

LOAN NUMBER 3126 UNI

Loan Agreement

(Tree Crops Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 12, 1990

LOAN NUMBER 3126 UNI

LOAN AGREEMENT

AGREEMENT, dated October 12, 1990, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Part A (1) of the Project will be carried out by the Borrower through State Tree Crop Units and State Agricultural Project Executing Agencies with the assistance of the Borrower and, as part of such assistance, the Borrower will make available to the State Tree Crop Units and the State Project Executing Agencies portions of the proceeds of the Loan as provided in this Agreement;

(C) Part A (2) and (3) of the Project will be carried out by the following Participating Companies, namely, Adapalm (Nigeria) Limited, a company incorporated under the laws of the Borrower and operating in Imo State of Nigeria (Imo State) and Akwa Palm Industries Limited, a company incorporated under the laws of the Borrower and operating in Akwa Ibom State of Nigeria (Akwa Ibom

State) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Imo State and Akwa Ibom State for relending to the Participating Companies portions of the proceeds of the Loan as provided in this Agreement;

(D) Part C of the Project will be carried out by the Borrower through the Participating Banks with the assistance of the Borrower and, as part of such assistance, the Borrower will make available to the Participating Banks portions of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Bank and the Participating Companies and the State Agreements of even date herewith between the Bank, Akwa Ibom State and Imo State;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; definitions

Section 1.01. The "General Conditions Applicable to Local and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 5 to this Agreement (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 Agreements" means the agreements between the Bank and the Participating Companies of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements

(b) "State Agreements" means the agreements between Bank, Imo State and Akwa Ibom State 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 State Agreements;

(c) "State Subsidiary Loan Agreements" means the Imo and Akwa-Ibom State Subsidiary Loan Agreements to be entered into between the Borrower, Imo State and Akwa Ibom State, respectively, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the State Subsidiary Loan Agreements;

(d) "Second Subsidiary Loan Agreements" means the agreements to be entered into between the Imo State, Akwa Ibom State and the Participating Companies pursuant to Section 2.02 of the State Agreements, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Second Subsidiary Loan Agreements;

(e) "Bank Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and the Participating Banks pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Bank Subsidiary Loan Agreements;

(f) "Subsidiary Loan Agreements" means the State Subsidiary Loan Agreements, the Second Subsidiary Loan Agreements and the Bank Subsidiary Loan Agreements;

(g) "Charter" means the Memorandum and Articles of the Association of a Participating Bank or a Participating Company;

(h) "Sub-loan" means a loan made or proposed to be made by a Participating Bank to an Eligible Enterprise for a Sub-project out of the equivalent of the Loan relented to the Participating Bank under a Bank Subsidiary Loan Agreement;

(i) "free-limit Sub-loan" has the meaning assigned to it by paragraph 1 (b) of Schedule 4 to this Agreement;

(j) "Eligible Enterprise" means: (i) a private sector enterprise, or (ii) a public sector enterprise which is in the process of being privatized, to which a Participating Bank proposes to make or has made a Sub-loan;

(k) "Sub-project" means a specific development project to be carried out by an Eligible Enterprise utilizing the proceeds of a Sub-loan;

(l) "Statements of Policy" means the statements of lending policy satisfactory to the Bank as adopted and approved by the Board of Directors of the Participating Banks;

(m) "Participating States" means Akwa Ibom State, Imo State and any other eligible States of Nigeria selected in accordance with criteria satisfactory to the Bank to participate in Parts A through D of the Project;

(n) "Project States" means the Participating States and Akwa Ibom, Anambra, Bendel, Benue, Cross River, Imo, Ogun, Ondo, Oya and Rivers States of Nigeria which will participate in Part A (1) of the Project;

(o) "Participating Companies" means Adapalm (Nigeria) Limited and Akwa Palm Industries Limited;

(p) "Participating Banks" means the eligible commercial or merchant bank selected to participate in the Project in accordance with criteria satisfactory to the Bank;

