

CONFORMED COPY

CREDIT NUMBER 2353 UNI

(Environmental Management Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 11, 1992

CREDIT NUMBER 2353 UNI

DEVELOPMENT CREDIT AGREEMENT

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

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

(B) the Borrower intends to obtain from the European Economic Community (EEC) a grant (the EEC Grant) in an amount equivalent to \$1,000,000 to assist in financing Part A (1) (d) of the Project on the terms and conditions set forth in an agreement (the EEC Grant Agreement) to be entered into between the EEC and the Borrower;

(C) 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 \$3,000,000 to assist in financing Part C (i) (B) 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;

(D) the Borrower intends to obtain from the United Nations Development Fund Programme (UNDP) a grant (the UNDP Grant) in an amount equivalent to \$3,000,000 to assist in financing Part A of the Project on the terms and conditions set forth in an agreement (the UNDP Grant Agreement) to be entered into between the UNDP and the Borrower;

(E) the Borrower intends to obtain from the Montreal Protocol Interim Fund a grant (the Montreal Protocol Grant) in an amount equivalent to \$200,000 to assist in financing Part A (1) (d) of the Project on the terms and conditions set forth in an agreement (the Montreal Protocol Agreement) to be entered into between the Montreal Protocol Interim Fund and the Borrower; and

WHEREAS the Association has agreed, on the basis, inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

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

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

(a) "Project Executing Agencies" means FMFED, FEPA, NRCC, EFO, FMBP, FMANR and FMWR;

(b) "sectoral agencies" means the relevant departments of FMANR and FMWR;

(c) "FMFED" means the Federal Ministry of Finance and Economic Development of the Borrower;

(d) "FEPA" means the Federal Environmental Protection Agency established and operating under the Federal Environmental Protection Agency Decree, 1988 of the Borrower;

(e) "NRCC" means the Natural Resources Conservation Council established and operating under the Natural Resources and Conservation Council Decree, 1989 of the Borrower;

(f) "EFO" means the Ecological Fund Office of the Borrower established in 1982;

(g) "FMBP" means the Federal Ministry of Budget and Planning of the Borrower;

(h) "FMANR" means the Federal Ministry of Agriculture and Natural Resources of the Borrower;

(i) "FMWR" means the Federal Ministry of Water Resources of the Borrower;

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

(k) "Project Account" means the account referred to in Section 3.01 (b) of this Agreement; and

(l) "Project Period" means the period between the date of effectiveness of this Agreement and the Closing Date.

## 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 eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000).

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

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

Section 2.03. The Closing Date shall be March 31, 1996, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1, commencing May 1, 2002 and ending November 1, 2026. Each installment to and

including the installment payable on November 1, 2011, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

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

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

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

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

(b) The Borrower shall maintain or cause to be maintained in a commercial bank or banks in Nigeria a Project Account (the Project Account) for each one of the following Project Executing Agencies, namely, FEPA, NRCC, FMANR and FMWR on terms and conditions satisfactory to the Association. Withdrawals by any such Project Executing Agency from a Project Account shall be made exclusively for purposes of the Project.

(c) Without limitation or restriction upon the Borrower's obligations under paragraph (a) of this Section, the Borrower shall: (i) provide in its budget amounts sufficient to cover the Borrower's counterpart contributions to the costs of the Project; and (ii) deposit into each of the Project Accounts in each fiscal quarter of the Borrower (beginning with the first full fiscal quarter falling within the Project Period), 25% of the counterpart contributions required for expenditures under the Project for the current fiscal year, as specified in the estimate delivered by the respective Project Executing Agencies under paragraph (d) of this Section. The Borrower and the Association presently estimate the said counterpart contributions to amount in 1991 prices to about \$5,700,000 equivalent over the Project Period.

(d) For the purposes of estimating the Borrower's counterpart contributions under paragraph (b) of this Section, the Borrower shall cause each of the Project Executing Agencies to prepare and

furnish to the Association, for its review, by August 31 of each fiscal year, a detailed statement of expenditures proposed under the Project for the following fiscal year.

Section 3.02. (a) The Borrower shall through FMFED: (i) appoint a suitably qualified and competent member of FMFED's staff; or (ii) employ a consultant in accordance with the provisions of Section II of Schedule 3 to this Agreement, to serve as Project Officer under the Project. The said Project Officer shall: (A) serve as liaison between the Project Executing Agencies and the Association with respect to Project procurement and accounting procedures, and (B) be assisted in his duties by a qualified and competent Procurement Specialist satisfactory to the Association who will, as necessary, conduct procurement seminars to familiarize staff of the Project Executing Agencies with (1) the relevant Project procurement guidelines and provisions, and (2) the preparation of the necessary tender documents and contracts.

(b) The Borrower shall through FMFED: (i) appoint a suitably qualified and competent member of FMFED's staff; or (ii) employ a consultant in accordance with Section II of Schedule 3 to this Agreement, to serve as an Accounting Officer under the Project. The said Accounting Officer shall be responsible for obtaining the Project Accounts from each of the Project Executing Agencies for dispatch to the Association and for arranging for the timely auditing of the Project Accounts.

