

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4415 - UNI

Financing Agreement

(Federal Roads Development Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 24, 2008

Public Disclosure Authorized



CREDIT NUMBER 4415 - UNI

FINANCING AGREEMENT

AGREEMENT dated November 24, 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 two hundred seven million and five hundred thousand Special Drawing Rights (SDR 207,500,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 carry out the Project through FMT 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 consist that the legislation establishing FRA or the legislation establishing NRB/RF has been amended, suspended, abrogated, repealed or waived without prior consultations with the Association.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. 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 Abuja	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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

FEDERAL REPUBLIC OF NIGERIA

By /s/ Shamsuddeen Usman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Onno Ruhl

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) reduce passenger travel times, road related fatalities and vehicle operating costs on targeted federal roads in the Recipient's territory; and (ii) strengthen the Recipient's capacity to manage its federal road infrastructure and assets in a sustainable manner.

The Project consists of the following parts:

Part A: Unity Roads Program:

Rehabilitation, upgrading, and maintenance of selected Unity Roads through:

1. Carrying out of civil works.
2. Provision of technical advisory services.

Part B: Institutional Strengthening and Policy Reform

Provision of support for institutional strengthening and policy reforms in the road sector including:

1. Reforming and strengthening management of roads.
2. Sustainable financing and improved oversight of resources.
3. Establishment of FRA, NRB/RF including designing and construction of office buildings, and acquisition of goods and equipment required to sustain FRA's and NRB/RF's operations.
4. Carrying out of road sector studies.
5. Provision of training and of technical advisory services.

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

1. The Recipient shall maintain RSDT at all times during Project implementation with functions, responsibilities and adequate resources, all satisfactory to the Association and as required to implement the Project. RSDT is headed by a unit manager, who reports to the RSDT management committee that is chaired by the FMT's Permanent Secretary. The Recipient shall ensure that RSDT is endowed at all times with staff, selected on a competitive basis, in adequate numbers and whose qualifications and experience are satisfactory to the Association.
2. RSDT shall be responsible for implementing, managing and coordinating Project activities. To this end, the Recipient shall ensure that RSDT: (a) maintains at all times adequate financial management and procurement systems and procedures; (b) carries out overall technical management and oversight of the Project, including monitoring and evaluation of output and performance-based road contracts and adequate staging of their implementation to incorporate lessons drawn from execution of the first batch of said contracts into procurement of the succeeding ones; and (c) prepares activity budgets, monthly accounts reconciliation statement, quarterly withdrawal applications, quarterly financial reports, and annual financial statements in each case, in form and substance satisfactory to the Association.
3. The Recipient shall: (a) open the Project Account not later than by April 30, 2008; (b) deposit into the Project Account, not later than by June 30, 2008, an initial amount of seven hundred and twenty million Naira (₦720,000,000); (c) replenish the Project Account by the first day of each calendar quarter with an amount of at least one hundred and twenty-million Naira (₦120,000,000); and (d) ensure that all funds deposited in the Project Account are used solely to defray the cost of expenditures related to implementation of the Project.
4. The Recipient shall undertake all measures required on its part to ensure that FRA, NRB/RF shall have been duly established and shall have commenced their respective operations by not later than January 31, 2009, in each case in a manner satisfactory to the Association; and thereafter maintain each of these entities at all

times during Project implementation with functions, responsibilities and adequate resources, all satisfactory to the Association.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Road Sector Governance and Integrity Action Plan as agreed upon with the Association.

C. Safeguards

The Recipient shall carry out 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) average passenger travel times reduced by at least 20% on project roads; (ii) average vehicle operating cost for a typical car, bus and heavy truck reduced by at least 5%, 8%, and 10% respectively, on Project supported roads; (iii) number of annual traffic related fatalities decreased on Project supported roads by at least 50% by the end of the Project; (iv) FRA and NRB/RF are established and have become operational; and (v) at least 500 route kilometers of federal roads are maintained under long term output and performance based contracting scheme.

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) Selection based on Fixed Budget

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	176,000,000	90%
(2) Goods	3,100,000	100%
(3) Consultant services, including audit, Training	15,800,000	100%
(4) Operating Costs	1,900,000	100%
(5) Refund of Project Preparation Advance	1,900,000	Amount payable pursuant to Section 2.07 of the General Conditions
(6) Unallocated	8,800,000	
TOTAL AMOUNT	207,500,000	

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, 2016.

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 Recipient’s environmental and social management framework dated March 9, 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, as said framework may be revised from time to time with the prior written agreement of the Association.
5. “FRA” means the Federal Roads Authority to be established by the Recipient in accordance with the provisions of paragraph 4 of Section 1 A of Schedule 2 to this Agreement.
6. “FMT” or “Federal Ministry of Transportation” means the Recipient’s Ministry responsible for roads and any successor thereto.
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. “NRB/RF” means the National Roads Board/Road Fund to be established by the Recipient in accordance with the provisions of paragraph 4 of Section 1 A of Schedule 2 to this Agreement.
9. “Operating Costs” means the incremental expenses, based on annual budgets acceptable to the Association, incurred by the Recipient 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 referred to in paragraph 3 of Section 1 A of Schedule 2 to this Agreement opened and maintained by the Recipient at a commercial bank acceptable to the Association.
13. "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 June 6, 2005 and on behalf of the Recipient on July 4, 2005; and (b) the letter agreement signed on behalf of the Association on October 30, 2007 and on behalf of the Recipient on November 8, 2007.
14. "Resettlement Policy Framework" means the Recipient's Resettlement Policy Framework, dated April 12, 2006, 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 prior written agreement of the Association.
15. "RSDDT" means the Road Sector Development Team within the FMT referred to in paragraph 1 of Part A of Section I of Schedule 2 to this Agreement.
16. "Training" means the expenses, based on annual budgets acceptable to the Association, incurred by the Recipient, in respect of per diem, travel, purchase of training materials and rental of facilities, and includes workshops and seminars.
17. "Unity Roads" means a set of selected federal roads identified by FMT and acceptable to the Association for rehabilitation, upgrading and maintenance under the Project.

