

CONFORMED COPY

CREDIT NUMBER 2035 UNI

(Third Multi-State Agricultural Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

RIVERS STATE OF NIGERIA

Dated August 4, 1989

CREDIT NUMBER 2035 UNI

RIVERS STATE PROJECT AGREEMENT

AGREEMENT, dated August 4, 1989 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and RIVERS STATE OF NIGERIA (Rivers State).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Federal Republic of Nigeria (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to seventy five million Special Drawing Rights (SDR 75,000,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Rivers State agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement (the Rivers State Subsidiary Loan Agreement) to be entered into between the Borrower and Rivers State, a part of the proceeds of the Credit will be made available to Rivers State on the terms and conditions set forth in the Rivers State Subsidiary Loan Agreement; and

WHEREAS Rivers State, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, wherever used in this Agreement, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the following additional terms have the following meanings;

(a) "Rivers State Project Account" means the account referred to in Section 2.01 (b) of this Agreement;

(b) "Rivers State Special Account" means the account referred to in Section 2.01 (d) of this Agreement;

(c) "Rivers State Subsidiary Loan Agreement" means the agreement referred to in Recital B of this Agreement;

(d) "ADPEC" means the Agricultural Development Project Executive Committee established by Rivers State and referred to in Section 2.02 (a) of this Agreement;

(e) "ADPMU" means the Agricultural Development Project Management Unit established by Rivers State and referred to in Section 2.02 (a) of this Agreement;

(f) "AISC" means the Agricultural Inputs Supply Company to be established by Rivers State pursuant to Section 2.02 (b) of this Agreement;

(g) "PRSD" means the Planning, Research and Statistics Department of MANR; and

(h) "MANR" means the Ministry of Agriculture and Natural Resources of Rivers State.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) Rivers State declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and to this end, shall carry out Parts A through F of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and agricultural practices, and 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 Rivers State's obligations under paragraph (a) of this Section, Rivers State shall: (i) provide in its annual budget amounts sufficient to cover Rivers State's counterpart contributions to the costs of the Project; (ii) open and maintain an account at a commercial bank (the Rivers State Project Account) to be used exclusively for expenditures under the Project; (iii) pay into the Rivers State Project Account an initial amount equivalent to \$160,000, representing 25% of Rivers State's counterpart contributions to the first year's Project costs; and (iv) thereafter pay each quarter into the Rivers State Project Account (commencing from the quarter immediately following the quarter in which the Development Credit

Agreement becomes effective and no later than the first month of each quarter) the respective counterpart contributions of Rivers State to the costs of the Project, adjusted to take account of any payment by Rivers State of the initial amount specified above. The Borrower and Rivers State presently estimate the said counterpart contributions to amount in 1988 prices to \$2,600,000 equivalent over the Project period.

(c) Rivers State undertakes to provide in its recurrent budget amounts sufficient to cover the salaries of all existing staff of Rivers State seconded or assigned to the Project, in addition to any other contributions of Rivers State to incremental Project costs.

(d) Rivers State shall, for the purposes of the Project, open and maintain in dollars a special account (the Rivers State Special Account) in a commercial bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Rivers State Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.02. (a) Rivers State shall continue to maintain in a form and with functions and staffing satisfactory to the Borrower and the Association, its Agricultural Development Project Executive Committee (ADPEC) and its Agricultural Development Project Management Unit (ADPMU). Further provisions relating to ADPEC and ADPMU are set out in Schedule 2 to this Agreement.

(b) Rivers State shall establish and thereafter maintain in a form and with functions and staffing satisfactory to the Association an Agricultural Inputs Supply Company (AISC).

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts A through F of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.04. Rivers State shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of this Agreement.

Section 2.05. Rivers State shall duly perform all its obligations under the Rivers State Subsidiary Loan Agreement. Except as the Borrower and the Association shall otherwise agree, Rivers State shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Rivers State Subsidiary Loan Agreement or any provision thereof.

Section 2.06. (a) Rivers State shall, at the request of the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Rivers State Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) Rivers State shall promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Rivers State of its obligations under this Agreement and under the Rivers State Subsidiary Loan Agreement.

Section 2.07. Rivers State shall carry out the actions described in Schedule 3 to this Agreement to the satisfaction of the Association, said Schedule being subject to modification from time to time by agreement between the Borrower, Rivers State and the Association.

