

CONFORMED COPY

LOAN NUMBER 2988 UNI

(Second Multi-State Agricultural Development Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated February 27, 1989

LOAN NUMBER 2988 UNI

LOAN AGREEMENT

AGREEMENT, dated February 27, 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) Parts A through E of the Project will (except as otherwise provided in this Agreement) be carried out by Bauchi, Gongola, Kwara and Niger States of Nigeria (the Project States) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to each of the Project States part of the proceeds of the Loan as provided in this Agreement;

(C) Part F of the Project will be carried out by the Borrower; 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 and in the Project Agreements of even date herewith between the Bank and the Project States;

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 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, wherever used in this Agreement, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreements" means the agreements between the Bank and the Project States of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements;

(b) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and 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 Agreements;

(c) "PCC" means the Project Coordinating Committee referred to in Section 3.02 of, and Schedule 5 to, this Agreement;

(d) "ARMTI" means the Agricultural and Rural Management Training Institute of the Borrower;

(e) "FACU" means the Federal Agricultural Coordinating Unit of the Federal Ministry of Agriculture, Water Resources and Rural Development (FMAWRRD);

(f) "APMEPU" means the Agricultural Project Monitoring, Evaluation and Planning Unit;

(g) "PFT" means a Project Facilitation Team of FACU;

(h) "FASCOM" means the Farmers' Agricultural Supply Company of the Project States;

(i) "Federal Project Account" means the account referred to in Section 3.01 (e) (ii) of this Agreement;

(j) "State Project Account" means the account referred to in Section 2.01 (b) (ii) of each of the Project Agreements;

(k) "Project" means with respect to: (i) Bauchi State, Parts A (2) and C (2) of the Project; (ii) Gongola State, Parts A through E (except B (1) (b)) of the Project; (iii) Kwara State, Parts A through E (except B (1) (e)) of the Project; (iv) Niger State, Parts A through E (except B (1) (e) and B (2)) of the Project; and (v) the Borrower, Part F of the Project;

(l) "Project Executing Agency" means PCC, ARMTI, APMEPU, FACU, PFT, ADPEC, ADPMU, CFA or FASCOM;

(m) "ADPEC" means the respective committee or (in the case of Bauchi State) the authority referred to in Section 2.02 of the Project Agreements;

(n) "ADPMU" means the respective agricultural Project management unit referred to in Section 2.02 of the Project

Agreements;

(o) "CFA" means a Cooperative Financing Agency of a Project State and "BCFA" means the Bauchi State Cooperative Financing Agency referred to in Part C (2) of the Project;

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

(q) "Naira" means the currency of the Borrower.

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 eighty-five million two hundred thousand dollars (\$85,200,000).

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 expenditures made (or, if the Bank 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 Loan.

(b) The Borrower shall, for the purposes of Part F of the Project, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the 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, 1993 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 percent ($3/4$ 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.

(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 February 15 and August 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.

Section 2.08. The Director General, Federal Ministry of Finance and Economic Development, is designated as representative 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.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part F of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and agricultural practices.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall, within the limits of its constitutional powers, cause the Project States to perform in accordance with the provisions of the Project Agreements all the obligations of the Project States therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project 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 out of the proceeds of the Loan relend to the Project States such amounts as shall be allocated to the Categories specified in relation to the Project States in Schedule 1 to this Agreement under subsidiary loan agreements to be entered into between the Borrower and the Project States, under terms and conditions which shall have been approved by the Bank and which shall include interest at the variable rate provided for in Section 2.05 of this Agreement, repayment of principal in 20 years (including 5 years of grace) and assumption by the Project States of any foreign exchange risk.

