

CONFORMED COPY

LOAN NUMBER 2925 UNI

(Infrastructure Development Fund Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 4, 1989

LOAN NUMBER 2925 UNI

LOAN AGREEMENT

AGREEMENT, dated August 4, 1989, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out with the assistance of the Borrower by the following merchant banks (the PMBs), namely: (i) Continental Merchant Bank (Nigeria) Limited (Continental), (ii) ICON Limited (Merchant Bankers) (ICON), (iii) International Merchant Bank (Nigeria) Limited (IMB), (iv) NAL Merchant Bank Limited (NAL), (v) Nigeria Merchant Bank Limited (NMB) and, (vi) such other merchant banks as the Borrower may authorize to participate in the Project on terms and conditions satisfactory to the Bank;

(C) as part of the Borrower's assistance, the Borrower will make available to each merchant bank participating in the Project a portion of the proceeds of the Loan allocated to Category (1) in Schedule 1 to this Agreement as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement, the Project Agreements of even date herewith between the Bank and each of the PMBs and the State Agreements between the Bank, Benue, Gongola, Ondo and other Eligible States of Nigeria;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 4 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Whenever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Sub-loans" means loans made or proposed to be made by the PMBs to Eligible States out of the proceeds of the Loan relented to the PMBs by the Borrower for Urban Projects, and the term "free-limit Sub-loan" has the meaning assigned to it by Section 1.01 of the Project Agreements;

(b) "PMBs" means the merchant banks referred to in Recital B of this Agreement;

(c) "Project Agreements" means the agreements between the Bank and the PMBs as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements;

(d) "State Agreements" means the agreements between the Bank, Benue, Gongola, Ondo and other Eligible States of Nigeria as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the State Agreements;

(e) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and the PMBs pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreements;

(f) "Eligible States" means the States of Nigeria to which a PMB proposes to make or has made Sub-loans on terms and conditions satisfactory to the Bank including Benue, Gongola and Ondo States of Nigeria;

(g) "Urban Project" means a specific urban infrastructure development project to be carried out by an Eligible State utilizing the proceeds of a Sub-loan;

(h) "Charter" means the Memorandum and Articles of Association of a PMB;

(i) "Central Bank" means the Central Bank of Nigeria established and operating under the Central Bank of Nigeria Act (Cap. 30) of the Laws of the Federal Republic of Nigeria and Lagos, 1958;

(j) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(k) "Statement of Policy" means a statement of objectivessatisfactory to the Bank and the Borrower as approved by the Board of Directors of each PMB for the carrying out of the Project;

(l) "Annual Project Performance Audit" means the audit referred to in Section 3.02 of this Agreement;

(m) "Control Account" means the account referred to in Section 4.03 of this Agreement; and

(n) "Project" means with respect to: (i) a PMB, Part A of the Project as described in Schedule 2 to this Agreement; and (ii) the Borrower, Part B of the Project.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to sixty-nine million five hundred thousand dollars (\$69,500,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the PMBs under Part A of the Project on account of withdrawals made by Eligible States under Sub-loans to meet the reasonable cost of goods and services required for the Urban Projects in respect of which the withdrawals from the Loan Account are requested; and (ii) for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars special accounts to be used by the Borrower and the PMBs on terms and conditions satisfactory to the Bank. The Special Accounts to be used for Part A and Part B of the Project, respectively, shall be opened and maintained in commercial or merchant banks satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made: (i) in the case of the Special Accounts to be used for Part A of the Project in accordance with the provisions of Schedule 3 to the Project Agreements; and (ii) in the case of the Special Account to be used for Part B of the Project in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed;
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank; and
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement, as such Schedule 3 shall be amended from time to time by the Bank to the extent required to:

(a) conform in relevant part substantially to the aggregate of the amortization schedules applicable to Sub-loans, and

(b) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section 2.08 of this Agreement; provided that any such amendments to the amortization schedule permitted hereunder shall not authorize repayments of the principal amount of the Loan beyond the latest repayment date set forth in such Schedule 3. Such amendments of said Schedule 3 shall include amendments to the table of premiums on prepayments, if necessary.

Section 2.08. Unless the Bank and the Borrower shall otherwise agree:

(a) If a PMB shall repay any amount to the Borrower on account of (i) a Sub-loan or any part thereof repaid to the PMB in advance of maturity or (ii) a Sub-loan or any part thereof sold, transferred, assigned or otherwise disposed of for value by the PMB, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 3 to this Agreement or in any amendment thereof under Section 2.07 (a) of this Agreement, the amount withdrawn from the Loan Account in respect of such Sub-loan or part thereof and not theretofore repaid to the Bank.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the Loan in amounts corresponding to the outstanding amounts of the maturity or maturities of the Sub-loan so repaid or disposed of.