(q) "Adapalm (Nigeria) Limited" means Adapalm (Nigeria) Limited referred to in Recital (C) above and incorporated under the Borrower's Companies Act, 1968 (No. 51) on May 9, 1975;

(r) "Akwa Palm Industries Limited" means Akwa Palm Industries Limited referred to in Recital (C) above and incorporated under the Borrower's Companies Act, 1968 (No. 51) on February 18, 1988;

(s) "MEU" means the Tree Crops Agricultural Projects Monitoring and Evaluation Unit of the Federal Department of Agriculture and Rural Development;

(t) "NIFOR" means the Nigerian Institute for Oil Palm

(u) "Project" means with respect to: (i) the Project States, Part A(1) of the Project; (ii) the Participating Companies, Part A(2) and (3) of the Project; (iii) the Borrower, Parts A(1), B, C and D of the Project; and (iv) the Participating States, Parts A through D of the Project;

(v) "SDU Project Accounts" means the accounts to be opened by the Participating Companies for the smallholder development units pursuant to Section 2.01 (b) of the Project Agreements;

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

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

(y) "State Tree Crop Units" means the Tree Crop Units of the Project States; and

(z) "State Agricultural Project Executing Agencies" means the

agricultural project management units and other agencies established and maintained by the Project States for the carrying out of agricultural development projects in the Project States.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent hundred six million dollars (\$106,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A, B and D of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan; and (ii) amounts paid (or, if the Bank shall so agree, amounts to be paid) by an Eligible Enterprise under Part C of the Project to meet the reasonable cost of goods and services required for the Sub-project in respect of which the withdrawal from the Loan Account is requested.

(b) The Borrower shall, for the purposes of the Project, open and maintain, or cause to be opened and maintained, in dollars special accounts in commercial or merchant banks for: (i) MEU and NIFOR; (ii) Adapalm (Nigeria) Limited; (iii) Akwapalm Industries Limited; and (iv) the Participating Banks on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 7 to this Agreement and Schedule 2 to the Project Agreements.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time

Section 2.15. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For the 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 June 1 and December 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, as such Schedule 3 shall be amended from time to time by the Bank to the extent required to:

(a) conform in relevant part substantially to the aggregate of the amortization schedules applicable to Sub-loans, and

(b) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section 2.08 of this Agreement; provided that any such amendments to the amortization schedule permitted hereunder shall not authorize repayments of the principal amount of the Loan beyond the latest repayment date set forth in such Schedule 3. Such amendments of said Schedule 3 shall include amendments to the table of premiums on prepayments, if necessary.

Section 2.08. Unless the Bank and the Borrower shall otherwise agree:

(a) If a Participating Bank shall repay any amount to the Borrower on account of: (i) a Sub-loan or any part thereof repaid to the Participating Bank in advance of maturity; or (ii) a Sub loan or any part thereof sold, transferred, assigned or otherwise disposed of for value by the participating Bank, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 3 to this Agreement or in any amendment thereof under Section 2.07 (a) of this Agreement, the amount withdrawn from the Loan Account in respect of such Sub-loan or part thereof and not thereto for repaid to the Bank.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the Loan in amounts corresponding to the outstanding amounts of the maturity or maturities of the Sub-loan so repaid or disposed of.

(c) Paragraph (b) of Section 3.04 of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

Section 2.09. (a) The Borrower hereby entrusts the Participating Banks with responsibility for the preparation of withdrawal applications relating to Category (7) in Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications. Withdrawal applications relating to said Category (7) shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$200,000 equivalent.

(b) The Borrower hereby entrusts: (i) each of the Participating Companies with the opening of a Special Account for Part A(2) and (3) of the Project; and (ii) each of the Participating Banks with the opening of a Special Account for Part C of the Project.

