

CONFORMED COPY

LOAN NUMBER 3116 UNI

Loan Agreement

(Power System Maintenance and Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL ELECTRIC POWER AUTHORITY

Dated June 1, 1990

LOAN NUMBER 3116 UNI

LOAN AGREEMENT

AGREEMENT, dated June 1, 1990 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and the NATIONAL ELECTRIC POWER AUTHORITY (the Borrower), a statutory corporation established and operating under the laws of the Federal Republic of Nigeria (the Guarantor).

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

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) the Borrower intends to obtain through the Guarantor from the Federal Republic of Germany a credit (the German Credit) in an amount equivalent to fifteen million four hundred thousand dollars (\$15,400,000) to assist in financing Part A (1) and (2) of the Project on the terms and conditions to be set forth in an agreement (the German Credit Agreement) to be entered into between the Guarantor and the Federal Republic of Germany;

(D) the Borrower intends to obtain from the Government of the Federal Republic of Germany through Kreditanstalt fur Wiederaufbau (KfW) a

loan (the KfW Loan) in an amount equivalent to nine million one hundred thousand dollars (\$9,100,000) to assist in financing Part A (1) of the Project on the terms and conditions set forth in an agreement (the KfW Loan Agreement) to be entered into between the Borrower and KfW;

(E) the Borrower intends to obtain from the Government of the United Kingdom of Great Britain (the U.K.) through the Overseas Development Administration of the U.K. a grant (the U.K. Grant) in an amount equivalent to five million dollars (\$5,000,000) to assist in financing Part B (1) and (2) of the Project on the terms and conditions set forth in an agreement (the U.K. Grant Agreement) to be entered into between the U.K. and the Borrower;

(F) the Borrower intends to obtain suppliers' credits (the Suppliers Credits) in an aggregate amount equivalent to eight million six hundred thousand dollars (\$8,600,000) to assist in financing Part A (5) of the Project on the terms and conditions set forth in agreements (Suppliers Credit Agreements) to be entered into between the Borrower and suppliers; 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;

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

(b) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated April 27, 1987, May 21, 1987 and April 6, 1989 between the Borrower and the Bank;

(c) "NEPA Act" means the National Electric Power Authority Act 1972 (Act No. 24) of the Guarantor, as amended to the date of this Agreement;

(d) "PICT" means the Project Implementation Coordination Team mentioned in Section 3.01 (b) of this Agreement; and

(e) "Naira" means the currency of the Guarantor.

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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of seventy million dollars (\$70,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 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 5 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 Guarantor and 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 April 1 and October 1 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.

ARTICLE III

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

(b) The Borrower shall continue to maintain a Project Implementation Coordination Team (PICT) which, under the direct supervision of the Borrower's Managing Director, shall be responsible for ensuring effective planning, coordination and monitoring of the Project.

Section 3.02. 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 4 to this Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall carry out the actions described in Schedule 6 to this Agreement.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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, (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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain, in accordance with paragraph (a) of this Section, 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 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.

Section 5.02. (a) Except as the Bank shall otherwise agree, the Borrower shall take all necessary action to earn, for each of its fiscal years after its fiscal year ending on December 31, 1990, an annual return of not less than the percentage specified below of the average current net value of the Borrower's fixed assets in operation, namely: (i) 6% in 1991; (ii) 7% in 1992; and (iii) 8% in 1993 and thereafter.

(b) Before October 31 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures in order to meet such requirements.

(d) For the purposes of this Section:

- (i) The annual return shall be calculated by dividing the Borrower's net operating income for the fiscal year in question by one half of the sum of the current net value of the Borrower's fixed assets in operation at the beginning and at the end of that fiscal year.
- (ii) The term "net operating income" means total operating revenues less total operating expenses.
- (iii) The term "total operating revenues" means revenues from all sources related to operations.
- (iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 3.5% per annum of the average current gross value of the Borrower's fixed assets in operation, or other basis acceptable to the Bank, but excluding interest and other charges on debt.
- (v) The average current gross value of the Borrower's fixed assets in operation shall be calculated as one-half of the sum of the gross value of the Borrower's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.
- (vi) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall: (i) no later than January 31, 1990 take all necessary action to produce for its fiscal year ending on December 31, 1990, funds from internal sources equivalent to not less than 30% of the 1990 annual investment program of the Borrower for that fiscal year; and (ii) continue

to produce for each of its fiscal years after its fiscal year ending on December 31, 1990 funds from internal sources equivalent to not less than 30% of the annual investment program of the Borrower.

