

CONFORMED COPY

CREDIT NUMBER 2415 UNI

(Multi-State Roads Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 11, 1992

CREDIT NUMBER 2415 UNI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 11, 1992, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association);

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 Association to assist in the financing of the Project;

(B) the Project will be carried out by the Borrower through Jigawa State of Nigeria (Jigawa State) and Kano State of Nigeria (Kano State) (the said States being hereinafter together referred to as the Project States) with the assistance of the Borrower;

(C) the Borrower, as part of such assistance, will make available to the Project States proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the

terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. 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) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and each of the Project States 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 to the Subsidiary Loan Agreement;

(c) "FMWH" means the Federal Ministry of Works and Housing of the Borrower;

(d) "SMOWT" means the Ministry of Works and Transport of a Project State;

(e) "EAMU" means the Environmental Assessment and Monitoring Unit referred to in Section 3.01 (e) of this Agreement;

(f) "Technology Transfer Centers" means the Technology Transfer Centers referred to in Part C of the Project; and

(g) "Project Account" means the project account referred to in paragraph 2 (a) (ii) Part A of Schedule 5 to this Agreement.

#### ARTICLE II

##### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-nine million eight hundred thousand Special Drawing Rights (SDR 49,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain for FMWH and each Project State special deposit accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, a Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2002 and ending March 15, 2027. Each installment to and including the installment payable on March 15, 2012, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

## Execution of the Project

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 the Project through the Project States with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall provide in its budget amounts adequate to meet the Borrower's counterpart contributions to the costs of the Project, said contributions being presently estimated by the Borrower and the Association to amount over the Project period to \$700,000 equivalent.

(c) The Borrower shall relend to the Project States the proceeds of the Credit allocated to the Project States in Schedule 1 to this Agreement under agreements (the Subsidiary Loan Agreements) to be entered into by the Borrower and the Project States under terms and conditions which shall have been approved by the Association, including provisions in each Subsidiary Loan Agreement requiring each Project State to:

- (i) pay annual interest at the variable rate applicable, on the date of the respective Subsidiary Loan Agreements, to loans made by the Bank to its Borrowers;
- (ii) repay principal in not less than 20 years (including 5 years of grace);
- (iii) assume any foreign exchange risks on proceeds of the Credit relend to it; and
- (iv) carry out the actions described in Schedule 5 to this Agreement to the satisfaction of the Association.

(d) The Borrower shall, until completion of the Project, carry out jointly with the Association: (i) an annual review of the Project in the last quarter of each year of Project implementation to (A) assess progress made in carrying out the Project during the immediately preceding year, and (B) review the work program and budgetary allocations proposed for the year immediately following; and (ii) no later than December 31, 1995, a mid-term review of the Project to assess (A) the overall progress made in carrying out the Project including the status of road user charges and cost recovery, (B) use of private contractors, (C) training, (D) the performance of FMWH in coordinating Project activities, (E) the performance of SMOWTs as Project executing agencies, (F) the environmental impact of Project activities, and (G) the need for redesign and/or restructuring of the Project or any components thereof.

(e) The Borrower shall establish and thereafter maintain in FMWH an Environmental Assessment and Monitoring Unit in a form and with functions satisfactory to the Association.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or

agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of 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.

#### ARTICLE V

##### Remedies of the Association

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

(a) any Project State shall have failed to perform any of its obligations under the respective Subsidiary Loan Agreements;

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any Project State will be able to perform its obligations under the respective Subsidiary Loan Agreements.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice

thereof shall have been given by the Association to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the submission to the Association by each Project State of plans satisfactory to the Association setting out the details of the manpower development plan included in Part C of the Project;

(b) the submission to the Association by at least one Project State of a letter of commitment to incorporate in its 1993 budget proposals a plan satisfactory to the Association for the recovery of the State's recurrent road maintenance costs including the increase in road charges required under paragraph 1 (a) of Schedule 5 to this Agreement;

(c) the signing of a Subsidiary Loan Agreement by the Borrower and at least one Project State;

(d) the signing of contracts for the employment by each of the Project States on the terms and conditions referred to in Section II of Schedule 3 to this Agreement of consultants to assist the Project State in the carrying out of the Project;

(e) the opening by each Project State of a Project Account and the deposit therein by each such State of an initial amount of at least Naira 2,000,000; and

(f) the employment of an environmental specialist to assist FMWH in the establishment of EAMU.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Loan Agreement mentioned in Section 6.01 (b) above has been duly authorized or ratified by the Borrower and the Project State, and is legally binding upon the Borrower and the Project 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 Honourable Minister  
Federal Ministry of Finance  
P.M.B. 12591  
Ikoyi, Lagos  
Nigeria

Cable address:

Telex:

FEDMINFIN  
Lagos

21248

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, D.C.