(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) Without any limitation or restriction upon the Borrower's obligations under paragraph (b) of this Section, the Borrower shall: (i) provide in the annual budget for FMAWRRD amounts sufficient to cover the Borrower's counterpart contributions to the costs of the Project; (ii) open and maintain an account at a commercial bank (the Federal Project Account) to be used exclusively for expenditures under the Project; (iii) pay into the Federal Project Account initial amounts of: (A) \$200,000 equivalent (for ARMTI); and (B) \$100,000 equivalent (for FACU); (iv) pay into each State Project Account initial amounts (representing 25% of the Borrower's counterpart contribution to the first year's project costs) equivalent to: (A) \$75,000 (for Bauchi State); (B) \$250,000 (for Gongola State); (C) \$250,000 (for Kwara State); and (D) \$200,000 (for Niger State); and (v) thereafter pay each quarter into the Federal Project Account and each Project Account (commencing from the quarter immediately following the quarter in which the Loan becomes effective and not later than the first month of the quarter) the respective counterpart contributions of the Borrower to the costs of the Project, adjusted to take account of any payments by the Borrower of the initial amounts specified above. The Borrower and the Bank presently estimate said counterpart contributions to amount in 1988 prices

to \$16,947,000 equivalent over the Project period.

Section 3.02. The Borrower shall continue to maintain PCC, ARMTI, FACU, APMEPU and the PFTs each in a form and with functions and membership satisfactory to the Bank. Further provisions relating to PCC are set out in Schedule 5 to this Agreement and further provisions relating to ARMTI, FACU, APMEPU and the PFTs are set out in Schedule 6 to this Agreement.

Section 3.03. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 7 to this Agreement.

Section 3.04. The Bank and the Borrower 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 the Project shall be carried out by each of the Project States pursuant to Section 2.03 of the respective Project Agreement.

Section 3.05. The Borrower shall carry out the actions described in Schedule 6 to this Agreement to the satisfaction of the Bank, said Schedule being subject to modification from time to time by agreement between the Borrower and the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall with respect to the Project:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate 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 such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including 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; and

- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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) A Project State shall have failed to perform any of its obligations under the respective Project Agreement.

(b) The Borrower or a Project State shall have failed to perform any of its obligations under the respective Subsidiary Loan 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 a Project State will be able to perform its obligations under the respective Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a Project Executing Agency or for the suspension of its operations.

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 events specified in paragraph (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions namely that the Borrower and at least one Project State have concluded a Subsidiary Loan Agreement.

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 the Project Agreements have been duly authorized or ratified by the Project States and are legally binding upon the Project States in accordance with their terms; and

(b) that the Subsidiary Loan Agreement referred to in Section 6.01 (b) of this Agreement 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Development 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 Minister of Finance and
Economic Development
Federal Ministry of Finance
and Economic Development
PMB 12591
Federal Secretariat, Ikoyi
Lagos, Nigeria

Cable address:

PERMFIN
Lagos

Telex:

21248 (ITT)

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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) Plant, equipment, vehicles and spare parts (excluding water supply facilities):		100% of foreign expenditures and 85% of local expenditures
(a) Bauchi State	327,000	
(b) Gongola State	4,677,000	
(c) Kwara State	4,910,000	
(d) Niger State	4,277,000	
(e) ARMTI	411,000	
(2) Civil works (excluding works included in Category (3)):		100% of foreign expenditures and 85% of local expenditures
(a) Bauchi State	25,000	
(b) Gongola State	292,000	
(c) Kwara State	190,000	
(d) Niger State	173,000	
(e) ARMTI	1,609,000	
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Boreholes, hand-pumps and well rehabilitation:		100% of foreign expenditures and 80% of local expenditures
(a) Gongola State	6,594,000	
(b) Kwara State	6,548,000	
(4) Rural roads executed by contract:	5,500,000	100% of foreign expenditures and 80% of local expenditures
(a) Gongola State	2,960,000	
(b) Kwara State	3,591,000	
(c) Niger State	2,218,000	
(5) Farm and veterinary inputs and implements:		100% of foreign expenditures and 90% of local expenditures
(a) Gongola State	2,537,000	