(b) Before October 31 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall not, for each of its fiscal years after its fiscal year ending on December 31, 1990, incur any debt unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the estimated net revenues of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of the Borrower in such year on all debt of the Borrower including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred:
 - (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and
 - (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
 - (A) the sum of revenues from all sources related to operations and net non-operating income; and
 - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The term "net non-operating income" means the difference between:
 - (A) revenues from all sources other than those related to operations; and
 - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) The term "reasonable forecast" means a forecast prepared by the Borrower not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.

Section 5.05. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 40 to 60.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

- (ii) Debt shall be deemed to be incurred:
 - (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and
 - (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.

Section 5.06. Whenever for the purposes of Sections 5.03, 5.04 and 5.05 of this Agreement, it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.07. The Borrower shall incorporate in its tariff structure appropriate provisions for electricity rates to be adjusted to changes in fuel costs to the Borrower.

ARTICLE VI

Remedies of the Bank

Section 6.01. (a) Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (i) a change shall have been made in the NEPA Act or any law of the Guarantor governing the establishment, organization, powers, financial structure and operations of the Borrower so as to materially and adversely affect the operations of the Borrower or the carrying out of the Project; and
- (ii) subject to paragraph (b) of this Section:
 - (A) the right of the Borrower to withdraw the proceeds of any loan, credit or grant made to the Borrower for the financing of the Project (including the German Credit, the KfW Loan, the U.K. Grant and the Suppliers Credits) shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) any such loan or credit shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a)(ii) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that:

- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in Section 6.01 (a)(i) of this Agreement shall occur; and

(b) the event specified in Section 6.01 (a)(ii) of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. 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) the Borrower has, under a utility assistance programme arrangement (including terms of reference) satisfactory to the Bank, employed a competent and experienced power utility to provide technical assistance in areas of the Borrower's operations covering technical, financial, managerial and administrative matters;

(b) the Guarantor has converted into equity and/or long-term loans all of its Naira loans (including short-term loans) to the Borrower outstanding as of December 31, 1988; and

(c) all conditions precedent to the effectiveness of the German Credit, the KfW Loan and the U.K. Grant have been fulfilled, other than the effectiveness of this Agreement.

Section 7.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Managing Director of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	82987 (FTCC)

For the Borrower:

National Electric Power Authority
Electricity Headquarters
24/25 Marina
P.M.B. 1203
Lagos, Nigeria

Cable address:

Telex:

NIGER POWER	21212 NEPANG
Lagos	

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

NATIONAL ELECTRIC POWER AUTHORITY

By /s/ Hamzat Ahmadu
Authorized Representative

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) Equipment, materials and spare parts:		100% of foreign expenditures
(a) Generation improvements	14,000,000	
(b) Transmission improvements	7,500,000	
(c) Distribution improvements	11,500,000	
(d) Metering	3,900,000	
(e) Data pro- cessing	1,000,000	
(f) Training	1,000,000	
(2) Engineering and consul- tants' ser- vices including manpower services:		100% of foreign expenditures
(a) Generation improvements	10,800,000	
(b) Transmission improvements	4,000,000	
(c) Egbin Plant Gas Conversions	300,000	

(d) Project Management	1,000,000	
(e) Operations, maintenance and training (generation)	3,800,000	
(f) Utility assistance programme	1,400,000	
(g) Studies and future project preparation	1,300,000	
(3) Refunding of Project Preparation Advance	1,500,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(4) Unallocated	7,000,000	
TOTAL	70,000,000	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor.

3. Notwithstanding the provisions of paragraph I above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$7,000,000 equivalent, may be made in respect of Categories (1)(a), (2)(a), (2)(c) and (2)(d) on account of payments made for expenditures before that date but after October 1, 1988.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist the Borrower to carry out needed maintenance and rehabilitation of selected generation, transmission and distribution facilities; and (ii) to assist the Borrower in carrying out the institutional reforms needed to transform it into a commercially viable entity capable of providing its customers with a reliable and economic supply of electricity.

