

CONFORMED COPY

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Project Agreement

(Lagos Metropolitan Development and Governance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LAGOS STATE

Dated July 31, 2006

PROJECT AGREEMENT

Agreement dated July 31, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and LAGOS STATE (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of even date between the Federal Republic of Nigeria (“Recipient”) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.0. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is 20 years after the date of this Agreement.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is its Commissioner for Finance.

4.02. The Association's Address is:

For the Association:

International Association for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

The Honorable Commissioner for Finance
Block 12, The Secretariat, Ikeja, Lagos

Facsimile:

234-1-4979000

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Otunba Akin Doherty

Authorized Representative

LAGOS STATE

By

/s/ Hafez Ghanem
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. The Project Implementing Entity shall establish and maintain at all times during the implementation of the Project, a Project Steering Committee chaired by the Governor of Lagos State and consisting of representatives of the public and private sector.
2. The Project Steering Committee shall be responsible for: (i) reviewing progress reports; (ii) reviewing and approving annual work plans and procurement plans; (iii) ensuring effective implementation of the Project; and (iv) addressing issues facing implementation of the Project.
3. The Project Implementing Entity shall establish and maintain at all times during the implementation of the Project, a Project Coordination Unit headed by a competitively recruited director and including, among other essential staff, a procurement specialist, a communication specialist, an engineer, an upgrading specialist and support staff.
4. The Project Coordination Unit shall be responsible for: (i) ensuring effective implementation of the Project; (ii) procurement and financial management aspects of the Project; and (ii) coordination with various Project executing agencies.
5. The Project Implementing Entity shall prepare and furnish to the Association by December 31, 2006 a Project Implementation Manual in form and substance satisfactory to the Association including details of procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements.
6. The Project Implementing Entity shall carry out implementation of the Project in accordance with the Environmental and Social Impact Assessment.
7. The Project Implementing Entity shall, prior to permitting any slum or drainage upgrading under the Project to be commenced which would displace any Affected Persons or adversely affect their standards of living, or their rights, or customary rights to land or other resources under the Project, ensure that:
 - (a) all rights to land, usufructs or customary rights and other property are allocated or acquired, compensation therefore is paid and resettlement is carried out in accordance with the principles and institutional procedures established in the Resettlement Policy Framework and the Environmental and Social Impact Assessment;

- (b) for each slum upgrading where there are Affected Persons, a detailed Resettlement Action Plan acceptable to the Association is prepared and furnished to the Association;
- (c) a conflict resolution mechanism is established in form and substance satisfactory to the Association;
- (d) Affected Persons shall be compensated and resettled in accordance with the Resettlement Policy Framework;
- (e) the implementation arrangements for resettlement, including compensation and relocation of Affected Persons are documented; and
- (f) the implementation of such Resettlement Action Plan is completed in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one quarter, and shall be furnished to the Recipient not later than 45 days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project 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) reduced deviation between actual expenditures and approved budget in Lagos State.].
2. The Project Implementing Entity shall provide to the Recipient not later than six months, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its respective Part of the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.

Section IV. 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 Policy Framework, such principles shall include the following: (i) involuntary resettlement shall be avoided where feasible; (ii) where it is not feasible to avoid involuntary resettlement, displaced persons shall be meaningfully consulted and shall have opportunities to participate in planning and implementing resettlement programs; and (iii) displaced persons shall 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.