Project Agreement

(Housing Finance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CENTRAL BANK OF NIGERIA

Dated December 18, 2013
PROJECT AGREEMENT

AGREEMENT dated DECEMBER 18, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and CENTRAL BANK OF NIGERIA ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the Federal Republic of Nigeria ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. 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 this 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 objective 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 twenty years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Governor.

4.02. The Association’s Address is:

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

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

4.03. The Project Implementing Entity’s Address is:

Central Bank of Nigeria,
Plot 33, Abubakar Tafawa Balewa Way
Central Business District,
Cadastral Zone,
Abuja, Federal Capital Territory,
Nigeria

Facsimile:
+234 9 462 36012
AGREED at Abuja, Nigeria, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MARIE FRANCOISE MARIE-NELLY

Title: COUNTRY DIRECTOR

CENTRAL BANK OF NIGERIA

By

Authorized Representative

Name: MALLAM SANUSI LAMIDO SANUSI

Title: GOVERNOR
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. In order to ensure the proper implementation of the Project, the Project Implementing Entity shall establish and maintain at all times during Project implementation, a Project Administration Team with resources, staffing (including a Project director, deputy Project director, environmental and social safeguards specialists and Project accountant) all with qualifications, experience and on terms of reference satisfactory to the Association, to be responsible for, *inter alia*, day-to-day management of the Project.


   (a) To ensure the proper implementation of the Project, the Project Implementing Entity shall prepare a manual, in form and substance satisfactory to the Association, for the implementation of the Project. The said manual shall include, *inter alia*: (i) institutional arrangements for the management of the Project (including allocation of responsibilities among different entities and their staff involved in project implementation, yearly planning of activities and budget and time allocation for those activities); (ii) internal control systems, financial management and accounting procedures annexes; (iii) detailed arrangements for the overall carrying out of the Project (including, *inter alia*, procurement as well as environmental and social risks management mechanisms and procedures) to be followed during Project implementation; (iv) a detailed communication plan as well as social accountability tools proposed to be utilized for Project purposes; and (v) the guidelines and indicators for Project monitoring and evaluation.

   (b) Without limitation upon the provisions of sub-paragraph (a) above, the manual referred to in the above sub-paragraph (a) shall have an annex containing provisions guiding the implementation of Part 2 of the Project (the Mortgage Guarantee Manual) which the Project Implementing Entity shall develop and adopt not later than twenty-four (24) months after the Effective Date.

   (c) Without limitation upon the provisions of sub-paragraph (a) above, the manual referred to in the above sub-paragraph (a) shall have an annex containing provisions guiding the implementation of Part 3 of the Project (the HMF Manual) which the Project Implementing Entity shall develop and adopt not later than six (6) months after the Effective Date.

   (d) The Project Implementing Entity shall: (i) furnish to, and exchange views with, the Association on such manual promptly upon its preparation; and (ii) thereafter adopt such manual as shall have been approved by the Association (“Project Operations Manual”), and cause the Project Implementing Entity to implement the Project in accordance with the Project Operations Manual.
3. **Annual Work Plan**

(a) The Project Implementing Entity shall prepare and furnish to the Association through Steering Committee, not later than November 1 of each year during the implementation of the Project (or such later date as the Association may agree), for the Association’s approval, a consolidated annual work plan (and budget) containing all eligible Project activities and expenditures proposed to be included in the Project for the following Fiscal Year (“Annual Work Plan”).

(b) The Project Implementing Entity shall ensure that the Project is implemented in accordance with the Annual Work Plan approved by the Association for the respective Fiscal Year; provided, however, that in case of any conflict between the Annual Work Plans and the provisions of this Agreement, the provisions of this Agreement shall prevail.

(c) The Project Implementing Entity shall not make or allow to be made any change to the Annual Work Plans without the prior approval in writing by the Association.

**B. Anti-Corruption**

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

**C. Subordinated Loan Agreement**

1. The Project Implementing Entity shall on-lend a portion of the proceeds of the Credit allocated to Category (1) to the NMRC under a Subordinated Loan Agreement on terms and conditions approved by the Association, which shall, *inter alia*, include the following:

   (a) The Subordinated Loan shall be: (i) denominated and repayable in Naira; and (ii) charged interest on the principal amount withdrawn and outstanding from time to time, and a spread to cover foreign exchange rate risk, all under terms and conditions acceptable to the Association.

   (b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to:

      (i) suspend or terminate the right of the NMRC to use the proceeds of the Subordinated Loan, or obtain a refund of all or any part of the amount of the Subordinated Loan then withdrawn, upon NMRC’s failure to perform any of its obligations under the Subordinated Loan Agreement; and
require NMRC to: (A) carry out any activities financed by the Subordinated Loan with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the activities under the Project and the achievement of their objectives; (D) (1) 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, resources and expenditures related to the activities; and (2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (E) enable the Project Implementing Entity, the Recipient and the Association to inspect the NMRC’s activities, its operation and any relevant records and documents; and (F) prepare and furnish to the Project Implementing Entity, the Recipient and the Association all such information as the Project Implementing Entity, the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall exercise its rights under the Subordinated Loan 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 Recipient and/or the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subordinated Loan Agreement or any of its provisions.