197688 (TRT)  
248423 (RCA)  
64145 (WUI) or  
82987 (FTCC)

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/ Zubair M. Kazaure  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox  
Regional Vice President  
Africa

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works:		
(a) Jigawa State	16,200,000	75%
(b) Kano State	19,790,000	75%
(2) Equipment and vehicles:		
(a) Jigawa State	220,000	100% of foreign expenditures and 75% of local expenditures
(b) Kano State	220,000	100% of foreign expenditures

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	and 75% of local expenditures  % of Expenditures to be Financed
(3) Technical assistance:		
(a) Jigawa State	1,370,000	100%
(b) Kano State	1,650,000	100%
(c) FMWH	1,260,000	100%
(4) Training:		
(a) Jigawa State	200,000	100%
(b) Kano State	200,000	100%
(5) Unallocated:		
(a) Jigawa State	3,950,000	
(b) Kano State	4,560,000	
(c) FMWH	180,000	
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TOTAL	49,800,000 =====	

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 in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures made by any Project State under:

(i) Category (1) unless the Project State has (A) put into effect its plan for the recovery of the State's recurrent road maintenance costs including the increase in road charges required under paragraph 1 (a) of Schedule 5 to this Agreement, and (B) provided in its 1993 budget amounts sufficient to meet in full its road maintenance costs for its 1993 fiscal year; and

(ii) Categories (1) through (4) unless the Project State has entered into a Subsidiary Loan Agreement with the Borrower.



4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.  
SCHEDULE 2

#### Description of the Project

The objectives of the Project are to assist the Project States to: (i) develop and sustain a program for the improvement of the high priority roads in the States; (ii) train staff of their SMOWTs to plan and oversee road works undertaken for the States by private contractors; (iii) encourage private contractors to execute road sector infrastructure works; (iv) establish sound cost recovery mechanisms for the road sector; and (v) select and design road works in conformity with the most appropriate administrative, financial and engineering practices and procedures.

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

##### Part A: Civil Works

- (1) Maintenance, rehabilitation and strengthening of high priority roads in Jigawa State (about 400 km) and Kano State (about 600 km).
- (2) Upgrading of high priority roads in Jigawa State (about 100 km) and Kano State (about 120 km).

##### Part B: Vehicles and Equipment

Assisting the Project States in the efficient management and maintenance of roads; and purchase of an adequate number of vehicles and equipment including: (i) vehicles for surveying, field inspections and works supervision; and (ii) laboratory equipment, and field testing, traffic counting and weighing equipment.

##### Part C: Institutional Development

- (1) Training of the staff of the SMOWTs in the planning, design and supervision of construction and maintenance of State roads and in contract management including the preparation of a manpower development plan satisfactory to the Association.
- (2) Establishment in each of the Project States of a pilot State highway Technology Transfer Center to assist inter alia in: (i) the transfer from abroad of highway technology to the Project States; (ii) the dissemination to private contractors of technical information on roads including information on contract management; and (iii) the establishment and maintenance of channels of communication between the SMOWTs and the road construction industries.

\* \* \*

The Project is expected to be completed by December 31, 1997.

#### SCHEDULE 3

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

1. Except as provided in Part C hereof, works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. Bidders for works included in the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A. 1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works estimated to cost less than \$500,000 equivalent per contract (up to an aggregate amount not to exceed \$4,000,000 equivalent) may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Association.

2. Goods (up to an aggregate amount not to exceed \$700,000) may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$500,000 for works and \$100,000 or more for goods, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) of the said Appendix shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to paragraph 3 of said Appendix shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower and the Project States in carrying out the Project, the Borrower and the Project States shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfac-

tory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.  
SCHEDULE 4

#### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to: (i) \$200,000 for FMWH; and (ii) \$1,000,000 for each of the Project States to be withdrawn from the Credit Account and deposited into the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of a Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower or the Project State (as the case may be) shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower or the Project State, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower or the Project State shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower or the Project State shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower or the Project State shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower or the Project State, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower or the Project State shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower or the Project State out of a Special Account, the Borrower or the Project State shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower or the Project State directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower or the Project State. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower or the Project State shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower or the Project State has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower or the Project State shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower or the Project State may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit into a Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions applicable thereto.

#### SCHEDULE 5

Actions referred to in Section 3.01 (c)  
(iv) hereof

#### Part A: General

1. (a) Each Project State: (i) shall take all action necessary to recover the recurrent costs of its road maintenance program; and

(ii) shall, to that end, prepare and furnish to the Association an action plan satisfactory to the Association to increase its road user charges to at least Naira 8,000,000 for Jigawa State and Naira 9,500,000 for Kano State in 1993 and thereafter to levels adequate to cover the full recurrent road maintenance costs.

(b) Each Project State shall cause the civil works included in the Project to be carried out by private sector contractors employed by the Project State under contracts satisfactory to the Association.

(c) Each Project State shall: (i) prepare and furnish to the Association a list satisfactory to the Association of the priority roads to be included in the Project; and (ii) cause the works relating to such priority roads to be executed in accordance with design standards satisfactory to the Association, including those set forth in Part B of this Schedule.