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

Part A: Maintenance and Rehabilitation

(1) Improvements of generation facilities including: (i) rehabilitation and capital maintenance of seventeen units (1456 MW) at Sapele, Afam IV and Delta; (ii) provision of two years supply of running spare parts and consumables for the sixteen units at Sapele and Afam IV; and (iii) on-the-job training of personnel assigned to work on the Sapele steam boilers, the Sapele steam turbogenerators and the Sapele and Afam gas stations.

(2) Improvements of transmission facilities including: (i) overhaul of major 330/132 kV substations; (ii) replacement of approximately 37 old airblast circuit breakers, fault throwers in eight critical locations and 10-132 kV circuit breakers in critical locations with SF-6 circuit breakers; (iii) provision of spare parts for the power line carrier party line and telex communication system; (iv) provision of radio equipment for improving communications between major substations and service centers; and (v) completion of selected 132 kV transmission lines and associated sub-stations in Lagos.

(3) Improvements of distribution facilities including the addition of about 370 MVA of distribution system capacity through: (i) the installation of (A) power transformers (28--33/11 kV with a total capacity of 170 MVA); (B) distribution transformers (140--33/0.415 kV with a total capacity of 50 MVA, and 400--11/0.415 kV with a total capacity of 150 MVA); (C) 33 kV and 11 kV switchgears; and (D) high tension and low tension cables and joining accessories; and (ii) provision of (A) overhead line materials; (B) protection, communication and capital equipment components; (C) Raychem cable joining kits; and (D) rechargeable lamps and district communication equipment.

(4) Provision of metering equipment including about 20,600 meters for services to new customers.

(5) Provision of vehicles including spare parts.

(6) Assisting in the conversion of the Egbin plant to gas.

Part B: Institutional Strengthening of the Borrower

(1) (a) Strengthening of the Borrower's operations through a utility assistance programme to be carried out by the Borrower with the assistance of a power utility of international standing.

(b) Pilot district program for efficiency improvements to be carried out with the assistance of the said international utility company.

(2) Improvements of the Borrower's consumer billing, materials management and general accounting procedures and the Borrower's management information system at headquarters, plants and distribution centers, including the provision of personal computers and software.

(3) Improvements of the Borrower's training facilities including the provision of training equipment for training centers at Kainji, Afam and Ijora.

Part C: Project Management Assistance

Assistance in project implementation and management including the provision of engineering services.

Part D: Studies and Future Project Preparation

(1) Studies to prepare a least-cost priority investment program for the Borrower.

(2) Preparation of feasibility and other studies to develop for the Borrower future investment projects for external financing.

* * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
April 1, 1995	1,285,000
October 1, 1995	1,335,000
April 1, 1996	1,385,000
October 1, 1996	1,440,000
April 1, 1997	1,495,000
October 1, 1997	1,550,000
April 1, 1998	1,610,000
October 1, 1998	1,670,000
April 1, 1999	1,735,000
October 1, 1999	1,800,000
April 1, 2000	1,870,000

October 1, 2000	1,940,000
April 1, 2001	2,015,000
October 1, 2001	2,095,000
April 1, 2002	2,175,000
October 1, 2002	2,255,000
April 1, 2003	2,345,000
October 1, 2003	2,430,000
April 1, 2004	2,525,000
October 1, 2004	2,620,000
April 1, 2005	2,720,000
October 1, 2005	2,825,000
April 1, 2006	2,935,000
October 1, 2006	3,045,000
April 1, 2007	3,165,000
October 1, 2007	3,285,000
April 1, 2008	3,410,000
October 1, 2008	3,540,000
April 1, 2009	3,675,000
October 1, 2009	3,825,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

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

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part B 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).

Part B: Other Procurement Procedures

1. Data processing and training items estimated to cost an amount equivalent to \$100,000 or less per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Spare parts and components for the rehabilitation and overhaul of gas turbines, steam turbines and boilers (up to an aggregate amount not to exceed \$15,700,000 equivalent), and spare parts for improvements of the transmission system (up to an aggregate amount not to exceed \$3,000,000 equivalent), may, pursuant to paragraph 3.5 (c) and (d) of the Guidelines, be procured by direct contracting in accordance with procedures satisfactory to the Bank.

Part C: Review by the Bank of Procurement Decisions

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

(a) With respect to each contract estimated to cost the equivalent of \$100,000 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 subparagraph, 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 5 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 5.01 (c) (ii) of this Agreement.

