Financing Agreement

(Second Lagos State Development Policy Operation)

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 financing in support of the Program (as defined in the Appendix to this Agreement) being carried out by the Recipient's Lagos State ("Program Implementing Entity").

The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Program Implementing Entity has already taken under the Program and which are described in the Schedule to the Program Agreement of even date herewith between the Association and the Program Implementing Entity ("Program Agreement"); (b) the Recipient’s maintenance of an adequate macroeconomic policy framework; and (c) the Program Implementing Entity’s maintenance of an appropriate expenditure program, sustainable debt and appropriate fiscal arrangements with the Recipient.

The Recipient and the Association therefore 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 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 one hundred thirty million four hundred thousand Special Drawing Rights (SDR 130,400,000) (variously, “Credit” and “Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule I 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 February 15 and August 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 2 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on: (i) the Recipient’s macroeconomic policy framework; (ii) the Program Implementing Entity’s expenditure program, debt, and fiscal arrangements with the Recipient; and (iii) and the progress achieved by the Program Implementing Entity in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in the Schedule to the Program Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Association is satisfied with: (i) the progress achieved by the Program Implementing Entity in carrying out the Program; (ii) the adequacy of the Recipient’s macroeconomic policy
framework; and (iii) the Program Implementing Entity’s maintenance of an appropriate expenditure program, sustainable debt and fiscal arrangements with the Recipient.

(b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Program 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 Program Implementing Entity and is legally binding upon the Recipient and the Program 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.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its federal Minister responsible for 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
   Abuja

6.03. The Association’s Address is:

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

   Cable address: INDEVAS
   Telex: 248423(MCI)
   Facsimile: 1-202-477-6391
   Washington, D.C.
AGREED at Abujá, Nigeria, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By

Authorized Representative

Name: Dr. NGOZI OKONJO-IWEALA

Title: COORDINATING MINISTER FOR THE ECONOMY AND HONOURABLE MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MARIE FRANCOISE MARIE-NELLY

Title: COUNTRY DIRECTOR
SCHEDULE 1

Availability of Financing Proceeds

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.

2. The Recipient shall: (a) make the proceeds of the Financing available to the Program Implementing Entity under a subsidiary agreement ("Subsidiary Agreement") to be entered into between the Recipient and the Program Implementing Entity, under terms and conditions which shall have been approved by the Association; (b) exercise its rights and obligations 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; and (c) except as the Association shall otherwise agree, not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>130,400,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>130,400,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied with: (a) the Program being carried out by the Program Implementing Entity; (b) the adequacy of the Recipient’s macroeconomic policy framework; and (c) the Program Implementing Entity’s maintenance of an appropriate expenditure program, sustainable debt, and appropriate fiscal arrangements with the Recipient.

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into a dedicated foreign currency account designated by the Recipient and acceptable to the Association; and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is deposited into accounts designated by the Program Implementing Entity and acceptable to the Association, and is accounted for in the Recipient’s financial management system and the Program Implementing Entity’s budget management system, in a manner acceptable to the Association.

E. Audit. The Recipient shall:

1. have the accounts referred to in Part D above audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards and with terms of reference acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than six months after the end of the Recipient’s fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the said accounts and their audit as the Association shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. Closing Date. The Closing Date is May 31, 2015.
SCHEDULE 2

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 August 15 and February 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2019 to and</td>
<td></td>
</tr>
<tr>
<td>including February 15, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2029 to and</td>
<td></td>
</tr>
<tr>
<td>including February 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. "Excluded Expenditure" means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or the Program Implementing Entity international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Program Implementing Entity (or other recipient of the Financing proceeds), without the Recipient or the Program Implementing Entity (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

2. “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.

3. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated February 17, 2014 transmitted by the Program Implementing Entity to the Association and endorsed by the Recipient.

4. “Program Agreement” means the agreement between the Association and the Program Implementing Entity of the same date herewith, as the same may be amended from time to time, and such terms include all schedules and agreements supplemental to the Program Agreement.

5. “Subsidiary Agreement” means the agreement to be entered into between the Recipient and the Program Implementing Entity pursuant to Part A.2 of Schedule I to this Agreement.

6. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. "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."

4. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 4 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

   “Section 4.06. Plans; Documents; Records

   … (c) The Recipient and the Program Implementing Entity shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient and the Program Implementing Entity shall enable the Association’s representatives to examine such records.”
7. Section 4.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

"Section 4.07. Program Monitoring and Evaluation

... (c) The Recipient shall prepare, or cause to be prepared, and furnish or cause to be furnished to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient, the Program Implementing Entity and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"'Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Financing Payment” is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

(d) A new term called “Interest Charge” is added to read as follows:

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

(e) The term “Payment Date” is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

(f) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

"‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.”
(g) The term “Service Charge” is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

9. All references to the “Project,” “Project Agreement” and “Project Implementing Entity” throughout these General Conditions are deemed to be references to, respectively, the “Program,” the “Program Agreement” and the “Program Implementing Entity” as defined in this Agreement.