(c) Paragraph (b) of Section 3.04 of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

Section 2.09. (a) The PMBs are with respect to Part A of the Project designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the PMBs with responsibility for: (i) the preparation of withdrawal applications relating to Category (1) in Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; and (ii) the opening of the Special Accounts to be used by the PMBs for purposes of Part A of the Project. Withdrawal applications relating to said Category (1) shall to the extent practicable be consolidated so as to apply for

withdrawal of aggregate amounts of not less than \$750,000 equivalent.

ARTICLE III

Execution of the Project; Use of Proceeds of the Loan

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part B of the Project through the Borrower's Ministry of Works and Housing (FMWH) with due diligence and efficiency and in conformity with appropriate administrative and financial practices. The Borrower shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the said Part of the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall within the limits of its powers cause the PMBs, Benue, Gongola, Ondo and other Eligible States of Nigeria to perform in accordance with the provisions of the Project Agreements, the State Agreements, the Subsidiary Loan Agreements and the Sub-loans Agreements, all the obligations of the PMBs and the Eligible States therein set forth, shall take or cause to be taken all action, necessary or appropriate to enable the PMBs and the Eligible States to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall make the proceeds of the Loan allocated to Category (1) in Schedule 1 to this Agreement available to the PMBs under subsidiary loan agreements to be entered into between the Borrower and the PMBs on terms and conditions which shall have been approved by the Bank, including: (i) payment by each PMB of annual interest at the variable rate provided for in Section 2.05 of the Loan Agreement; (ii) repayment by each PMB of principal in not more than 20 years (including a maximum of 5 years of grace); (iii) payment by each PMB, at the rate specified in Section 2.04 of this Agreement, of a commitment charge on the principal amount of the proceeds of the Loan made available to it and not withdrawn from time to time; and (iv) terms and conditions requiring the Eligible States to assume any foreign exchange risks on Sub-loans.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

(e) The Borrower shall on terms and conditions satisfactory to the Borrower and the Bank make proceeds of the Loan allocated to Category (3) in Schedule 1 to this Agreement available to such States of Nigeria as shall carry out urban infrastructure investment studies included in Part B.4 of the Project.

Section 3.02. The Borrower shall: (i) through FMWH carry out annually a project performance audit (the Annual Project Performance Audit) satisfactory to the Bank; and (ii) no later than six months after the end of each fiscal year furnish to the Bank a report satisfactory to the Bank on the Annual Project Performance Audit.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to this Agreement.

Section 3.04. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by each eligible State pursuant to the appropriate provisions of the respective State Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B of the Project of the departments or agencies of the Borrower responsible for carrying out the said Part of the Project or any portion thereof.

Section 4.02. (a) The Borrower shall:

- (i) have the records and accounts referred to in Section 4.01 of this Agreement, including those for the Special Accounts, for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available but in any case not later than six months after the end of each fiscal year a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning the accounts and the audit thereof as the Bank shall from time to time reasonably request.

(b) For all expenditures with respect to which withdrawals from the Loan Account were made under Categories (2) and (3) in Schedule 1 to this Agreement on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with Section 4.01 of this Agreement, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (a) of this Section and that the report of each such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.03. Without any limitation or restriction of any of its obligations under this Agreement, the Borrower shall cause the

Central Bank: (i) to establish and maintain an account satisfactory to the Bank (the Control Account) showing the status of Sub-loans made under the Project including details of withdrawals and disbursements made under Category (1) in Schedule 1 to this Agreement; (ii) to review annually the financial performance of the PMBs under the Project and the overall financial status of Sub-loans; and (iii) to prepare and furnish to the Federal Ministry of Finance, FMWH and the Bank no later than six months after the end of each fiscal year a report satisfactory to the Bank on the Control Account.

Section 4.04. The Borrower shall cause the Central Bank to discuss with the Bank by May 1988, and annually thereafter: (i) the financial performance of the PMBs with particular reference to their capital adequacy and their liquidity position; and (ii) where necessary, measures to improve the financial performance of the PMBs; provided that such measures are consistent with the overall credit and monetary policy objectives of the Central Bank.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Any PMB shall have failed to perform any of its obligations under a Project Agreement;

(b) Any of the Eligible States shall have failed to perform any of its obligations under a State Agreement;

(c) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any PMB or any Eligible State will be able to perform its obligations under a Project Agreement or a State Agreement; and

(d) a Charter or a Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of a PMB or the ability of a PMB to participate effectively in the carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) Subsidiary Loan Agreements have been executed on behalf of the Borrower and at least two PMBs; and

(b) an agreement for a Sub-loan has been executed on behalf of at least one PMB and at least one of the Eligible States.