## Financial Covenants

Section 3.01. (a) Rivers State shall maintain or cause to be maintained separate 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 Rivers State responsible for carrying out the Project.

(b) Rivers State shall:

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by 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 IV

Effective Date; Termination;  
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Rivers State thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Rivers State of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE V

##### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

For Rivers State:

The Honorable Commissioner  
Ministry of Finance and Economic Planning  
Block B  
Secretariat Complex  
Port Harcourt, Rivers State  
Nigeria

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Rivers State, or by Rivers State on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by Commissioner of Finance and Economic Planning, Rivers State or such other person or persons as Rivers State shall designate in writing, and Rivers State shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
Acting Regional Vice President  
Africa

RIVERS STATE OF NIGERIA

By /s/ Hamzat Ahmadu  
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services  
Parts A to F of the Project

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works (excluding all road 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. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost an amount equivalent to \$500,000 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: Other Procurement Procedures

1. (a) All goods estimated to cost an amount equivalent to \$60,000 or more but less than \$500,000 per contract and, except as provided in Part C.1 (b) hereof, all works estimated to cost an amount equivalent to less than \$500,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

(b) Road works may: (i) be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association; or (ii) be carried out by force account.

2. All goods estimated to cost an amount equivalent to less than \$60,000 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 Association.

3. Agro-chemicals and veterinary inputs of a proprietary nature obtainable only from one source may be purchased by direct con-

tracting from original suppliers or sources in accordance with paragraph 3.5 (c) of the Guidelines.

4. Bidders for works included in Part D (1) of the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 (1) 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 for goods and works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Rivers State Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Association prior to the making of the first payment out of the Rivers State 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 Rivers State Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to paragraph 3 of said Appendix, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 3.01 (c) (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 Rivers State in carrying out the Project, Rivers State shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Borrower and the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

## SCHEDULE 2

### Project Executing Agencies

A. Agricultural Development Project Executive Committee (ADPEC)

1. ADPEC's membership shall include the following:

- |  |                 |
|--|-----------------|
| (a) State Governor                             | Chairman        |
| (b) Commissioner of<br>Agriculture and Natural | Deputy Chairman |

Resources

(c) Commissioner of Community Development and Environment	Member
(d) Commissioner of Finance and Economic Planning	Member
(e) Commissioner of Works and Transport	Member
(f) Commissioner of Commerce and Industry	Member
(g) Commissioner of Special Duties	Member
(h) Commissioner of Works and Housing	Member
(i) Director General (MANR)	Member
(j) Director (FDARD)	Member
(k) Director, Federal Department of Fisheries and Agricultural Co-operatives	Member
(l) Head of FACU	Member
(m) General Manager, Niger Delta Basin Development Authority	Member
(n) State Director, Directorate of Food, Roads and Rural Infrastructure	Member
(o) Program Manager (ADPMU)	Member

2. ADPEC shall meet at least once every three months during the first two years of the Project and thereafter at such times as it shall determine. Its functions shall, in addition to policy, finance and coordination of Project activities, include: (i) approval of the annual Project budget and work plan; (ii) appointment of principal staff; and (iii) ensuring availability of adequate Project funds.

3. ADPEC shall: (i) approve all contracts estimated to cost an amount above \$200,000 equivalent; and (ii) authorize the establishment in ADPMU of an internal tender committee to be responsible for the review and approval of all contracts estimated to cost an amount equivalent to \$200,000 or less, being contracts awarded on the basis of local or international competitive bidding; provided that (A) no contracts estimated to cost more than \$50,000 equivalent shall be awarded without the clearance of the Commissioner of Agriculture and Natural Resources, and (B) all contracts estimated to cost an amount above \$200,000 equivalent being contracts to be awarded on the basis of international competitive bidding shall be reviewed and approved by Rivers State's Tender Board.

4. ADPMU's tender committee shall be chaired by the Program Manager (ADPMU) and shall include the Financial Controller (ADPMU), the head, Fisheries Sub-Program (ADPMU), the head, Extension Services Sub-Program (ADPMU), the Chief Engineer (ADPMU) and the Chief Administrative Officer (ADPMU) who shall be the Secretary.

