

CONFORMED COPY

LOAN NUMBER 3451 UNI

(National Fadama Development Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 25, 1992

LOAN NUMBER 3451 UNI

LOAN AGREEMENT

AGREEMENT, dated August 25, 1992, 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) the Borrower will carry out the Project with the assistance of Bauchi, Jigawa, Kebbi, Kano, Sokoto and other States of Nigeria which have met the eligibility criteria set out in Schedule 6 to this Agreement (the said States being hereinafter together referred to as the eligible States);

(C) the Borrower will relend to the eligible States under subsidiary loan agreements to be entered into between the Borrower and the eligible States proceeds of the Loan required by the eligible States to carry out the Project; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

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

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

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

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

(c) "eligible States" means Bauchi, Jigawa, Kano, Kebbi, Sokoto and any other States of Nigeria which have met the eligibility criteria set out in Schedule 6 to this Agreement;

(d) "National Fadama Facility" means the facility referred to in Part E.1 of the Project;

(e) "National Fadama Facility Coordinating Committee" means the committee referred to in Section 3.01 (d) of this Agreement;

(f) "FMAWRRD" means the Borrower's Federal Ministry of Agriculture, Water Resources and Rural Development;

(g) "APMEU" means the Agricultural Projects Monitoring and Evaluation Unit of the Borrower;

(h) "FACU" means the Federal Agricultural Coordinating Unit of the Borrower;

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

(j) "FUAs" means the Fadama Users Associations referred to in Part C (1) of the Project.

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, various currencies that shall have an aggregate value equivalent to the amount of sixty seven million five hundred thousand dollars (\$67,500,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain, or cause to be opened and maintained, in dollars a special deposit account for FACU, APMEU and for each eligible State in one or more commercial banks on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, a Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 1996 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 per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during 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 determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall with the assistance of the eligible States carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall under subsidiary loan agreements to be entered into between the Borrower and the eligible States on terms and conditions which shall have been approved by the Bank:

- (i) relend to Bauchi, Jigawa, Kano, Kebbi and Sokoto States of Nigeria out of the proceeds of the Loan allocated to Categories (1) through (5) in Schedule 1 to this Agreement (A) an initial amount of \$3,500,000 equivalent each and, (B) on a first-come first-served basis, such additional amounts (not to exceed in the aggregate for all the eligible States \$37,500,000 equivalent) as the Borrower shall determine; and
- (ii) relend to eligible States (other than the States mentioned in subparagraph (i) of this paragraph) the proceeds of the Loan allocated to Category (6) in Schedule 1 to this Agreement.

(c) The Subsidiary Loan Agreements shall, inter alia, require the eligible States to:

- (i) pay annual interest on, and repay the principal of, the proceeds of the Loan relend to them on the same terms and conditions as, with respect to payment of interest and other charges and repayment of principal as shall apply under the provisions of this Agreement to the Borrower;
- (ii) provide in their respective budgets funds adequate to cover their respective counterpart contributions to the costs of the Project including the salary costs of all existing staff of the eligible States assigned to the Project;

- (iii) prepare with the assistance of FACU and send to the Bank each year no later than August 31 of each such year an annual program showing equipment to be purchased, areas to be drilled, and Fadama infrastructure to be constructed, under the Project;
- (iv) have its records and accounts relating to the Project for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (v) furnish to the Bank, as soon as available, but in any case not later than six months after the end of each such year a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;
- (vi) prepare and furnish to the Bank by-laws satisfactory to the Bank of the Fadama Users Associations (FUAs) which shall include appropriate provisions for revenue generation by the FUAs;
- (vii) ensure that all the FUAs participating in the Project are to the extent practicable allowed to operate autonomously in the exercise of their functions; and
- (viii) furnish to the Bank every six months a report on the activities of FUAs under the Project.

(d) The Borrower shall establish a National Fadama Facility Coordinating Committee (NFFCC), together with its Secretariat, in a form and with functions and staffing satisfactory to the Bank. NFFCC shall be administered by the Federal Ministry of Agriculture, Water Resources and Rural Development (FMAWRRD).