Section 6.02. The following are specified as additional

matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that Project Agreements have been duly authorized or ratified by at least two PMBs and are legally binding on such PMBs in accordance with their terms;

(b) that the State Agreements have been duly authorized or ratified by at least two of the Eligible States and are legally binding on the said States in accordance with their terms;

(c) that Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and at least two PMBs and are legally binding on the Borrower and such PMBs in accordance with their terms; and

(d) that the agreement for the Sub-loan referred to in Section 6.01 (b) above has been duly authorized or ratified by the PMB and the Eligible State concerned and is legally binding on such PMB and such Eligible State in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Permanent Secretary
Federal Ministry of Finance
P.M.B. 1519
Federal Secretariat, Ikoyi
Lagos, Nigeria

Cable address:	Telex:
PERMFIN Lagos	21248

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD Washington, D.C.	440098 (ITT), 248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hamzat Ahmadu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Callisto Madavo
Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods, works and services financed under Sub-loans:		
(a) Benue State	10,400,000	100% of foreign expenditures and
(b) Gongola State	11,500,000	75% of local expenditures
(c) Ondo State	10,400,000	
(d) Other Eligible States:		
(i) Free-limit Sub-loans	10,000,000	
(ii) Other Sub-loans	12,300,000	
(2) Staff training, studies, audits and technical assistance under Part B (1) and B (2) of the Project	1,000,000	100%
(3) (a) Staff training and studies under Part B(3) through B(5) of the Project	4,100,000	100%
(b) Vehicles and equipment under	200,000	100% of foreign expenditures and

Part B.3 (a) of the Project	75% of local expenditures
(4) Unallocated:	
(a) Benue State	1,500,000
(b) Gongola State	1,800,000
(c) Ondo State	1,900,000
(a) Others ¹ (including Eligible States other than Benue, Gongola and Ondo States)	4,400,000
 TOTAL	 69,500,000 =====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of a Sub-loan unless: (i) a Project Agreement has been executed by the PMB concerned and an opinion has been furnished to the Bank stating that the Project Agreement has been duly authorized or ratified by such PMB and is legally binding on the PMB in accordance with its terms; (ii) a Subsidiary Loan Agreement has been executed on behalf of the Borrower and the PMB concerned and an opinion has been furnished to the Bank stating that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and such PMB and is legally binding on the Borrower and the PMB in accordance with its terms; (iii) except as the Bank may otherwise agree, a State Agreement has been executed by the Eligible State to which the Sub-loan has been made and an opinion has been furnished to the Bank stating that the State Agreement has been duly authorized or ratified by such Eligible State and is legally binding on the Eligible State in accordance with its terms; and (iv) the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreements and approved by the Bank; and

(b) in respect of expenditures under Category (1) above for works to be carried out by an Eligible State by force account (other than expenditures for materials and equipment required for such works if procured in accordance with the procurement procedures set forth or referred to in Schedule 2 to the Project Agreements).

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to establish a

mechanism for financing urban infrastructure development; and (ii) to assist States of Nigeria to improve their financial management, resource mobilization and urban infrastructure investment planning and programming capabilities.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:

The making of Sub-loans by PMBs to Benue, Gongola and Ondo and other Eligible States of Nigeria to improve their urban infrastructure, financial management and resource mobilization.

Part B:

1. Strengthening the capabilities of PMBs to select, appraise and supervise Urban Projects including training of staff of PMBs.

2. Project performance audits by FMWH and a review, in the light of project experience, of the selection and appraisal guidelines for Part A of the Project.

3. (a) Strengthening the capability of FMWH as well as State project staff to monitor and evaluate urban infrastructure development projects including training of FMWH and State project Staff and provision of vehicles and equipment for FMWH to facilitate project implementation.

(b) The carrying out of sector and project preparation studies for urban infrastructure development projects.

4. A program of assistance to such States of Nigeria as the Borrower shall require: (i) to carry out urban infrastructure investment studies; and (ii) to prepare Urban Projects.

5. A study to restructure the Federal Mortgage Bank of Nigeria.

* * *

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15 beginning September 15, 1993 through September 15, 2007	2,315,000
On March 15, 2008	2,365,000

