

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4408 - UNI

Financing Agreement

(Rural Access and Mobility Project – Kaduna)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 8, 2008

Public Disclosure Authorized



CREDIT NUMBER 4408 - UNI

FINANCING AGREEMENT

AGREEMENT dated July 8, 2008, entered into 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 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 thirty seven million eight hundred thousand Special Drawing Rights (SDR 37,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the 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. To this end, the Recipient shall: (a) carry out its Respective Parts of the Project and (b) cause the Project Implementing Entity to carry out the PIE's Respective Parts of the Project 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 Event of Suspension consists of the following: 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 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 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 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 under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Federal Minister of Finance.

6.02. The Recipient's Address is:

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

Cable address:	Facsimile:
FEDMINFIN	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:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	1-202-477-6391
Washington, D.C.		

AGREED at Abuja, Federal Republic of Nigeria as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Aderemi Babalola

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Onno Ruhl

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve road access for rural communities in Kaduna State and to improve management of Kaduna State's road network in a sustainable manner.

The Project consists of the following parts:

Part A: Upgrading, Rehabilitation and Maintenance of Transport Infrastructure

1. Rehabilitation, upgrading, and maintenance of about 430 km of selected rural roads across the Project Area.
2. Construction and rehabilitation of about 130 river crossing structures across the Project Area.

Part B: Institutional Strengthening, Policy Formulation and Capacity Building

1. Enhancing the expertise of staff of the Recipient responsible for carrying out the Recipient's Parts of the Project through provision of adequate training, locally or abroad, in relevant fields including *inter alia* financial management, engineering and procurement.
2. Enhancing the expertise of PIE's staff responsible for carrying out the PIE's Parts of the Project through provision of adequate training, locally or abroad, in relevant fields including *inter alia* financial management, engineering and procurement.
3. Carrying out of: (a) roads management studies including *inter alia* developing a road inventory and condition database, formulation of roads management and financing options, and optimization of the use of resources allocated for the roads sector; (b) a study aimed at enhancing efficiency in the performance of KAPWA's operations; and (c) feasibility and detailed engineering studies for a follow on project.
4. Development of a road information system as a tool to promote efficient and cost-effective management of road assets at the federal level, the state level and the local government level.
5. Formulation of policy for institutional reforms including: (a) preparation of an adequate plan to sustain an efficient implementation of the RTTP; (b) execution of a road classification study for Kaduna State; (c) carrying out of activities aimed at fostering road safety across the Project Area; and (d) carrying out of: (i) a poverty baseline survey; and (ii) a gender empowerment study, all to be

updated periodically to assess performance and to monitor progress achieved through the Project implementation.

6. Strengthening the Recipient's operational and managerial capacity within the relevant institutions responsible for managing and maintaining roads at the federal level through acquisition of technical advisory services and required logistical support.
7. Strengthening the PIE's operational and managerial capacity within the relevant institutions responsible for managing and maintaining roads at the state level through acquisition of technical advisory services and required logistical support.
8. Development and implementation of an HIV/AIDS awareness campaign aimed at containing the spread of HIV/AIDS across the Project Area.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall: (a) carry out its Respective Parts of the Project through FPMU in accordance with the Project Implementation Manual; (b) maintain FPMU within FMAWR at all times during the Project implementation period with functions and responsibilities acceptable to the Association. FPMU shall be headed by a national coordinator who shall report to the Permanent Secretary of FMAWR. The Recipient shall ensure that FPMU is adequately staffed at all times during the Project implementation period with staff having qualifications and experience satisfactory to the Association.
2. FPMU shall be responsible for managing and coordinating activities pertaining to the Recipient's Parts of the Project. To this end, the Recipient shall ensure that FPMU shall: (a) maintain at all times during Project implementation period effective financial management and procurement systems including qualified staff; (b) carry out overall technical management and oversight of the Recipient's Parts of the Project; and (c) prepare activity budgets, monthly accounts reconciliation statement, quarterly withdrawal applications, quarterly financial reports, and annual financial statements. All of these obligations shall be carried out in form and substance satisfactory to the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the PIE's Parts of the Project, the Recipient shall make the proceeds of the Financing allocated to Categories (1), (2) (b), (3) (b), (4) (b) and (5) (b) 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, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

The Recipient shall carryout the Project in accordance with the Environmental and Social Management Framework and the Resettlement Policy Framework.