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, or cause to be carried out Parts A(1), B through D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, engineering and banking practices. The Borrower shall provide or cause to be provided promptly as needed the funds, facilities, services and other resources required for the said Parts of the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall, within the limits of its constitutional powers, cause Akwa Ibom State and Imo State, the Participating Companies and the Participating Banks to perform in accordance with the provisions of the State Agreements, the Project Agreements and the Bank Subsidiary Loan Agreements all the obligations of Akwa Ibom State and Imo State, the Participating Companies and the Participating Banks therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Akwa Ibom State, Imo State, the Participating Companies and the Participating Banks to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) Without any limitation of its obligations under paragraph (b) of this Section, the Borrower shall provide in its annual budget amounts sufficient to cover the Borrower's counterpart contributions to the costs of the Project to be incurred by MEU and NIFOR. The Borrower and the Bank estimate said counterpart contributions to amount in 1989 prices to \$1,400,000 equivalent over the Project period.

(d) The Borrower shall, out of the proceeds of the Loan:

- (i) relend to the Participating States, for relending to the Participating Companies, the proceeds of the Loan allocated to the Participating Companies in Schedule 1 to this Agreement under subsidiary loan agreements (the State Subsidiary Loan Agreements) to be entered into between the Borrower and the Participating States under terms and conditions which shall have been approved by the Bank including provisions requiring: (A) repayment by the Participating States of principal in 22 years (including 7 years of grace); (B) annual interest to be paid by the Participating States at the prevailing variable rate applicable to Loans made by the Bank; and (C) the assumption by the Participating States of any foreign exchange risk relating to the Smallholder Development Units costs financed by the Participating Companies from proceeds of the Loan relend to them;
- (ii) relend to the Participating Banks the proceeds of the Loan allocated to Category (7) in Schedule 1 to this Agreement under subsidiary loan agreements (the Bank Subsidiary Loan Agreements) to be entered into between the Borrower and the Participating Banks under terms and conditions which shall have been approved by the Bank including provisions requiring: (A) each Participating Bank to repay principal in accordance with an amortization schedule which shall be amended from time to time to the extent required to conform in relevant part substantially to the aggregate of the amortization schedules applicable to Sub-loans made by the Participating Bank, provided that such repayment period shall not exceed 12 years nor shall the grace period for any Sub-loan exceed 3 years; (B) each Participating Bank to pay annual interest at (1) the rediscount rate of the Central Bank of Nigeria for proceeds of the Loan relend to the Participating Bank in Naira; and (2) the prevailing variable rate applicable to loans made by the Bank plus 1.25 percentage points for any such proceeds relend to the Participating Bank in dollars or other foreign currency; (C) each Participating Bank to notify the Borrower promptly and repay to the Borrower on the next following interest payment date specified in the Bank Subsidiary Loan Agreement any amount of a Sub-loan or any part thereof which: (i) has been repaid to the Participating Bank by an Eligible Enterprise in advance of maturity; or (ii) has been sold, transferred, assigned or otherwise disposed of for value

by the Participating Bank; (D) the Borrower to apply any amount so repaid by the Participating Bank to the maturity or maturities of the proceeds of the Loan made available to the Participating Bank in amounts corresponding to the maturity or maturities of the Sub-loan so repaid or disposed of; and (E) all Eligible Enterprises to which Participating Banks make Sub-loans in dollars or other foreign currency to assume any foreign exchange risk; and

- (iii) make available to MEU, NIFOR, the State Tree Crop Units and the States Agricultural Project Executing Agencies appropriate portions of the amounts allocated to the Borrower in Schedule 1 to this Agreement.

(e) The Borrower shall refrain from providing budgetary other funding support for oil palm or rubber plantations managed by State-owned enterprises (excluding plantations managed by the Participating Companies) other than budgetary or other funding support required for minority interest capitalization or financial restructuring in connection with the divestiture of any State owned enterprise to the private sector.

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 6 to this Agreement and Schedule 1 to the Project Agreements.

Section 3.03. The Borrower shall carry out the actions described in Schedule 8 to this Agreement to the satisfaction of the Bank, said Schedule being subject to modification from time to time by agreement between the Borrower and the Bank.

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of: (i) Part A(2) and (3) of the Project shall be carried out by the Participating Companies pursuant to Section 2.03 of the Project Agreements; and (ii) Part C of the Project shall be carried out by the Participating Banks pursuant to the provisions of the Bank Subsidiary Loan Agreements.