(b) Kwara State 2,118,000
(c) Niger State 1,965,000

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Consultant services, training and studies:		100% of foreign expenditures and 75% of local expenditures
(a) Bauchi State	518,000	
(b) Gongola State	1,964,000	
(c) Kwara State	1,365,000	
(d) Niger State	1,313,000	
(e) ARMTI	1,258,000	
(f) FACU	1,294,000	
(7) Operational costs:		100% of foreign expenditures and 50% of local expenditures
(a) Gongola State	615,000	
(b) Kwara State	666,000	
(c) Niger State	487,000	
(8) Goods and services financed under BCFA sub-loans	1,644,000	100% of foreign expenditures and 80% of local expenditures

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(9) Items included in additional agricultural sector programs under Part A (7) of the Project:		100% of foreign expenditures and 80% of local expenditures
(a) Gongola State	6,166,000	
(b) Kwara State	5,344,000	
(c) Niger State	5,056,000	
(10) Unallocated:		
(a) Bauchi State	318,000	
(b) Gongola State	4,303,000	
(c) Kwara State	4,105,000	

(d) Niger State	2,683,000
(e) ARMTI	495,000
(f) FACU	184,000
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TOTAL	85,200,000

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;

(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; and

(c) the term "operational costs" includes costs of vehicle and plant operation and maintenance and such other Project related costs as the Borrower and the Bank shall from time to time agree.

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

(a) expenditures prior to the date of this Agreement except that withdrawals in an aggregate amount not exceeding \$2,000,000 equivalent may be made on account of payments made under Categories (1), (2) and (6) for expenditures before that date but after January 1, 1988;

(b) the expenditures of any Project State under any Category until that Project State has: (i) entered into a Subsidiary Loan Agreement; (ii) established an ADPMU and employed and assigned to the ADPMU a Financial Controller; and (iii) unified and consolidated its agricultural extension activities under one extension service.

(c) the expenditures of ARMTI under Categories (1)(e), (2)(e) and (6)(e) unless the Bank shall be satisfied that ARMTI has discontinued its farm project and divested itself of the tractors and equipment purchased for purposes of the farm project;

(d) expenditures under Category (8) unless the Bank has been furnished with BCFA's financial and operating plans and policies satisfactory to the Bank; and

(e) the expenditures of any Project State under Category (9) unless the Bank shall be satisfied that the Project State: (i) has satisfactorily completed the mid-term review required under Part B.2 of Schedule 6 to this Agreements and paragraph 8 of Schedule 3 to the respective Project Agreements for Gongola, Kwara and Niger States; (ii) has made satisfactory progress in carrying out the Project; and (iii) has satisfactorily carried out the actions described in Schedule 3 to the respective Project Agreements.

SCHEDULE 2

Description of the Project

The objective of the Project is to increase smallholder productivity and rural incomes and welfare through: (i) the strengthening of agricultural extension services; (ii) improvement and extension of the coverage and maintenance of supporting rural infrastructures; (iii) strengthening of supporting commercial services; (iv) strengthening of: (A) the management and technical capabilities required to carry out agricultural development projects, and (B) agricultural policy formulation, planning and

project executing capabilities of the Project States; (v) provision of assistance in the review of the functions and staffing of agricultural institutions of the Project States; (vi) strengthening of ARMTI's programs and revenue base and FACU's role in assisting and supervising project execution; and (vii) improvement in the procurement and distribution of farm inputs in the Project States.

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: Technical Agricultural Services

(1) (a) Unification by Gongola, Kwara and Niger States of their respective agricultural and home economics extension activities (crops, livestock, home management and agro-forestry) under one service in each State.

(b) The holding of refresher courses for extension staff; and the provision of suitable means of transport for project duties.

(2) Agro-forestry and erosion control programs to be carried out by the extension services of the Project States including: (i) assistance to small farmers to cultivate fruit trees and forage trees; (ii) minor civil works and planting of resilient grasses (e.g. *Vetiveria zizanioides*) and trees along contours to stabilize the soil and control erosion; (iii) fencing of small cattle exclusion areas to permit plant regeneration; and (iv) pilot projects and land-use mapping in Gongola State.