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 calendar semester, and shall be furnished to the Association not later than one month 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) increase in number of trips per day per selected road link; (ii) increase in the proportion of rural population in the Project Area, with access to an all weather road within a radius of 2 km from any point along the road; (iii) increase in the amount of agricultural produce transported across improved river crossing structures; (iv) adoption and use of a 3-year rolling plan for efficient budget preparation for the road sector; and (v) adoption and use of a road management system.

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 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 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 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:

Procurement Method
(a) National Competitive Bidding
(b) Limited International Bidding
(c) Direct Contracting
(d) 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 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.

Procurement Method
(a) Selection Based on Consultant’s Qualifications
(b) Single Source Selection
(c) 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.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works	27,600,000	80%
(2) Goods		100%
(a) for the Recipients' Parts of the Project	300,000	
(b) for PIE's Parts of the Project	1,000,000	
(3) Consultants' services, including audits		100%
(a) for the Recipient's Parts of the Project	300,000	
(b) for PIE's Parts of the Project	4,100,000	
(4) Training and Workshops		100%
(a) for the Recipient's Parts of the Project	200,000	
(b) for PIE's Parts of the Project	400,000	
(5) Operating Costs		100%
(a) for the Recipient's Parts of the Project	400,000	
(b) for PIE's Parts of the Project	900,000	
(6) Refund of Project Preparation Advance	1,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
(7) Unallocated	1,300,000	
TOTAL AMOUNT	37,800,000	

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, 2014.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2018, to and including March 15, 2028.	1%
Commencing September 15, 2028, to and including March 15, 2048.	2%

* 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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental and Social Management Framework” means the environmental and social management framework dated July 12, 2006, 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.
5. “FMAWR” means the Recipient’s Federal Ministry of Agriculture and Water Resources and any successor thereto.
6. “FPMU” means the Recipient’s Federal Project Management Unit established within FMAWR and referred to in Section 1 A of Schedule 2 to this Agreement.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “KAPWA” means Kaduna State Public Works Agency which is referred to under Part B. 3 (c) of the Project and in paragraph 3 of Section 1 A of the Schedule to the Project Agreement.
9. “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.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.

11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 23, 2008, 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.
12. “Project Account” means the account opened by Kaduna State and maintained in a commercial bank acceptable to the Association and referred to in paragraph 3 of Section 1 of the Schedule to the Project Agreement.
13. “Project Agreement” means the Agreement of even date herewith entered into between the Association and Kaduna State as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Project Agreement.
14. “Project Area” means the portion of the Recipient’s territory comprised within the geographic boundaries of Kaduna State.
15. “Project Implementing Entity” or “PIE” means the Recipient’s Kaduna State.
16. “PIEs’ Respective Parts of the Project” means Part A, and Parts B 2, B 3, B 4, B 5 (ii), (iii) and (iv), B 7 and B 8 of the Project which are to be carried out by PIE.
17. “Project Implementation Manual” or “PIM” means the manual adopted by the Recipient and dated February 23, 2008, outlining the institutional and operational arrangements for the implementation of the Project, including, *inter alia*, the monitoring and evaluation arrangements, the eligibility criteria for selection of roads and river crossing structures to be rehabilitated and guidelines including environmental to be followed in Project implementation, as the same may be amended from time to time with the concurrence of the Association, and such term includes any schedules to the PIM.
18. “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: (a) the Letter Agreement signed on behalf of the Association on November 9, 2004 and on behalf of the Recipient on January 10, 2005; and (b) the Letter Agreement signed on behalf of the Association on February 7, 2007 and on behalf of the Recipient on March 9, 2007.
19. “Recipient’s Respective Parts of the Project” means Parts B 1, B 5 (i) and B 6 of the Project which are to be carried out by the Recipient.
20. “Resettlement Policy Framework” means the Resettlement Policy Framework, dated July 12, 2006, which sets out a framework describing 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.

21. “RTTP” means the Rural Travel and Transport Policy adopted by the Recipient and transmitted to the Association by the Recipient’s letter dated February 26, 2008.
22. “SMWT” means Kaduna State Ministry of Works and Transport which is referred to in paragraph 1 of Section 1 A of the Schedule to the Project Agreement.
23. “SPIU” means the State Project Implementing Unit which is referred to in Section 1. A of the Schedule to the Project Agreement.
24. “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.