ARTICLE IV

Financial Covenants

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

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts (including records and accounts of NIFOR) reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures (including records of NIFOR) are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section (including those of MEU

and NIFOR) and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

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

(a) Akwa Ibom State, Imo State, the Participating Companies or the Participating Banks shall have failed to perform any of their obligations under the State Agreements, the Project Agreements or the Subsidiary Loan Agreements.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Akwa Ibom State, Imo State, the Participating Companies or the Participating Banks will be able to perform their obligations under the State Agreements, the Project Agreements or the Subsidiary Loan Agreements.

(c) A Charter or any of the Statements of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the financial condition of any of the Participating Companies or the Participating Banks or the ability of any of the Participating Companies or the Participating Banks to perform its obligations under the Project Agreements or the Subsidiary Loan Agreements.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of any of the Participating Companies or the Participating Banks or for the suspension of the operations of any of the Participating Companies or the Participating Banks.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 State Subsidiary Loan Agreements have been executed on behalf of the Borrower, Akwa Ibom State and Imo State;

(b) Management contracts satisfactory to the Bank covering the Project period have been executed on behalf of Adapalm (Nigeria) Limited, Akwa Palm Industries Limited and private estate management organizations acceptable to the Bank; and

(c) Akwa Ibom State and Imo State have paid into the SDU Project Accounts the initial amounts required under Section 2.05 of the State Agreements.

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

(a) that the State Agreements have been duly authorized or ratified by Akwa Ibom State and Imo State, and are legally binding upon Akwa Ibom State and Imo State in accordance with their terms;

(b) that the Project Agreements have been duly authorized or ratified by the Participating Companies, and are legally binding upon the Participating Companies 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

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

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

Cable address:

FEDMINFIN
Lagos

Telex:
21248 (ITT)

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to

be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hauzat Ahmadu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil Works:		
(a) Adapalm (Nigeria) Limited	2,700,000	100% of foreign expenditures and 90% of local expenditures
(b) Akwa Palm Industries Limited	1,600,000	
(c) The Borrower	1,700,000	
(2) Vehicles, equip- ment, machinery and spare parts (excluding palm oil mill equipment):		
(a) Adapalm (Nigeria) Limited	5,000,000	100% of foreign expenditures
(b) Akwa Palm Industries Limited	3,000,000	85% of local expenditures
(c) The Borrower	200,000	
(3) Oil Palm Plant- ing and Maintenance:		
(a) Adapalm (Nigeria) Limited	4,000,000	100% of foreign expenditures 90% of local expenditures
(b) Akwa Palm	2,800,000	

	Industries Limited		
(c)	The Borrower	700,000	
(4)	Palm Oil Mill Equipment:		
(a)	Adapalm (Nigeria) Limited	7,000,000	
(b)	Akwa Palm Industries Limited	7,000,000	100% of foreign expenditures and 85% of local expenditures
(5)	Consultants' Services and Training:		
(a)	Adapalm (Nigeria) Limited	6,500,000	
(b)	Akwa Palm Industries Limited	2,600,000	100%
(c)	The Borrower	700,000	
(6)	Operating Costs:		
(a)	Adapalm (Nigeria) Limited	1,800,000	
(b)	Akwa Palm Industries Limited	1,000,000	50%
(c)	The Borrower	300,000	
(7)	Sub-loans	50,000,000	100% of foreign expenditures up to 65% of the total cost of a Sub- project
(8)	Unallocated		
(a)	Adapalm (Nigeria) Limited	4,300,000	
(b)	Akwa Palm Industries Limited	2,600,000	
(c)	The Borrower	500,000	
	TOTAL	106,000,000	

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 eke

currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means incremental recurrent expenditures excluding salaries but including the costs described in the Annex to this Schedule.