Section 3.02. The Borrower shall provide in its budget funds adequate to cover its counterpart contributions to the costs of the Project including the salary costs of all existing staff of the Borrower assigned to the Project. The Borrower and the Bank estimate such counterpart contributions to amount, in 1991 prices, over the Project Period to \$4,700,000 equivalent.

Section 3.03. The Borrower shall carry out by March 31, 1994, jointly with the Bank, a mid-term review to determine progress made in the carrying out of the Project.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. The Borrower shall require as a condition precedent to any State of Nigeria participating in the Project the meeting by that State of the eligibility criteria set out in Schedule 6 to this Agreement.

Section 3.06. The Borrower shall carry out or cause to be carried out the actions described in Schedule 7 to this Agreement to the satisfaction of the Bank.

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 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; 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.

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

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

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the eligible States shall have failed to perform any of their obligations under the Subsidiary Loan Agreements.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice shall have been given by the Bank to the Borrower.

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) at least one eligible State has signed the Subsidiary Loan Agreement; and

(b) the Borrower has furnished to the Bank draft bidding documents satisfactory to the Bank for use in contracts for drilling, import of pumps and road construction required for the first year of the Project.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Loan Agreement referred to in Section 6.01 (a) above has been duly authorized or ratified by the Project State concerned, and is legally binding upon the said Project State in accordance with its terms.

Section 6.03. The date ninety days (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 Honorable 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
P.M.B. 12591
Federal Secretariat
Ikoyi, Lagos
Nigeria

Cable address:	Telex:
FEDMINFIN Lagos	21248

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	197688 (TRT) 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edwin R. Lim
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 for Fadama irrigation:	12,900,000	
(a) Washbores		100% of foreign expenditures and 90% of local expenditures
(b) Tubewells		100% of foreign expenditures and 15% of local expenditures
(2) Civil works (Fadama Infrastructure)	10,000,000	100% of foreign expenditures and 90% of local expenditures
(3) Vehicles and equipment (other than pumps)	5,000,000	100% of foreign expenditures and 100% (ex-factory cost)
(4) Pumps	25,000,000	100% of foreign expenditures and 100% (ex-factory cost)
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Technical assistance:		
(a) Monitoring,	4,000,000	100% of foreign

	studies and training (excluding Technical Services contract staff costs)		expenditures and 90% of local expenditures
(b)	Technical Services Contract staff costs	600,000	100% of foreign expenditures and 90% of local expenditures
(6)	National Fadama Facility loans for:	5,000,000	
(a)	Washbores		100% of foreign expenditures and 90% of local expenditures
(b)	Tubewells		100% of foreign expenditures and 15% of local expenditures
(c)	Civil works (Fadama infrastructure)		100% of foreign expenditures and 90% of local expenditures
		Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(d)	Vehicles, equipment and pumps		100% of foreign expenditures and 100% (ex-factory cost)
(7)	Unallocated	5,000,000	
	TOTAL	67,500,000 =====	

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:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$2,000,000 equivalent, may be made in respect of Categories (1), (2), (3) and (5) above on account of payments made for expenditures before that date but after March 1, 1991;

(b) expenditures made by Bauchi State of Nigeria (Bauchi State) unless Bauchi State has, in accordance with Schedule 6.A to this Agreement: (i) reconstituted its Agricultural Development Program Executive Committee (BADPEC); and (ii) assigned to BADPEC responsibility for overseeing the execution of Bauchi State's

components of the Project;

(c) expenditures under Category (6) above unless NFFCC (together with its Secretariat) has been established in accordance with Section 3.01 (d) of this Agreement; and

(d) expenditures made by any eligible State unless that State has entered into a Subsidiary Loan Agreement and met the eligibility criteria set out in Schedule 6 to this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in: (i) the construction of about 50,000 shallow tubewells in the Fadama lands for small-scale irrigation; (ii) simplifying drilling technology for shallow tubewells; (iii) the construction of Fadama infrastructure; (iv) the organization of Fadama farmers for irrigation management, cost recovery and better access to credit, marketing and other services; (v) the carrying out of aquifer studies; (vi) the monitoring and upgrading of irrigation technologies; and (vii) the completion of full environmental assessment of future Fadama development.

