

CONFORMED COPY

CREDIT NUMBER 3447 UNI

Development Credit Agreement

(Community Based Poverty Reduction Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 20, 2001

CREDIT NUMBER 3447 UNI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 20, 2001, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by Abia, Cross River, Ekiti, Kebbi, Kogi and Yobe States of Nigeria and such other two States as are agreed between the Borrower and the Association (Project States) respectively with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to the Project States, as set forth in this Agreement;

(C) the Borrower intends to contract from the African Development Bank (AfDB) a loan in an amount approximately equivalent to \$27,000,000 (the AfDB Loan) to assist in financing the Project on terms and conditions set forth in an agreement to be entered into between the Borrower and AfDB (the AfDB Loan Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreements of even date herewith between the Association and Abia, Cross River, Ekiti, Kebbi, Kogi and Yobe States of Nigeria respectively (the

Project Agreements);

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) a new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of the said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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 meaning:

(a) "Beneficiary" means a community or "Communities" including a village, a group of villages duly represented by a community based organization, established pursuant to the Borrower's laws, which is recipient of a Grant (as hereinafter defined);

(b) "CDD" means the community-driven development approach;

(c) "Financial Management Manual for NPC" means a manual in form and substance satisfactory to the Association containing, inter alia, financial management arrangements to be followed by NPC for the implementation of Part A of the Project;

(d) "Financial Procedure Manual for Communities" means a manual related to Micro-projects in form and substance satisfactory to the Association containing, inter alia, financial procedures to be followed by the each State Agency for Poverty Reduction for the implementation of Part B of the Project;

(e) "Grant" means a grant made or proposed to be made by an SAPR (as hereinafter defined) to finance a Micro-project under Part B of the Project;

(f) "Grant Agreement" means an agreement to be entered into between a SAPR (as hereinafter defined) and a Beneficiary for the purpose of carrying out a Micro-project;

(g) "IEC" means information, education and communication;

(h) "LGA" means local government authorities established and operating pursuant to the Borrower's Constitution dated May 29, 1999;

(i) "Micro-project" means a specific development project financed or to be

financed through a Grant extended under Part B of the Project;

(j) "Naira" means the currency of the Borrower;

(k) "NPC" means the Borrower's National Planning Commission;

(l) "PIM" or "Project Implementation Manual" means each or all the Project Implementation Manuals adopted by the Borrower and each of the Project States, and giving details of procurement and disbursement arrangements, performance indicators and other administrative, financial and organizational arrangements, including a financial management and accounting system as well as the details for the implementation of the Micro-projects, as shall have been agreed with the Association for purposes of the implementation of activities under the Project, as same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual or Manuals including the Financial Procedure Manual for Communities and the Financial Management Manual for NPC;

(m) "Project Agreement" means any of the agreements between the Association 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 Agreement;

(n) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(o) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on May 24, 2000, and on behalf of the Borrower on July 5, 2000;

(p) "Project State" means the States in whose territories activities under Part B of the Project will be carried out;

(q) "Project States" means the following States of Nigeria, Abia, Cross River, Ekiti, Kebbi, Kogi, Yobe, during the first phase of the Project and any two of the following during the second phase of the Project, Benue, Delta, Enugu, Gombe, Osun or Zamfara;

(r) "SAPR" or "State Agency for Poverty Reduction" means any of the State agencies for poverty reduction, which will be carrying out project activities under Part B of the Project at the State level;

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

(t) "State" means any of the States of Nigeria, as provided for in the Borrower's Constitution dated May 29, 1999; and

(u) "Subsidiary Financing Agreement" means any of the agreements to be entered into between the Borrower and each of the Project States pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-seven million Special Drawing Rights (SDR 47,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a Beneficiary under a Grant, to meet the reasonable cost of goods, works and services required for such Micro-project and in respect of which a withdrawal from

the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open or cause to be opened and maintain or cause to be maintained in dollars seven special deposit accounts (the NPC Special Account and six Project State Special Accounts) in commercial banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 canceled.