(3) Programs of adaptive research in Gongola, Kwara and Niger States including: (i) the maintenance in each of said Project States of a research unit for field trials; (ii) purchase of vehicles and trials materials; and (iii) conclusion of agreements between said Project States and National Research Institutions for the provision of specific scientific services.

(4) Programs to be carried out in Gongola, Kwara and Niger States for the multiplication of foundation seed by licensed outgrowers to produce commercial seed and the marketing of certified seed through commercial trade outlets and said Project States' commercial services inputs distribution network including: (i) purchase of plant, equipment and machinery for seed processing and quality control; (ii) provision of working capital for seed purchases from contract growers; and (iii) production in Gongola State of pasture legume seed on the Yelwa ranch of the Mambilla Plateau.

(5) Programs of animal-powered traction and crop/livestock integration to be carried out in Gongola, Kwara and Niger States including: (i) purchase of ox-carts and other equipment; and (ii) short and intensive training courses for project staff and farmers in animal training methods and cultivation capacity of animal-drawn equipment.

(6) Improvement of animal health services in Gongola, Kwara and Niger States including: (i) rehabilitation of, and purchase of essential equipment for, veterinary clinics, (ii) purchase of an electrical generator and minimal laboratory and vaccine equipment for the Project headquarters of each of said Project States, (iii) purchase of vehicles for mobile diagnostic services, (iv) establishment of a revolving drug fund, (v) purchase of veterinary equipment and facilities for sale to veterinary practitioners, and (vi) a survey to establish the extent of tsetse infestation and level of trypanosomiasis challenge.

(7) The carrying out of additional agricultural sector programs satisfactory to the Bank in Gongola, Kwara and Niger States.

Part B: Rural Infrastructures

(1) (a) Rehabilitation of feeder roads in Gongola State (about 500 km), Kwara State (about 550 km) and Niger State (about 410 km).

(b) Periodic maintenance of feeder roads in Kwara State (about 180 km) and Niger State (about 600 km).

(c) Recurrent maintenance of feeder roads in Gongola State (about 950 km), Kwara State (about 1,900 km) and Niger State (about 1,830 km).

(d) Routine maintenance of feeder roads in Gongola State (about 950 km), Kwara State (about 1,760 km) and Niger State (about 1,830 km).

(e) Establishment in Gongola State of a force account road maintenance unit.

(f) Strengthening in Gongola, Kwara and Niger States of local government councils' capabilities to carry out the maintenance of feeder roads including the provision to the local government councils of the facilities required to carry out such maintenance.

(2) Programs for provision of rural water supply facilities in Gongola and Kwara States including: (i) assisting village communities to rehabilitate existing open dug wells and construct about 500 boreholes and 300 wells with hand pumps in each of said Project States; and (ii) establishment of village cooperatives to raise funds for the purchase of spare parts for water supply facilities and for operational maintenance and eventual replacement of such facilities.

(3) Programs for developing small-scale irrigation in Gongola, Kwara and Niger States including: (i) organization of groups of farmers into self-managed water users associations and assistance to the water users associations to obtain financing from local banks for the purchase of materials for constructing irrigation structures; (ii) training of farmers belonging to the water users associations in organization and financial management; (iii) assisting water users associations who have irrigable land to: (A) establish water extraction systems from streams or shallow aquifers, (B) survey agricultural holdings, and (C) establish the equitable allocation of available irrigation water; (iv) assisting farming communities to launch fadama (flood-plain irrigation) development programs; (v) formation of fadama development units for land surveying, drilling and test pumping of washbores including purchase of equipment for said units; (vi) assisting farmers to install washbores and pumps using private contractors; and (vii) monitoring of aquifer extraction and water use to avoid over-exploitation of ground water resources.

Part C: Commercial Agricultural Services

(1) (a) Purchase by Gongola, Kwara and Niger States of non-fertilizer agricultural inputs for sale to farmers; and furnishing by said Project States to FACU of a list of agricultural chemicals and products currently in use in, or to be procured by, said Project States under the Project for a determination to be made by FACU as to whether the chemicals or products meet with the Bank's guidelines on environmental safety.

