASEPA” means the agency established and operating pursuant to Lagos State Environmental Protection Agency Law;

10. “Lagos State Urban Renewal Authority” or “LASURA” means the agency established and operating pursuant to Lagos State Urban Renewal Authority Law;

11. “Lagos Waste Management Authority” or “LAWMA” means the agency established and operating pursuant to Lagos State Waste Management Authority Law;

12. “Office of Drainage Services” or “ODS” means the office established and operating within Lagos State Ministry of Environment;

13. “Office of Public Defender” or “OPD” means the office established and operating in Lagos State in accordance with Lagos state Office of Public Defender Law;

14. “Office of Statistics” means the office established and operating within Lagos State Ministry of Economic Planning and Budget;

15. “Operating Costs” means the incremental expenses incurred on account of Project implementation, management, and monitoring, including office space rental and utilities, office supplies and equipment, bank charges, communications, vehicle operation, maintenance, insurance cost, building and equipment maintenance, travel, supervision and advertising;

16. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004;

17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 25, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs;

18. “Program” means the program designed to guide Lagos State infrastructure upgrading as set forth or referred to in the Solid Waste Management Sector Policy Note, the Urban Upgrading Sector Policy Note, and Drainage Services Sector Policy Note, all issued by the Project Implementing Entity;
19. “Project Coordination Unit” means the coordination unit to be established by the Project Implementing Entity to coordinate Project implementation;

20. “Project Steering Committee” means the committee to be established by the Project Implementing Entity to provide strategic guidance for Project implementation;

21. “Project Implementation Manual” means the Project Implementation Manual prepared and furnished to the Association by the Project Implementing Entity, and giving details of procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, including a financial management and accounting system as shall have been agreed with the Association for purposes of the implementation of activities under the Project, as same may be amended from time to time with the prior agreement of the Association, and such term includes any schedules to the Project Implementation Manual;

22. “Project Implementing Entity” means Lagos State;

23. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 3, 2005, and on behalf of the Recipient on July 4, 2005;

24. “Resettlement Policy Framework” means the Resettlement Policy Framework, dated June 20, 2005, which sets out a framework of principles and procedures governing acquisition of rights to land, resettlement and compensation, as well as reporting and monitoring arrangements to ensure compliance with said framework, as said framework may be revised from time to time with the agreement of the Association;

25. “Resettlement Action Plan” means any individual action plan for resettlement of Affected Persons developed in accordance with the terms of the Resettlement Policy Framework and in form and substance satisfactory to the Association;

26. “Selected Slums” means the slum areas to be upgraded under this Project including: Agege, Ajegunle, Amukoko, Badia, Iwaya, Makoko, Ilaje, Bariga, Ijeshteddo and Itire; and such other areas as may be added to the Project with the Association’s prior approval; and

27. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.