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: Shallow Tubewells

(1) Development in Bauchi, Jigawa, Kebbi, Kano and Sokoto States of Nigeria of about (i) 18,000 shallow tubewells by washboring; and (ii) 24,000 shallow tubewells by drilling.

(2) Development in other eligible States of Nigeria of about (i) 4,500 shallow tubewells by washboring; and (ii) 3,500 shallow tubewells by drilling.

Part B: Fadama Infrastructure

(1) Construction by contract in the five eligible States referred to in Part A.1 above of about 405 km. of access roads and 135 km. of Fadama roads and rehabilitation of about 270 km. of existing tracks including the installation of about 135 culverts in depressions and reconstruction of approach roads.

(2) Construction by the said Eligible States alongside the Fadama roads of about 78 shelters, 45 drying and storage sheds and 3 evaporative cooling facilities for vegetables.

(3) Completion of the spill way and distribution canals for the Watari Irrigation Scheme in Kano State of Nigeria.

Part C: Institutional Development

(1) Organization by State Implementation Agencies (SIAs) of village-based Fadama Users Associations (FUAs) to assist in: (i) the identification and selection of Fadama farmers for the Project; (ii) overseeing activities relating to drilling, construction and maintenance of Fadama infrastructure; (iii) ensuring the recovery from the users of tubewells, pumps and other facilities installed under the Project of the full costs of such facilities; and (iv) monitoring available water resources.

(2) The carrying out by SIAs of cadastral surveys including the recording of land title and other relevant information on a suitable data base for easy retrieval and updating.

(3) Establishment of a Fadama administration program satisfactory to the Bank including the employment of suitably qualified experts to assist eligible States in the administration of drilling and road

construction, irrigation engineering, irrigation agronomy and the establishment and operation of Fadama farmers' organizations.

Part D: Planning, Monitoring, and Evaluation

(1) The carrying out of planning, monitoring and evaluation programs at the Federal and State levels including: (i) a full environmental assessment by the Federal Agricultural Coordinating Unit (FACU) of future Fadama development in the eligible States; (ii) physical monitoring of shallow aquifer levels and soil and water resources by SIAs acting in conjunction with FUAs; (iii) the carrying out by the SIAs' Monitoring and Evaluation Units assisted by the Agricultural Projects Monitoring and Evaluation Unit (APMEU) of baseline surveys and annual surveys to measure cropping intensities, yields and production, crop inputs and farm income of different types of irrigation; (iv) preparation by APMEU of annual reports on Fadama development; (v) development by the Federal Ministry of Agriculture, Water Resources and Rural Development (FMAWRRD) of systems for monitoring, planning, allocating and regulating Nigeria's water resources at the national level; and (vi) monitoring by APMEU of performance under the Project.

(2) Establishment for FMAWRRD of field and office facilities for regular measurement of stream flows and ground water status in Nigeria; and (ii) strengthening of FMAWRRD staff in the collection and analysis of data including the recruitment of an experienced hydrologist to assist FMAWRRD in the establishment, and its local staff in the operation, of the monitoring facilities and FMWR's analytic system.

Part E: National Fadama Facility

(1) The establishment of a facility (the National Fadama Facility) in a form and with functions satisfactory to the Bank to assist Fadama development in States meeting the eligibility criteria set out in Schedule 6 to this Agreement (other than Bauchi, Jigawa, Kebbi, Kano and Sokoto States of Nigeria) as well as the Federal Capital Territory of Abuja, including the making of loans to eligible States and the said Capital Territory for approved Fadama development proposals.

(2) Provision of vehicles, computers, office equipment and furniture for the National Fadama Facility Coordinating Committee.