(c) The Borrower shall cause FEPA to employ a qualified and competent procurement officer to assist FEPA in the carrying out of its procurement responsibilities under the Project.

(d) The Borrower shall establish a committee to allocate to the respective sector ministries or agencies funds to be used by such ministries and agencies to carry out studies under Part C of the Project. The said committee shall consist of representatives of FMFED (chairman), FMBP, FEPA and NRCC. FEPA shall act as the secretariat for the Committee.

Section 3.03. (a) The Borrower shall establish within FEPA in a form and with functions and staffing satisfactory to the Association a Data Collection and Information Management Unit to be headed by a manager with qualifications and experience satisfactory to the Association. The said Unit shall be the central node of the Environmental Information and Monitoring Network and shall have three sections responsible for (A) computing and data base, (B) data acquisition, preparation and production, and (C) users services.

(b) The Borrower shall establish a technical committee consisting of: (i) senior representatives of each of the sectoral agencies with established data nodes or agencies for which such nodes are to be established in the future, and (ii) technical members from universities and research institutions co-opted to advise the technical committee. The said committee shall: (A) assist the exchange of environmental data through the network by ensuring that the different nodes of the line agencies are effectively coordinated with the central nodes at FEPA and NRCC, (B) advise on areas of environmental risk including the methods, nodes and formats for data collection on those areas, and (C) advise on the format and frequency of environmental information documentation to be made available to the relevant agencies and to the general public.

Section 3.04. Except as the Association shall otherwise agree, procurement of the goods 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 3.05. The Borrower shall each quarter furnish to the Association status reports on the progress of the Project.

#### ARTICLE IV

#### Financial Covenants

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

(b) The Borrower shall:

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

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

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

#### ARTICLE V

##### Remedies of the Association

Section 5.01. (a) Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that subject to paragraph (b) of this Section:

- (i) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project (including the EEC Grant, the U.K. Grant, the UNDP Grant and the Montreal Protocol Grant) shall have been suspended, cancelled or terminated in whole or in part,

pursuant to the terms of the agreement providing therefor; or

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

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

- (i) 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
- (ii) 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 (d) of the General Conditions, the following additional event is specified, namely, the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) 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 Project Officer and the Procurement Specialist have been appointed in FMFED in accordance with Section 3.02 (a) of this Agreement;

(b) a procurement officer has been appointed in FEPA in accordance with Section 3.02 (c) of this Agreement;

(c) a Data Collection and Information Management Unit has been established within FEPA and its manager appointed in accordance with Section 3.03 (a) of this Agreement; and

(d) a Project Account has been opened for FEPA in accordance with Section 3.01 (b) of this Agreement.

Section 6.02. 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 Honourable Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

The Honourable Minister  
Federal Ministry of Finance  
and Economic Development  
P.M.B. 12591  
Federal Secretariat  
Ikoyi, Lagos  
Nigeria

Cable address: FEDMINFIN  
Telex: 21248

For the Association:

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

Cable address: INDEVAS  
Telex: 197688 (TRT)  
Washington, D.C. 248423 (RCA)  
64145 (WUI) or  
82987 (FTCC)

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

FEDERAL REPUBLIC OF NIGERIA

By /s/ Zubair M. Kazaure  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim  
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, equipment and vehicles:		100% of foreign expenditures and 85% of local expenditures
(a) FMFED	75,000	
(b) FEPA	6,830,000	
(c) NRCC	290,000	
(d) EFO	40,000	
(e) FMBP	75,000	
(f) FMANR (Forestry Department)	640,000	



(g) FMANR (Land Resources Department) 655,000

(h) FMWR 385,000

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2) Aerial Surveys and mapping:		100%
(a) FMANR (Forestry Department)	1,350,000	
(b) FMANR (Land Resources Department)	1,050,000	
(3) Studies:		100%
(a) FEPA	2,620,000	
(b) NRCC	380,000	
(c) FMBP	500,000	

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Consultants' services and overseas training:		100%
(a) FMFED	270,000	
(b) FEPA	760,000	
(c) NRCC	370,000	
(d) FMANR (Forestry Department)	220,000	
(e) FMANR (Land Resources Department)	285,000	
(f) FMWR	75,000	
(g) EFO	40,000	
(h) FMBP	30,000	

(5) Incremental operating costs:		100% of foreign expenditures
(a) FEPA	115,000	
(b) NRCC	45,000	
(c) FMANR (Forestry Department)	60,000	

Amount of the

Category	Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(d) FMANR (Land Resources Department)	40,000	
(6) Unallocated	1,600,000	
	<hr/>	
TOTAL	18,800,000 =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist in: (i) the creation in Nigeria of an effective environmental program at the Federal and State levels; (ii) the integration of environmental activities on an inter-sectoral and inter-regional basis; (iii) the strengthening of (A) the Borrower's environmental organizations, and (B) the capability of such organizations to carry out their environmental programs; and (iv) the establishment of a data collection program which will be of use in (A) measuring levels of environmental degradation, and (B) creating an awareness in Nigeria of environmental trends over time.

