Financing Agreement

(Additional Financing for Lagos Eko Secondary Education Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated JUNE 13, 2014
FINANCING AGREEMENT

AGREEMENT dated JUNE 13, 2014, entered into between FEDERAL REPUBLIC OF NIGERIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 twenty-seven million six hundred thousand Special Drawing Rights (SDR 27,600,000) (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.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 March 1 and September 1 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 as set forth in Schedule 1 to this Agreement. To this end, the Recipient shall cause the Project to be carried out by Lagos State ("Project Implementing Entity") in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation has been 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 the Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely 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 eighty (180) 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 under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

Federal Ministry of Finance
Ahmadu Bello Way
Central Business District
Abuja, Nigeria

Facsimile:
234 9 6273609

6.03. 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
AGREEED at **Abuja, Nigeria**, as of the day and year first above written.

**FEDERAL REPUBLIC OF NIGERIA**

By

[Signature]

Authorized Representative

Name: **Dr. Ngozi Okonjo-Iweala**

Title: **Coordinating Minister for the Economy and Honourable Minister of Finance**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **Marie Françoise Marie-Nelly**

Title: **Country Director**
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of public junior and senior secondary education in Lagos State.

The Project consists of the following additional activities under Parts A, B and C of the Original Project:


1. Provision of secondary school development grants (SSDGs) and technical assistance to support: (a) two rounds of school grants awarded on the basis of a school improvement plan to eligible public secondary schools and technical colleges to support a positive list of learning activities and the acquisition of materials and equipment required to improve learning outcomes and performance at the Beneficiary level, all in accordance with the provisions of the School Development Grant Manual agreed under the Original Project (as updated); (b) training of school leaders on management of grant operations and planning and implementation of school improvement programs; and (c) grant management, implementation and monitoring.

2. Provision of additional secondary school performance awards (SSPAs) to selected qualified public secondary schools, to support their progress in improving learning outcomes through effective utilization of the SSDGs.

3. Provision of public-private partnership grants (PPPGs) to one additional technical college to foster twinning arrangements between technical colleges and the private sector, so as to strengthen linkages between the skills acquired by students at the technical colleges and the actual skills demanded by the labor market.

PART B: Enhancing Quality Assurance for Junior and Senior Secondary Schools

Carrying out a program of activities to, inter alia: (a) support standardized testing for secondary schools, including baseline setting and revalidation of standardized tests, standardization of unified examinations for secondary students in core subjects as well as strengthening the capacity of the Lagos State Examinations Board; (b) strengthen the professional development of secondary school teachers and administrators; and (c) support innovative for improved learning outcomes, all through the provision of technical advisory services, training, operating costs, and acquisition of goods.
PART C:  Project Coordination and Management

Support effective Project implementation, including Project management, monitoring and evaluation, fiduciary management (financial management, procurement, and disbursement), Project coordination and communication activities, and capacity building of relevant staff involved in the execution of the Project, through the provision of technical advisory services, training and acquisition of goods.
SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall cause the Project Implementing Entity to carry out the Project through the SPAC under the overall strategic guidance of NESSC in accordance with the provisions of the Project Implementation Manual (PIM), the Environmental and Social Management Framework (ESMF) and, if applicable, the Environmental and Social Management Plan (ESMP); and except as the Association shall otherwise agree, the Recipient shall not amend or waive, or allow to be amended or waived, any provision of any of these documents.

2. The Recipient shall cause the Project Implementing Entity to maintain the SPAC throughout the implementation of the Project with membership, functions and responsibilities satisfactory to the Association and with staff in adequate numbers with qualifications and experience satisfactory to the Association. The SPAC shall be assisted by the PSU; and it shall, inter alia, review and approve the following documents and reports prior to their submission to the Association for its approval: (i) annual work plans and budgets prepared for the Project; and (ii) all periodic reports documenting the progress achieved during implementation of the Project.

3. The Recipient shall cause the Project Implementing Entity to maintain, at all times during the implementation of the Project, the PFMU, in form and with mandates, resources, and qualified and experienced staff in adequate numbers, all satisfactory to the Association, so as to ensure prompt and efficient implementation of the Project.

4. Work Plans and Budgets

(a) The Recipient shall prepare and furnish to the Association for its approval, not later than June 30 in each year during the implementation of the Project or such later date as the Association may agree, annual work plans and budgets containing all activities to be carried out in the following calendar year.

(b) The Recipient shall cause the Project Implementing Entity to continue to implement, monitor and evaluate its annual work plan and budget in accordance with the provisions set forth in this Agreement and in more detail in the PIM and the Subsidiary Agreement as they shall have been approved by the Association pursuant to the provisions of paragraph (a) above (Annual Work Plan and Budget).
B. **Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to the Categories set forth in Section IV.A.2 of this Schedule available to the Project Implementing Entity pursuant to 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, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. **Subprojects and Grants**

The Recipient shall take all measures required on its part to enable the Project Implementing Entity to meet all of its obligations under Section I.B of the Schedule to the Project Agreement.

D. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines (as defined in the Appendix to this Agreement).

E. **Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF. If any activities included in a proposed Annual Work Plan and Budget would, pursuant to the ESMF, require an ESMP, no such activities shall be implemented unless and until: (a) such ESMP has been prepared in accordance with the ESMF and furnished to the Association as part of the Annual Work Plan and Budget; (b) disclosed locally as required by the ESMF; and (c) approved by the Association and publicly disclosed.

2. Except as the Recipient and the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMF or ESMP, or any provision thereof.