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

(a) in respect of a Sub-loan unless: (i) the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth in Schedule 3 to this Agreement; (ii) the Participating Bank making the Sub-loan has entered into a Bank Subsidiary Loan Agreement; and (iii) the Bank is satisfied that the Participating Bank's lending department making the Sub-loan has the expertise necessary in the oil palm and rubber lending sectorj

(b) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,000,000 may be made in respect of Categories (2), (3), (4) and (5) on account of payments made for expenditures before that date but after May 1, 1988; and

(c) in respect of payments made by a Participating Company unless the Participating Company has: (i) entered into a Second Subsidiary Loan Agreement; (ii) established the Selection Committee of the Smallholder Development Unit referred to in Part A (2) of the Project; (iii) furnished to the Bank a model agreement satisfactory to the Bank for the provision of services and inputs to farmers participating in the monocrop oil palm small holders program under Part A (2) of the Project; and (iv) entered into an agreement satisfactory to the Bank with a Participating State for management by the Smallholder Development Unit of the services and input supply program required under Part A (2) of the Project.

ANNEX to SCHEDULE 1

Operating Costs Referred to in Paragraph 2 (c) of Schedule 1

1. Staff travelling expenses and overnight allowances.
2. Office running expenses, cost of stationery, printing and advertising related to the Project.
3. Cost of operating vehicles, plant and equipment required for the Project.
4. Maintenance of Project buildings and their furnishings.
5. Such other Project related costs as the Borrower and the Bank may from time to time determine.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) improving production and productivity in oil palm cultivation and processing and rubber processing in the ecologically suitable areas of the southern region of Nigeria; (ii) assisting the Borrower's agricultural policies and programs including its short- and medium-term foreign exchange, production, income, employment and nutritional programs; and (iii) facilitating greater private sector involvement in economic activities and growth.

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

Part A: Planting Program

- (1) Mixed Crop Oil Palm Smallholders Program including: (i) establishment by State Tree Crop Units and State Agricultural Project Executing Agencies of small nurseries alongside perennial water sources to supply oil palm seedlings to farmers; (ii) provision of extension services by State Agricultural Project Executing Agencies; and (iii) planting by farmers of oil palm seedlings as a permanent crop in their mixed crop holdings and house compounds.
- (2) Monocrop Oil Palm Smallholders Program including: (i) establishment by landowners of small monocrop oil palm plantation units in the Ukwá area of Imo State and the Ekor area of Akwa Ibom State; (ii) selection by the Selection Committee of the Smallholder Development Units of Adapalm (Nigeria) Limited and Akwapalm Industries Limited of farmers eligible to participate in the program; and (iii) provision of extension services and inputs such as mechanical clearing, oil palm seedlings, cover crop seeds, fertilizers and chemicals by the said Smallholder Development Units.
- (3) Nucleus Estates and Mills Program including: (i) development by Adapalm (Nigeria) Limited of 5,000 hectares of oil palm in the Ukwá Nucleus Estate, including offices, staff housing, worker housing, roads, water supply, electricity and other settlement infrastructure; (ii) construction by Adapalm (Nigeria) Limited on the Ukwá Nucleus Estate of a 20 ton per hour mill to process oil palm fruits from (A) the Ukwá Nucleus Estate, (B) farms serviced by the Smallholder Development Unit of Adapalm (Nigeria) Limited, and (C) the wild oil palm groves; (iii) planting by Akwapalm Industries Limited of about 3,000 hectares of oil palms as an extension of its Ekor Estate; and (iv) construction by Akwapalm Industries Limited (including the provision of settlement and housing infrastructure) of a 20 ton per hour mill to process oil palm fruits from (A) the Ekor Nucleus Estate, (B) farms serviced by the Smallholder Development Unit of Akwapalm Industries Limited, and (C) the wild oil palm groves.

Part B: Research

Program to strengthen the capacity of the Nigerian Institute for Oil Palm Research (NIFOR) to produce good quality oil palm seeds including: (i) purchase by NIFOR of equipment for standby electricity generation; (ii) installation of air conditioning for NIFOR's seed storage facilities; (iii) construction of buildings, and purchase of equipment for NIFOR's plant breeding and fusarium wilt research program; and (iv) improvement of electricity and water supply systems for NIFOR's research center at Benin.