* * *

The Project is expected to be completed by March 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1997	1,230,000
May 1, 1998	1,280,000
November 1, 1998	1,330,000
May 1, 1999	1,380,000
November 1, 1999	1,435,000
May 1, 2000	1,490,000
November 1, 2000	1,545,000
May 1, 2001	1,605,000
November 1, 2001	1,665,000
May 1, 2002	1,730,000
November 1, 2002	1,800,000
May 1, 2003	1,870,000
November 1, 2003	1,940,000
May 1, 2004	2,015,000
November 1, 2004	2,095,000
May 1, 2005	2,175,000
November 1, 2005	2,260,000

May 1, 2006	2,345,000
November 1, 2006	2,435,000
May 1, 2007	2,530,000
November 1, 2007	2,630,000
May 1, 2008	2,730,000
November 1, 2008	2,835,000
May 1, 2009	2,945,000
November 1, 2009	3,060,000
May 1, 2010	3,175,000
November 1, 2010	3,300,000
May 1, 2011	3,425,000
November 1, 2011	3,560,000
May 1, 2012	3,685,000

* 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

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. (i) Bidders for works included in Part A of the Project

shall be prequalified as described in paragraph 2.10 of the Guidelines.

- (ii) To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost an amount equivalent to \$200,000 or more each.

Part B: Preference for Domestic Manufacturers

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

Part C: 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

Works estimated to cost less than \$200,000 equivalent per contract and such wash bore drilling and infrastructure works as the Borrower and the Bank shall determine up to an aggregate amount not to exceed \$8,300,000 equivalent may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part E: Review by the Bank of Procurement Decisions

1. Review of prequalification:

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

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

(a) With respect to each contract estimated to cost the equivalent of \$200,000 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 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 such contract are to be made out of the 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 paragraph 3 of said Appendix shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 5 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank 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 Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) 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 with respect to: (i) Bauchi, Jigawa, Kebbi, Kano or Sokoto State of Nigeria an amount equivalent to \$300,000 each to be withdrawn from the Loan Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule; and (ii) FACU and APMEU an amount equivalent to \$200,000 each to be withdrawn from the Loan Account and deposited into the respective Special Account pursuant to said paragraph 3 (a).

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 in 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 paid 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 a 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 a 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 a Special Account.

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

SCHEDULE 6

Eligibility Criteria

To be eligible to participate in the Project a State must have, as necessary, fulfilled the following:

A. State Implementation Agencies

The State must have: (i) established sustainable agencies in its ministry of agriculture to assist it in carrying out the

Project; and (ii) in the case of Bauchi State, reconstituted its Agricultural Development Program Executive Committee (BADPEC) in a form and with membership and functions satisfactory to the Bank including the assignment to BADPEC of responsibility for overseeing the execution of Bauchi State's components of the Project.

B. Management and Finance

(1) The State must in the case of the National Fadama Facility have in place in management positions qualified and experienced staff to oversee the activities to be supported by the Facility.

(2) The State must have drawn down at least 75% of World Bank loan funds available to it for the Fadama development proposed for financing under the Project.

(3) The State must: (i) have in place a fully trained procurement officer; (ii) have followed good procurement practices; and (iii) have furnished the Bank with satisfactory procurement schedules relating thereto.

(4) The State must have observed all of its obligations (including those relating to financial audits and submission of reports) under agreements with the Bank.

C. Fadama Development

The State must have: (i) completed shallow aquifer studies establishing the existence of a potential for Fadama irrigation in the State; (ii) identified the areas in which drilling will take place; and (iii) established FUAs.

D. Management Development and Training

The State must have prepared a long-term human resource development plan which clearly identifies the annual training schedules for all major activities included in the plan.

SCHEDULE 7

Actions referred to in
Section 3.06 of this Agreement

1. The Borrower shall require all Fadama development proposals sent by an eligible State for financing under the National Fadama Facility to be first appraised by the Borrower's Federal Agricultural Coordinating Unit (FACU) and then reviewed by the National Fadama Facility Coordinating Committee which, if it approves the proposal, shall send the first five of all such proposals to the Bank for the Bank's further review and approval.

2. The Borrower shall require all Fadama development proposals estimated to cost more than \$1,000,000 equivalent to be jointly appraised by the Borrower and the Bank.

3. The Borrower shall cause each eligible State to prepare and furnish to the Bank a plan for full cost recovery from farmers participating in Fadama development under the Project.