D. Performance Standards for Private Sector Activities

1. The Project Implementing Entity shall prepare an environmental and social risk management operations manual, satisfactory to the Association, for the purpose of identifying, assessing and managing environmental and social risks and impacts under the Project. The Project Implementing Entity shall: (a) furnish to, and exchange views with, the Association on such manual promptly upon its preparation; and (b) thereafter adopt and publicly disclose such manual as shall have been approved by the Association ("Environmental and Social Risk Management Operations Manual" or "ESOM"); and (c) ensure that the Project is implemented in accordance with the ESOM.

2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and submit to the Association, each calendar year (or at such other frequency as may be agreed with the Association), consolidated reports on the status of compliance with the ESOM ("Environmental and Social Performance Report") giving details of: (a) measures taken by the NMRC, the Housing
Microfinance Provider(s) and the Guarantee Agent in furtherance of the ESOM, including, development and operation of their respective environment and social management systems; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

E. **Mortgage Guarantee Scheme**

1. Not later than twenty-four (24) months after the Effective Date, the Project Implementing Entity shall adopt a Guarantee Manual (as part of the Project Operations Manual), in form and substance satisfactory to the Association, which shall, as a minimum, address the following elements of the Mortgage Guarantee Scheme: (i) eligibility criteria for potential beneficiaries; (ii) detailed conditions to be met by potential beneficiaries in order to receive the benefits of the Scheme; (iii) mechanisms for delivery of the proposed Guarantee Product; (iv) environmental and social risk management arrangements; and (v) monitoring and evaluation system, including details on how to audit said Mortgage Guarantee Scheme and how to handle complaints and appeals in a timely manner.

2. The Project Implementing Entity shall conclude and thereafter implement, until it has expired in accordance with its terms, a service agreement with the Mortgage Guarantee Agent, in form and substance satisfactory to the Association ("Guarantee Agent Service Agreement") pursuant to which the Project Implementing Entity shall provide through said Mortgage Guarantee Agent, Mortgage Guarantee Products to Eligible Lenders. The Project Implementing Entity shall ensure that the Guarantee Agent Service Agreement is submitted to the Association for its review and approval prior to its signature by the Project Implementing Entity and the Mortgage Guarantee Agent.

3. The Project Implementing Entity shall exercise its rights under the Guarantee Agent Service Agreement in such manner as to protect the interests of the Project Implementing Entity, the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive any Guarantee Agent Service Agreement or any of its provisions.

F. **HMF Loans**

1. Not later than six (6) months after the Effective Date, the Project Implementing Entity shall adopt a HMF Manual (as part of the Project Operations Manual), in form and substance satisfactory to the Association, containing eligibility criteria and approval, disbursement, environmental and social risk management arrangements, administration and monitoring arrangements for HMF Loans.

2. The Project Implementing Entity shall ensure that HMF Loans are administered in accordance with the provisions set forth or referred to in this Part F and in more detail in the HMF Manual and pursuant to a HMF Loan Agreement, to be concluded between the Project Implementing Entity and the respective Housing Microfinance Provider, under
terms and conditions described or referred to in more detail in the HMF Manual and satisfactory to the Association, which, *inter alia*, shall include the following:

(a) the amount of the HMF Loan provided to the Housing Microfinance Provider, the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the use of HMF Loan;

(b) the specification of the matching contribution, if any, required of the Housing Microfinance Provider, and modalities of transfer of funds by the Project Implementing Entity to the Housing Microfinance Provider for the purpose of the HMF Loan;

(c) the obligation of the Housing Microfinance Provider to: (i) carry out the Project activities with due diligence and efficiency and in accordance with sound technical financial, and managerial practices and in accordance with the applicable environmental and social safeguards, including, where applicable the ESOM and the provisions of the Anti-Corruption guidelines applicable to recipients of loan proceeds other than the Recipient; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures related to the use of HMF Loan;

(d) the obligation of the Housing Microfinance Provider to: (i) 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, resources and expenditures related to the use of HMF Loan; and (ii) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and

(e) the right of the Recipient and Project Implementing Entity, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods and sites included in the use of HMF Loan, the operations thereof and any relevant records and documents; (ii) suspend or terminate the right of any Housing Microfinance Provider to use the proceeds of the HMF loan, or obtain a refund of all or any part of the amount of the HMF Loan then withdrawn, upon failure by the Housing Microfinance Provider to perform any of its obligations under the HMF Loan Agreement.

3. The Project Implementing Entity shall exercise its rights and obligations under the HMF Loan Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any HMF Loan Agreement or any provision thereof.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Project Implementing Entity not later than forty five (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.

2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months after the Closing Date, 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 and 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 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 Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, non-consulting services, services, Training and Operating Costs required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.