Section 2.03. The Closing Date shall be February 28, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing June 1, 2011 and ending December 1, 2035. Each installment to and including the installment payable on December 1, 2020 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on

which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

### 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:

- (i) shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate financial, administrative, environmental and community development practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause each of the Project States to perform in accordance with the provisions of their respective Project Agreement all the obligations of such Project States therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable such 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend the proceeds of the Credit allocated to Part B of the Project to the Project States under subsidiary financing agreements to be entered into between the Borrower and each Project State, on the same terms as this Agreement.

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

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

this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on the said plan.

Section 3.04. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until the completion of the Project, an account (the NPC Project Account) in Naira, in a commercial bank, on terms and conditions satisfactory to the Association;

(b) promptly thereafter make an initial deposit in Naira of an amount equivalent to US\$60,000 (Initial Deposit) into such account to finance the Borrower's contribution to the Project;

(c) thereafter deposit into the NPC Project Account by January 1 each year during Project implementation such amounts as shall be required and agreed upon with the Association to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b); and

(d) use the funds in the NPC Project Account exclusively to finance expenditures under the Project.

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by the Project States pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Part A of the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

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

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning the said auditors, as the Association may from time to time reasonably request.

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of the said Section 4.01 in order to enable the Borrower, not later than June 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by the said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by the said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by the said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by the said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by the said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by the said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

## Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Any of the Project States shall have failed to perform any of its obligations under its respective Project Agreement.

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

(c) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association 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 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the event specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

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

(a) the Subsidiary Financing Agreements for at least two Project States have been executed on behalf of the Borrower and such Project States;

(b) the Borrower has adopted the PIM, including a financial management and accounting system, in form and substance acceptable to the Association;

(c) the Borrower has appointed a Project Accountant and the Auditors referred to in Section 4.01 (b) of this Agreement, all under terms and conditions acceptable to the Association, and in accordance with the provisions of section II of Schedule 3 to this Agreement;

(d) the NPC Project Account has been opened and the initial amount of

US\$60,000 equivalent as requested in Section 3.04 of this Agreement has been deposited;

(e) two Project States have adopted their PIM in form and substance satisfactory to the Association; and

(f) two Project States have opened their Project Accounts and the initial amount of US\$60,000 equivalent as requested in Section 2.04 of the respective Project Agreement has been deposited.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that Project Agreements have been duly authorized or ratified by two Project States, and are legally binding upon such Project States in accordance with their terms; and

(b) that Subsidiary Financing Agreements have been duly authorized or ratified by the Borrower and two Project States and are legally binding upon the Borrower and such Project States in accordance with their terms.

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

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of the Borrower responsible for finance 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 Honorable Minister  
Federal Ministry of Finance  
P. M. B. 14  
Garki, Abuja  
Nigeria

Cable address:

Telex:

FEDMINFIN  
Abuja

21248 (ITT)

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or (202) 477-6391  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in

Abuja, Federal Republic of Nigeria, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Adamu Ciroma

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mark D. Tomlinson

Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods	1,400,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultants' services, training, workshops and audits	2,900,000	100% of foreign expenditures and 90% of local expenditures
(3) Grants		100% of amounts disbursed
(a) Abia State	3,925,000	
(b) Cross River State	3,925,000	
(c) Ekiti State	3,925,000	
(d) Kebbi State	3,925,000	
(e) Kogi State	3,925,000	
(f) Yobe State	3,925,000	
(4) Operating costs	6,500,000	80%
(5) Refunding of Project Preparation	800,000	Amount due pursuant to Section 2.02 (c) of

	Advance	this Agreement
(6)	Unallocated	11,850,000
	TOTAL	47,000,000

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 "operating costs" means the incremental operating costs arising under the Project on account of local contractual staff salaries, travel and other allowances, maintenance of buildings, office equipment and vehicles, office rental, materials and supplies, utilities, communications' expenses and vehicle insurance, but excluding salaries of officials of the Borrower's civil service;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement; and (b) under Category (3) in the table in paragraph 1 above unless (i) the Subsidiary Financing Agreement for the Project State concerned has been executed by the Borrower and the Project State concerned and is binding on the Borrower and the Project State concerned in accordance with their terms; (ii) the Project State concerned has established a financial management system, satisfactory to the Association; (iii) the Grants have been made in accordance with the eligibility criteria, procedures and terms and conditions set forth or referred to in paragraph 3 of Schedule 1 to the respective Project Agreement; (iv) the Project State has adopted its PIM in form and substance satisfactory to the Association; and (v) the Project State has opened its Project Account and the initial amount of US\$60,000 equivalent as requested in Section 2.04 of the respective Project Agreement has been deposited.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods, services provided by consulting firms and workshops not exceeding \$100,000 each; (b) contracts for consultants' services provided by individuals, not exceeding \$50,000 each and (c) operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to (i) improve the access of the poor in the Borrower's territories to social and economic infrastructure; and (ii) increase the availability and management of development resources at the community level.