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: Institutional Strengthening

###### (1) The Federal Environmental Protection Agency (FEPA)

(a) Training of FEPA and State environmental personnel in environmental management, technologies, monitoring and enforcement including short overseas training courses designed to equip trainers to conduct in-country training.

(b) Provision to FEPA of equipment and facilities including communication facilities, computers, copying machines and vehicles and environmental texts, periodicals and reports.

(c) Establishment by FEPA of two zonal laboratories and the improvement of the existing laboratory at Surulere including provision to FEPA of office and other equipment for operating the laboratory facilities.

(d) Studies to be carried out by competent and experienced parties under agreements satisfactory to the Association to be entered into by FEPA and the parties, being studies designed to identify the impact of key environmental problems in the establishment of environmental standards and in the definition of investment project needs including: (i) studies of industrial pollution,

hazardous chemical, tracking system, waste management practices, coastal zone and marine environmental conditions (including the environmental impact of the petroleum industry); (ii) a legislative review of environmental laws and regulations; and (iii) the design by experts from the Federal Ministry of Education, National Conservation Foundation and other expert sources (including appropriate Non-Governmental Organizations) of a program of public environmental education and awareness.

(e) Organization and administration by FEPA of a program designed to strengthen the effectiveness of all the States' environmental agencies and the Federal Capital Territory including: (i) the preparation and publication by FEPA of generic guidelines for the formulation of State Environmental Action Programs (EAPs); (ii) provision of communications equipment and vehicles to link the State environmental agencies to FEPA and the Federal ministries engaged in environmental activities; (iii) provision by FEPA of consulting services to assist State environmental agencies in the preparation of their EAPs; and (iv) provision by FEPA to State environmental agencies of laboratory equipment for monitoring pesticide residue and water purity after the completion of the EAPs.

(2) Natural Resources Conservation Council (NRCC)

(a) Assisting NRCC: (i) to formulate a National Conservation Policy for coordinated management and utilization of Nigeria's renewable natural resources and a plan for carrying out the National Conservation Policy; and (ii) to establish a data management facility linked to the Data Management and Information Unit to be set up at FEPA.

(b) Provision to NRCC of office equipment, vehicles and training.

(3) Ecological Fund

Establishment of operating procedures and monitoring systems for the management of the Borrower's Ecological Fund including the provision of consulting services, vehicles, office equipment and training for the staff of the Ecological Fund Office.

(4) Federal Ministry of Budget and Planning (FMBP)

Establishment in FMBP of an Environmental Unit equipped and trained to: (i) carry out environmental screening of projects submitted to the Unit by the line agencies; (ii) integrate environmental concerns in the Borrower's Public Investment Program; (iii) provide guidance to the sectoral planning agencies at the Federal and State levels; and (iv) assist in the formulation of environmental policy including the development of environmental incentive structures and an analysis of the environmental impact of current macro-economic policies and appropriate alternatives.

(5) Federal Ministry of Finance and Economic Development (FMFED)

Building the capacity of the Multilateral Institutions Department of FMFED to take into account environmental considerations in the administration of foreign lending programs; and assisting FMFED through the Multilateral Institutions Department of FMFED to carry out its responsibilities under the Project including short overseas training courses for its staff and provision of office equipment and of consultant services necessary to establish procurement and accounting procedures which FMFED will require to carry out its said responsibilities including monitoring of project implementation.

Part B: Environmental Information Management and Monitoring Network

Establishment of a National Environmental Information Management and Monitoring Network embracing several information interconnecting centers (nodes) at sectoral agencies and central nodes at

FEPA and NRCC, the node at FEPA being the main central node where all data on the environment will be received and the node at NRCC being the node where information on natural resources conservation from FEPA and the relevant sectoral agencies including FMWR, FMANR (Land Resources Department) and FMANR (Forestry Department) will be received.

Part C: Feasibility Studies

The carrying out by the appropriate sector ministries working in close collaboration with FEPA of feasibility studies and environmental impact analyses in different sectors of the economy, as agreed with the Association, which will, inter alia, examine available alternative technologies and define the most cost effective solutions, including: (i) a study of (A) hazardous waste disposal facilities (Lagos), (B) Lagos Lagoon Pollution Control, and (C) industrial pollution control (phase II); and (ii) development of an integrated program for the management of national parks and other protected areas by NRCC, the Federal Ministry of Agriculture and Natural Resources and the Nigeria Conservation Foundation.

\* \* \*

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods estimated to cost the equivalent of \$100,000 or more shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped into bid packages that would permit competitive bidding and facilitate bulk purchase.

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

Goods estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate amount not to exceed the equivalent of \$3,500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods 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

Association pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of 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 Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

3. The figure of 15% 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 Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (b), (3) (a), 4 (b) and (5) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$100,000 to be withdrawn from the Credit 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 Association 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 Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association re-

quests for deposits into the Special Account at such intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower 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 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 paid out of the Special Account for eligible expenditures.

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

4. For each payment made by the Borrower out of the 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 the 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; or

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

6. (a) If the Association shall have determined at any time that any payment out of 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 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 Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower 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 the 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 Account.

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