(b) Program by Kwara, Gongola and Niger States to promote private retailing of farm inputs.

(c) Limited rehabilitation by Gongola, Kwara and Niger States of wholesale warehouses and the essential bulk transport fleet of the Commercial Services Department of each of said Project States.

(2) Rural credit and savings mobilization programs to be carried

out in each of the Project States including: (i) the provision of technical and operational assistance to Bauchi State's Cooperative Financing Agency (BCFA) within the limits of the applicable legislation of the Borrower to enable BCFA to expand its commodity trading operations and strengthen its savings mobilization capacity; (ii) the expansion of BCFA's equity base and lending capacity including the provision, on terms and conditions satisfactory to the Bank, by Bauchi State to BCFA of a loan in an amount not exceeding \$1,644,000 equivalent to be used for financing sub-loans made by BCFA; (iii) establishment in Niger State of a cooperative financing agency; (iv) provision of technical and operational assistance to the Cooperative Financing Agencies of Kwara and Gongola States to strengthen their financial and credit operations and their management capabilities; and (v) purchase of equipment (including micro-computers) and vehicles for the CFAs.

Part D: Project Management

Program to strengthen in Gongola, Kwara and Niger States Project management, administration and finance including: (i) renovation of the facilities of, and purchase of vehicles and equipment for, the ADPMU of each of said Project States; (ii) strengthening of management development programs; (iii) training in financial, stores and maintenance management; (iv) assisting the ADPMU of each of said Project States to design and staff planning, monitoring and evaluation units; (v) strengthening procurement and materials management capabilities in the Project Executing Agencies of said Project States; and (vi) strengthening the accounting procedures of said agencies.

Part E: State Sector Policy and Strategic Planning and Institutional Review

(1) Programs to assist the Ministry responsible for Agriculture and Natural Resources (MANR) in Gongola, Kwara and Niger States in formulating agricultural sector policy and carrying out strategic planning including: (i) the purchase of equipment and vehicles for each such MANR and the training of the staff of the MANRs; and (ii) the preparation or updating of long-term agricultural sector development plans and strategies.

(2) Review by Gongola, Kwara and Niger States of their respective principal agricultural public service institutions with a view to improving efficiency and the finances of said institutions.

Part F: Federal Components

(1) Consolidation and improvement of ARMTI's training programs including: (i) a review and strengthening of ARMTI's courses; (ii) introduction of innovative training methods using indigenous, multi-media training materials; and (iii) a systematic evaluation of the impact of ARMTI's courses.

(2) Programs to employ ARMTI's training and media production resources (including multi-media methods supplemented by trainer-conducted workshops) to extend ARMTI's Distance Learning Program to the work place and to offer specially designed courses for home study purposes.

(3) Improving the management capabilities of the Project Executing Agencies including collaboration with FACU and the ADPMUs in the design of training schedules and programs (especially ARMTI's refresher courses for the extension staff of the ADPMUs).

(4) Modest expansion of ARMTI's campus to provide for student and staff housing needs.

(5) Studies of project-related issues including: (i) examination of means of expanding the role of women in agriculture, the economics of tractor use and the possibilities of introducing small horsepower tractors; (ii) the development of an incentive

scheme for project staff; and (iii) the assessment and recommendations for improving the structures of state agricultural institutions.

* * * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
February 15, 1994	1,555,000
August 15, 1994	1,615,000
February 15, 1995	1,675,000
August 15, 1995	1,740,000
February 15, 1996	1,810,000
August 15, 1996	1,880,000
February 15, 1997	1,950,000
August 15, 1997	2,025,000
February 15, 1998	2,105,000
August 15, 1998	2,185,000
February 15, 1999	2,270,000
August 15, 1999	2,360,000
February 15, 2000	2,450,000
August 15, 2000	2,545,000
February 15, 2001	2,640,000
August 15, 2001	2,745,000
February 15, 2002	2,850,000
August 15, 2002	2,960,000
February 15, 2003	3,075,000
August 15, 2003	3,195,000
February 15, 2004	3,315,000
August 15, 2004	3,445,000
February 15, 2005	3,580,000
August 15, 2005	3,715,000
February 15, 2006	3,860,000
August 15, 2006	4,010,000
February 15, 2007	4,165,000
August 15, 2007	4,325,000
February 15, 2008	4,490,000
August 15, 2008	4,665,000

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55

More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(e), (2)(e), (6)(e) and (6)(f) 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 Part F of the Project and to be financed out of the proceeds of the Loan 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) \$100,000 (for ARMTI), and (ii) \$100,000 (for FACU) to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this

Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of the Special Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

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

SCHEDULE 5

Project Coordinating Committee (PCC)

1. PCC's membership shall include the following:

- (a) Director, Federal Department of Rural Development, FMAWRRD Chairman
- (b) Director, Federal Department of Agriculture Member
- (c) Director, Federal Department of Fisheries, FMAWRRD Member
- (d) Director, Federal Department of Forestry, FMAWRRD Member
- (e) Director of Agriculture Services, Federal Ministry of Science and Technology Member
- (f) Director, National Livestock Project Department Member
- (g) Director, ARMTI Member
- (h) Head of National Seed Service Member

review including any proposed changes in the Project; and (iii) promptly after the completion of the Project, furnish to the Bank and FDRD the Project completion report required under the General Conditions.

8. ARMTI and the Bank shall review ARMTI's non-training functions and activities no later than June 30, 1989.

B. Federal Agricultural Coordinating Unit (FACU)

1. FACU shall: (i) jointly with the Project States and the Bank carry out a study to compare the cost and benefits of using force account as against private contractors in the execution of road maintenance works under the Project; (ii) annually with the assistance of the Project States compile data regarding the economic viability of force account works in the Project States; and (iii) furnish such data to the Bank no later than December 31, 1990 for the Bank's review and comments.

2. FACU shall jointly with each of the Project States carry out no later than December 31, 1990, a mid-term review of the Project.

3. FACU shall organize a seminar for representatives of each of the Project States, the Borrower and the Bank to plan and discuss the scope of the review of agricultural public service institutions to be carried out under Part E (2) of the Project.

4. FACU shall no later than June 30, 1989, employ additional engineering staff (i.e., a Principal Engineer reporting to FACU's Senior Rural Infrastructure Coordinator and three Civil Engineers for FACU's regional offices at Benin, Jos and Kaduna) with qualifications and experience satisfactory to the Bank.

5. FACU shall assist Gongola, Kwara and Niger States to establish a Program Facilitation Team (PFT) to assist said Project States in organizing statewide Project activities.

6. FACU shall also assist each of the Project States in: (i) reorganizing its extension services and setting up the adaptive research program; (ii) reviewing and certifying the acceptability of work done on the rural roads program; (iii) preparing annual work programs; and (iv) dealing with manpower development questions.

C. Agricultural Project Monitoring, Evaluation and Planning Unit (APMEPU).

APMEPU shall provide to each of the Project States methodological, analytical training and data processing support for monitoring and evaluation activities and shall jointly carry out a review of the Project promptly after the completion of the Project.

SCHEDULE 7

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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. (i) Bidders for works included in Parts B and F of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

- (ii) To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost an amount equivalent to \$500,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Nigeria may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. All goods estimated to cost an amount equivalent to \$60,000 or more but less than \$500,000 per contract and all works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

2. All goods estimated to cost an amount equivalent to less than \$60,000 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 Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 (i) 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 for goods and works estimated to cost the equivalent of \$ 300,000 or more, 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 the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Bank 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 the 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 Bank pursuant to paragraph 3 of said Appendix, shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 3.01 (c) (ii) of this Agreement.

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 in carrying out the Project, the Borrower shall employ consultants whose qualifications,

experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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.