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

#### Part A: Capacity Building

1. Strengthening the institutional capacity of the NPC to enable it to oversee the implementation of the Project, through the provision of technical advisory services and training.

2. Strengthening the institutional capacity of the NPC to undertake poverty monitoring and project development activities.

3. Carrying out advocacy programs for the community-driven development approach in

all States.

4. Carrying out the following activities at the State level:

(a) carrying out activities on capacity building and awareness raising on CDD for stake holders and staff at community, LGA and State level;

(b) monitoring of trends in poverty and the impact of State programs on poverty using qualitative and quantitative techniques; and

(c) carrying out preparatory work towards establishing community-based initiatives in six additional States.

Part B: Community-based initiatives in Basic Social and Economic Infrastructure

1. Establishment of State-level social funds in Project States to provide funding for community-initiated activities.

2. Carrying out of IEC campaigns on community-based project activities.

3. Support for community identification of needs and priorities.

4. Soliciting, financing, supervising and evaluating Micro-projects developed and implemented by community-based groups.

5. Monitoring and evaluating Micro-projects.

\* \* \*

The Project is expected to be completed by August 31, 2005.

### SCHEDULE 3

#### Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$4,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$5,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of the said paragraph of the Guidelines.

4. Community Participation

Goods and works required for Part B of the Project shall be procured in accordance with procedures acceptable to the Association.

5. Procurement of Works

In the case of works contract packages estimated to cost US\$50,000 equivalent or more, but not exceeding US\$500,000 equivalent, up to an aggregate amount not to exceed US\$6,000,000 equivalent, the method of procurement to be used shall be National Competitive Bidding. For individual contract packages with an estimated value of US\$500,000 or more, the method of procurement to be used shall be International Competitive Bidding.

Small works estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$20,500,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by

the Association, and with the provisions of the said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, as well as the first three contract packages of NPC and the first three contract packages of each Project State irrespective of value for goods and services the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the

Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of the said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall, by December 31, 2000, appoint and thereafter maintain a cross-sectoral steering committee, with a membership as stipulated in the PIM, to coordinate Part A of the Project. NPC shall act as its Secretariat. The committee shall meet at least quarterly.

2. The Poverty Unit within NPC shall be responsible for the day to day implementation of Part A of the Project.

3. The Borrower shall carry out Part A of the Project in accordance with the provisions of the PIM, and shall not amend or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

## Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (2) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement for the NPC Special Account in respect of Part A of the Project; and Category 3 (a) for the Abia State Special Account, Category 3 (b) for the Cross River State Special Account, Category 3 (c) for the Ekiti State Special Account, Category 3 (d) for the Kebbi State Special Account, Category 3 (e) for the Kogi State Special Account, and Category 3 (f) for the Yobe State Special Account, in respect of Part B of the Project;

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

(c) the term "Authorized Allocation" means an amount equivalent to US\$750,000 in respect of the NPC Special Account for Part A of the Project; an amount equivalent to US\$500,000 in respect of the Abia Special Account for Part B of the Project, an amount equivalent to US\$500,000 in respect of the Cross River State Special Account for Part B of the Project, an amount equivalent to US\$500,000 in respect of the Ekiti State Special Account for Part B of the Project, an amount equivalent to US\$500,000 in respect of the Kebbi State Special Account for Part B of the Project, an amount equivalent to US\$500,000 in respect of the Kogi State Special Account for Part B of the Project, and an amount equivalent to US\$500,000 in respect of the Yobe State Special Account for Part B of the Project, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to

the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to the said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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