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

A. **Project Reports**

1. The Recipient shall cause the Project Implementing Entity to 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 agreed with the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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 ("Completion Report") shall be prepared and furnished to the Association not later than six (6) 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 to the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than sixty (60) days after the end of the period of six (6) months of each calendar year, interim unaudited financial reports for the Project covering the period of six (6) months, 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 or such period as the Association may agree, commencing with the fiscal year in which the first withdrawal was made under this Additional Financing. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

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, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines ("Procurement Plan").

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, as the same shall be elaborated in the
Procurement Plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines.

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. **National 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 National Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other National Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Other Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Community Participation in Procurement</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>Other Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(d) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Least Cost Selection</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 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 Additional Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants under Part A of the Project:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) SSDGs</td>
<td>19,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) SSPAs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) PPPGs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, Training, Consultant Services under Part A of the Project</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Training, Consultant Services under Part B of the Project</td>
<td>4,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Training, Consultant Services under Part C of the Project</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>1,600,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>27,600,000</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 December 31, 2015.

Section V. Other Undertakings

A. The Original Financing Agreement dated July 20, 2009, Credit Number 4591 – NG is hereby amended as follows:

1. Section I.A.1 of Schedule 2 is hereby replaced with Section I.A.1 of Schedule 2 to this Agreement.

2. Section I.C of Schedule 2 is hereby replaced with Section I.C of Schedule 2 to this Agreement.

3. Section I.E.1 of Schedule 2 is hereby replaced with Section I.E.1 of Schedule 2 to this Agreement.

4. Section II.A.2 of Schedule 2 is hereby replaced with Section II.A.2 of Schedule 2 to this Agreement.
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 March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing September 1, 2019 to and including March 1 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 1, 2029 to and including March 1, 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


2. "Beneficiary" means any public secondary school or any technical college established by the Project Implementing Entity which has met the Grant eligibility criteria as set out in the Project Implementation Manual and as a result, has received, or is entitled to receive a Grant, as hereinafter defined.

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


5. "ESMP" means an environmental and social management plan prepared by the Recipient in accordance with the ESMF and pursuant to Section I.E of Schedule 2 to this Agreement.

6. "ESMF" means the Environmental and Social Management Framework dated January 8, 2014, prepared and adopted by the Recipient with the approval of the Association, defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

7. "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.

8. "Grant" means a grant to be made out of the proceeds of the Financing to a Beneficiary, as referred to under Section I.C of Schedule 2 to this Agreement.

9. "Grant Agreement" means an agreement between the Project Implementing Entity and a Beneficiary, and set forth in Section I.C.2 of Schedule 2 to this Agreement, as such agreement may be amended from time to time with the prior written agreement of the Association.

10. "NESSC" means the National Education Sector Steering Committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
11. "Operating Costs" means the incremental expenses incurred by the Project Implementing Entity, based on amounts and budgets approved by the Association, 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, excluding the salaries of the Recipient's civil servants.


13. "Original Project" means the Project described in the Original Financing Agreement.

14. "PFMU" means the Project Financial Management Unit established by the Project Implementing Entity in its Office of the State Accountant General, and referred to in Section I.A.3 of Schedule 2 to this Agreement.

15. "PPPGs" means Public-Private Partnership Grants referred to under Part A.3 of Schedule 1 to this Agreement.


17. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 16, 2013 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.

18. "Project Agreement" means the Agreement dated the same date as this Agreement executed between the Project Implementing Entity and the Association, and referred to in Section 4.01 of this Agreement.

19. "Project Implementing Entity" means the Recipient's State of Lagos which has entered into a Subsidiary Agreement with the Recipient, in accordance with Section 1.B of Schedule 2 to this Agreement.


21. "Project Implementation Manual" means the manual prepared and adopted by the Recipient and dated December 16, 2013 outlining the institutional and operational arrangements for implementation of the Project including, inter alia, procurement procedures, disbursement arrangements, performance indicators, environmental safeguards, monitoring and evaluation arrangements, terms of reference of staff and other administrative, financial and organizational arrangements, and the school development
grants manual setting forth the Grant eligibility criteria for the Subprojects, as hereinafter defined, including any schedules to the manual, as such manual may be amended by the Recipient from time to time, with the prior written agreement of the Association.

22. “PSU” means the Project Support Unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

23. “School Development Grant Manual” means the manual, prepared and adopted by the Project Implementing Entity with the agreement of the Association, containing detailed provisions on the implementation and administration of Grants including provisions on grant application, execution, and reporting, and referred to in Part A.1 of Schedule 1 to this Agreement.

24. “SPAC” means the State Project Advisory Committee referred to under Section I.A of Schedule 2 to this Agreement.

25. “SSDGs” means the Secondary School Development Grant referred to under Part A.1 of Schedule 1 to this Agreement.

26. “SSPAs” means the Secondary School Performance Awards referred to under Part A.2 of Schedule 1 to this Agreement.

27. “Subproject” means any subproject to be carried out by any Beneficiary under Part A of the Project in accordance with eligibility criteria set out in the Project Implementation Manual.

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

29. “Training” means incremental reasonable expenditures approved by the Association on the basis of budgets acceptable to the Association to finance the cost of training activities, workshops and seminars related to the Project including *inter alia* expenses for rental of conference rooms, acquisition of materials and supplies and required office equipment.
Section II. Modifications to the General Conditions

A. The modifications to the General Conditions for Credits and Grants,” dated July 31, 2010:

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.”