2. Each Project State shall: (i) provide in its budget amounts adequate to cover its counterpart contributions to the costs of the Project, including the provision each year in the Project State's budget of amounts adequate to cover the recurrent costs of maintaining State roads equivalent to not less than (A) Naira 8,000,000 for Jigawa State, and (B) Naira 9,500,000 for Kano State; (ii) open and maintain at a commercial bank a project account to be used exclusively to meet expenditures under the Project; (iii) pay into the Project Account an initial amount of at least Naira 2,000,000; and (iv) issue, and thereafter maintain during the course of the Project, written instructions to the Borrower to pay, from amounts standing to the credit of the Project State in the Federation Account at the Central Bank of Nigeria each month one twelfth of the Project State's counterpart contributions to the costs of the Project, as assessed on the basis of the annual financial plan of the Project State's SMOWT. The Project States, the Borrower and the Association presently estimate the counterpart contributions of the Project States to amount to: (i) \$10,000,000 equivalent for Jigawa State; and (ii) \$12,000,000 equivalent for Kano State.

3. (a) No Project State shall, without consultation with the Association, carry out any road works estimated to cost more than \$5,000,000 equivalent which are not included in the Project.

(b) Each Project State: (i) shall in the procurement of goods, works and consultants services to be financed out of the proceeds of the Credit be governed by the provisions of Schedule 3 to this Agreement; and (ii) shall, in the carrying out of civil works included in the Project, without any limitation or restriction upon the said provisions, use standard bidding documents satisfactory to the Association.

4. (a) Each Project State shall with respect to the Project maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) Each Project State shall:

(i) have the accounts and records referred to in paragraph 4 (a) above and the records and accounts for the Special Account and the Project Account for each fiscal year audited, in accordance with appropriate auditing principles, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall reasonably request.
  - (c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Project State shall:
    - (i) maintain or cause to be maintained, in accordance with paragraph 4 (a) above records and accounts reflecting such expenditures;
    - (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the representatives of the Association to examine such records; and
  - (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph 4 (b) above and that the report of 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.

5. (a) Each Project State shall, with the assistance of auditors acceptable to the Association by September 30, 1993: (A) carry out for its road sector a study of its accounting system and related supporting internal procedures and practices; (B) furnish to the Association for its review and comments the results of the said study; and (C) carry out such recommendations of the study as shall be satisfactory to the Association.

(b) Each Project State shall, through its SMOWT, no later than one month after each quarter of the year: (i) prepare quarterly reports on the progress of the Project; and (ii) forward the said reports to FMWH for consolidation and onward transmission to the Association. The said quarterly reports shall include: (A) progress achieved against implementation and disbursement schedules, and (B) work programs and cost estimates for the next following quarter.

(c) Each Project State shall, in order to mitigate any adverse environmental impact of the Project: (i) with the assistance of consultants employed under the Project, carry out road specific environmental impact assessments, including a survey of the roads included in the Project to determine the need for any environmental impact analyses; (ii) acting with the help of the Federal Environmental Protection Agency (FEPA), prepare locally adapted environmental guidelines for the Project; (iii) assess on a systematic basis the views of local people on the environmental impact of Project activities; and (iv) identify appropriate measures for dispersing water run-off from Project roads.

6. Each of the Project States shall carry out the obligations set forth in Sections 9.04 through 9.09 of the General Conditions (relating to insurance, use of goods and services, records and reports, maintenance and land acquisition) in respect of the Project.

Part B: Roads Design Standards

1. (a) All pavement designs carried out under the Project shall take into account the increase in legal axle load limit from 10 to 11.5 tons/axle, as well as a survey of actual vehicle loading.

(b) All road designs carried out under the Project shall

take into account the recommendations of the Borrower's Environmental Assessment Study carried out in May/June 1990 with the assistance of FEPA and FMWH.

2. All works (including reconstruction and rehabilitation works) shall, except as the Association and the Project State shall otherwise agree, conform to the standards set out in the design manual of the Federal Highways Department (FHD), modified in the case of rehabilitation works in accordance with the standards set out below:

- (i) Cross Sections:
    - (A) Carriage way width = 7.30m
    - (B) Shoulder width = 2.75m each
    - (C) Overall road width = 12.80m
  - (ii) New pipe culverts: minimum diameter of 900mm.
  - (iii) Existing culverts to be extended in their present form.
  - (iv) Where soil is subject to erosion, a paved side ditch shall be incorporated, as well as other measures indicated by environmental assessment to prevent erosion.
  - (v) Low lying sections of roads shall be raised as necessary with selected fill materials.
  - (vi) Sub-base and base course shall be of naturally occurring material, where appropriate.
  - (vii) Double bituminous surface treatment shall be applied where technically and economically justified.
  - (viii) Where a reasonable length of existing pavement is in good condition, only single bituminous surface treatment shall be required.
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