Part C: Oil Palm and Rubber Processing Facilities

Program to establish new oil palm and rubber processing units and to rehabilitate existing ones including the making by Participating Banks of Sub-loans to: (A) eligible private sector enterprises, and (B) eligible public sector enterprises, acceptable to the Bank, which are in the process of privatization for: (i) the construction and rehabilitation of palm oil mills and rubber factories processing oil palm fruits and raw rubber or for remitting poor quality processed rubber; and (ii) the purchase of haulage and manufacturing equipment required for the construction or rehabilitation of palm oil mills and rubber factories.

Part D: Training and Studies

- (1) Training Program including: (i) training of private sector palm oil mill managers and supervisors in the management of small palm oil mills; and (ii) assisting Participating Banks to

train their personnel in the appraisal and technical evaluation of project proposals.

- (2) Studies to evaluate: (i) different mixed crop systems integrated with oil palm cultivation; and (ii) the experience of various tree crop programs in Nigeria including experience of the provision and recovery of development credit under the programs.
- (3) Monitoring and Evaluation Programs including assisting: (i) the Participating States to set up and maintain proper accounts for their oil palm seedling nurseries; and (ii) State-owned enterprises engaged in rubber and oil palm cultivation to develop privatization or leasing plans that will satisfy criteria for obtaining Sub-loans.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
June 1, 1997	1,955,000
December 1, 1997	2,030,000
June 1, 1998	2,105,000
December 1, 1998	2,185,000
June 1, 1999	2,270,000
December 1, 1999	2,355,000
June 1, 2000	2,445,000
December 1, 2000	2,540,000
June 1, 2001	2,635,000
December 1, 2001	2,735,000
June 1, 2002	2,840,000
December 1, 2002	2,945,000
June 1, 2003	3,060,000
December 1, 2003	3,175,000
June 1, 2004	3,295,000
December 1, 2004	3,420,000
June 1, 2005	3,550,000
December 1, 2005	3,685,000
June 1, 2006	3,825,000
December 1, 2006	3,970,000
June 1, 2007	4,120,000
December 1, 2007	4,275,000
June 1, 2008	4,440,000
December 1, 2008	4,605,000
June 1, 2009	4,780,000
December 1, 2009	4,960,000
June 1, 2010	5,150,000
December 1, 2010	5,345,000
June 1, 2011	5,555,000
December 1, 2011	5,755,000

* 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
Terms and Conditions of Sub-loans

1. No expenditures for goods or services required for a Sub project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 2 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 2 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan under Category (7) in Schedule 1 hereto, the foregoing amount being subject to change from time to time as determined by the Bank.

2. (a) When presenting a Sub-loan (other than a free-limit Sub loan) to the Bank for approval, a Participating Bank shall furnish to the Bank an application, in form satisfactory to the Bank,, together with: (i) a description of the Eligible Enterprise and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by a participating Bank for authorization to make withdrawals from the Loan Account in respect of a free limit Sub-loan shall contain: (i) a summary description of the Eligible Enterprise and the Sub-project, including a description of the

expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1992.

3. Sub-loans shall be made on terms whereby the Participating Bank shall obtain, by written contract with the Eligible Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank, the Borrower and the Participating Bank, including, in the case of any Sub-loan the right to:

(a) require the Eligible Enterprise to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts there for and, in the case of services, of their quality and the competence of the parties rendering them; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents:

(d) require that: (i) the Eligible Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Eligible Enterprise to replace or repair such goods:

(e) obtain all such information as the Bank or the Participating Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Eligible Enterprise and to the benefits to be derived from the Sub-project; and

(f) suspend or terminate the right of the Eligible Enterprise to the use of the proceeds of the Loan upon failure by the Eligible Enterprise to perform its obligations under its contract with the Participating Bank.