2. 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 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

\$5,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. 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 shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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

(b) once 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 equal the equivalent of twice the amount of the Authorized Allocation.

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 an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) 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. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(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.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

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

SCHEDULE 6

Actions referred to in Section 4.04 of this Agreement

1. The Borrower shall, throughout the period commencing October 1, 1989 and ending December 31, 1993, prepare and furnish to the Bank by October 31 each year for the Bank's review and comments: (i) the Borrower's investment program and financing plan for the five years period immediately following; and (ii) the Borrower's financial plans (including projected financial statements) for the five years period immediately following.

2. The Borrower shall: (i) no later than June 30, 1990, prepare and furnish to the Bank for its review and comments (A) a manpower development study, and (B) a comprehensive maintenance strategy and plans for the Borrower's power system; (ii) no later than December 31, 1991, carry out the recommendations of the said manpower development study, as agreed by the Bank and the Borrower; and (iii) carry out the said maintenance strategy and plans in accordance with a schedule prepared taking into account the comments received from the Bank.

3. (a) Without limitation or restriction of any of the Borrower's obligations under this Agreement, the Borrower shall: (i) no later than December 31, 1989, have its assets as of 1988 revalued in accordance with methods of valuation satisfactory to the Bank; (ii) furnish to the Bank no later than (A) December 31, 1989 its audited accounts and long-form report for 1988, and (B) June 30, 1990 its audited accounts and long-form report for 1989; and (iii) thereafter, no later than six months after the end of each of the Borrower's fiscal years, furnish to the Bank its audited accounts and long-form report for each following fiscal year.

(b) To enable the current replacement value of the Borrower's assets to be fully shown in its audited accounts or in its memorandum for financial planning, the Borrower shall continue to revalue its assets: (i) at least every five years on the basis of a methodology using engineering valuation satisfactory to the Borrower and the Bank; and (ii) every year on the basis of a methodology to be agreed by the Borrower and the Bank.

4. The Borrower shall, through PICT, prepare and furnish to its Board of Directors, the Federal Ministry of Mines, Power and Steel, the Bank and other co-financiers of the Project, quarterly progress reports on the Project.

5. The Borrower shall make copies of all reports and studies financed under the Project available to the Bank and other cofinanciers of the Project.

6. (a) The Borrower shall furnish to the Bank proposals for commercializing the Borrower as soon as available.

(b) The Borrower shall: (i) discuss with the Bank the proposed performance contract to be entered into by the Guarantor and the Borrower; and (ii) giving due consideration to the comments of the Bank, carry out the said commercialization proposals and said performance contract in a satisfactory manner.

(c) The Borrower, the Guarantor and the Bank shall exchange views each year on the Borrower's progress in meeting the targets set out in the performance contract.

7. (a) The Borrower shall prepare and furnish to the Guarantor and the Bank, no later than December 31, 1989, an action program designed to (A) improve revenue collection, (B) strengthen the Borrower's Commercial Department, (C) enforce a strict policy of disconnections and reconnections, (D) require security deposits in appropriate cases, (E) introduce and enforce strict penalties for late payments, and (F) develop a management information system for the Borrower's commercial activities.

(b) The Borrower shall: (i) write off by December 31, 1989, all its bad and uncollectible debts as of December 31, 1988; and (ii) through improved bill collection and other measures reduce its provision for doubtful debt to at least 4% in 1990, 3% in 1991, 2% in 1992 and 1% in 1993.

(c) The Borrower shall reduce the average age of its accounts receivable to at least: (i) 8 months sales by December 31, 1989; (ii) 4 months sales by December 31, 1990; and (iii) 3 months sales by December 31, 1991, and thereafter.

8. (a) The Borrower shall: (i) reduce overall system loss to at least (A) 31% by December 31, 1989; (B) 27% by December 31, 1990; (C) 24% by December 31, 1991; (D) 22% by December 31, 1992; and (E) 20% by December 31, 1993; and (ii) no later than December 31, 1989, prepare and furnish to the Bank for its review and comments an action program to: (A) improve its metering and billing systems; and (B) strengthen its transmission and distribution systems.

(b) The Borrower shall make arrangements adequately ensuring that as from July 1, 1989 electricity bills are promptly paid in full, no later than 60 days after billing, by: (i) the Guarantor and all its agencies; and (ii) all other customers of the Borrower.