SCHEDULE 5

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following provisions are substituted there for:

"or (f) by the date specified in paragraph 2 (c) of Schedule 4 to this Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or

requests under paragraph 2 (a) or (b) of the said Schedule; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower, terminate the right to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 6

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Goods and works estimated to cost \$500,000 or more equivalent including the following items 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):

(a) all items included under Category (1) in Schedule 1 to this Agreement relating to construction of palm oil mills;

(b) all items included under Category (2) in Schedule 1 to this Agreement with the exception of motorcycles, water pumps, research equipment, office furniture and equipment and spare parts; and

(c) all palm oil mill equipment included under Category (4) in Schedule 1 to this Agreement with the exception of replacement parts.

2. Bidders for works included in Part A (3) of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

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

Part C: Preference for Domestic Contractors

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

Part D: Other Procurement Procedures

1. (a) Goods and works estimated to cost an amount equivalent to \$60,000 or more but less than \$500,000 equivalent including the following items may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank:

(i) all building construction works included under Category (1) in Schedule Agreement; and

(ii) all research equipment included under Category (2) in Schedule 1 to this Agreement to be purchased for NIFOR.

(b) With respect to Part C of the Project, items estimated to cost less than \$2,000,000 equivalent per contract shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor.

2. With respect to Parts A, B and D of the Project, goods and works estimated to cost less than \$60,000 equivalent per contract may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Nucleus estate and small holder oil palm planting and nursery operations may be carried out by force account (i.e. by resident casual or small holder labor) or under contracts awarded on the basis of comparison of quotations solicited from experienced local contractors in accordance with procedures acceptable to the Bank.

4. To the extent practicable, contracts for building construction shall be grouped in bid packages of \$200,000 or more each.

Part E: Review by the Bank of Procurement Decisions

1. Review of prequalification:

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

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

(a) With (i) each contract under Parts A, B and D of the Project estimated to cost the equivalent of \$500,000 or more; and (ii) each contract under Part C of the Project estimated to cost \$2,000,000 equivalent or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for any such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for any such contract are to be made out of a Special Account, said 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 said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 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 4.01 (a)(ii) of this Agreement.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with

principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 7

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(c), (2)(c), (3)(c), (5)(c), (6)(c) and (7) 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 to be withdrawn from the Loan Account and deposited into a Special Account pursuant to paragraph 3 (a) of this Schedule equivalent to: (i) \$200,000 each for MEU and NIFOR; and (ii) \$1,000,000 each for the Participating Banks.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower 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 a 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 a 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 a 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 a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the 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 a 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 8

Actions referred to in Section 3.03 of this Agreement

1. (a) The Borrower shall cause the Participating Banks to strengthen their agricultural lending departments in the oil palm and rubber lending sector on the basis of the recommendations of the project appraisal specialist and the tree crop processing expert employed under the Project.

(b) The Borrower shall cause the Participating Banks: (i) to maintain separate accounts for Sub-loans; and (ii) to furnish the Bank with annual reports on the status of each Eligible Enterprise and such other information as the Bank shall from time to time reasonably request.

2. (a) The Borrower shall cause NIFOR to sell with effect from: (i) January 1, 1990 its oil palm seeds at full cost; and (ii) January 1, 1991 its oil palm seedlings at full cost.

(b) The Borrower shall cause NIFOR to furnish to its Board of Directors for the Board's approval and to the Bank for information NIFOR's annual budgets no later than one month before the start of the financial year.

3. (a) The Borrower shall cause MEU to furnish no later than one month before the start of the financial year MEU's annual budgets to the Borrower for the Borrower's approval and to the Bank for information.

(b) The Borrower shall cause MEU to prepare the Project completion report required under Section 9.07 (c) of the General Conditions for submission to the Bank no later than six months after the Closing Date.

(c) The Borrower shall cause MEU to make proceeds of the Loan required for the establishment of mixed crop smallholder nurseries under Part A(1) of the Project available to only those State Tree Crop Units and State Agricultural Project Executing Agencies that will price their oil palm seedlings at not less than 60% of full cost in 1989, 75% of full cost in 1990, 85% of full cost in 1991 and 100% of full cost thereafter.

(d) The Borrower shall no later than December 31, 1989 employ and assign to the Project: (i) a tree crop processing expert; and (ii) a project appraisal specialist.