5. ADPEC shall have two subcommittees, namely, an agricultural services subcommittee to be responsible for coordinating services to farmers and an infrastructure development subcommittee to be



responsible for coordinating infrastructure programs. The chairman of the agricultural services sub-committee shall be the Director General (MANR) and the other members of the subcommittee shall include the Director (PRSD), the Director, Agricultural Department (MANR), the Program Manager (ADPMU), the Chief Extension Officer (ADPMU) and the Manager (AISC). The infrastructure development subcommittee shall also be chaired by the Director General (MANR) and its other members shall include the Director (PRSD), the Program Manager (ADPMU), the head of Community Development Department, Ministry of Community Development and Environment, the head of Civil Engineering, (Ministry of Works and Transport) and the Chief Engineer (ADPMU).

6. (a) ADPEC shall employ: (i) not later than January 1, 1989 a Program Manager and a Financial Controller; and (ii) not later than October 31, 1989 an Internal Auditor and a Civil Engineer (Roads), all of whom shall have qualifications and experience satisfactory to the Association.

(b) ADPEC shall not later than June 30, 1990 employ independent auditors acceptable to the Association to audit ADPMU's accounts.

#### B. Agricultural Development Project Management Unit (ADPMU)

1. (a) ADPMU shall, under the policy guidelines and direction of ADPEC, be responsible for the carrying out of the Project in accordance with this Agreement and the Rivers State Subsidiary Loan Agreement. ADPMU shall be headed by a Program Manager with responsibility for overseeing the following three operational divisions of ADPMU, namely, the Agricultural Extension/Agronomy/Research Division, the Fisheries Division and the Infrastructural (Engineering) Services Division. ADPMU shall also have five support units, namely, the administration unit, the finance unit, the planning unit, the monitoring and evaluation unit and the manpower development and training unit (MDTU).

(b) MDTU shall be responsible for: (i) establishing procedures and criteria for determining staff training needs; (ii) preparing criteria for the selection of training programs and candidates; (iii) developing procedures for the evaluation of training activities; and (iv) organizing a record-keeping system for trainees. MDTU shall be headed by a qualified senior training officer assisted initially by a manpower development specialist.

(c) ADPMU shall prepare and submit to the Borrower and the Association not later than December 31, 1989 a five-year manpower development and training program for the Project.

2. ADPMU shall have an executive management committee, the membership of which shall include the Program Manager, ADPMU (Chairman), the heads of Departments of ADPMU and each Zonal Manager of ADPMU. The executive management committee shall meet at least once every month.

3. ADPMU shall establish two zones to be responsible for the day to day carrying out of Project activities. Each zone shall be headed by a zonal manager. A zone shall have appropriate technical and support staff and shall look to ADPMU for technical advice and overall program guidance.

4. A zonal development committee shall be constituted for each of ADPMU's zones. Each such committee shall be concerned with the planning and review of the zone's programs and the facilitation of coordination and cooperation among agencies and farmers' organizations operating in the zone. The membership of the zonal development committee shall include representatives of ADPMU, local government councils, the State's Farmers Organizations, the Agricultural Inputs Supply Company (AISC) and other recognized farmers' groups or co-operatives in the zone.

5. (a) ADPMU shall enter into arrangements satisfactory to the

Association for local government councils to undertake routine maintenance of feeder roads. Each such local government council must have a road maintenance unit with adequate staff headed by an engineer or technician experienced in road maintenance. ADPMU shall assist the local government councils in setting up the road maintenance units.

(b) ADPMU shall no later than November 1 of each year, prepare and furnish to the Association and to the Federal Agricultural Coordinating Unit (FACU) annual work programs for periodic, recurrent and routine road maintenance under the Project to be carried out in the following year.

6. (a) ADPMU shall prepare and furnish to the Borrower and the Association no later than December 31, 1989, the following strategy, and a plan to be carried out by rural women under Part A(1)(ii) of the Project, namely an extension strategy and a development action plan satisfactory to the Association.

(b) ADPMU shall with FACU's assistance prepare and furnish to the Association no later than December 31, 1989, for the Association's review and comments: (i) maintenance standards for rural roads; (ii) the terms of draft contracts to be entered into by ADPMU and local government authorities selected for routine maintenance of rehabilitated Project roads; and (iii) the qualifying criteria for the selection of such local government authorities.

(c) ADPMU shall prepare and furnish to FACU and the Association by June 30, 1989 a plan satisfactory to the Association for the execution of the rural water supply schemes under Part D (2) of the Project. The said plan shall provide for: (i) the criteria for the selection of villages to participate in any such scheme; and (ii) provision by scheme beneficiaries of at least 10% of the capital and all of the maintenance costs of a scheme.

(d) ADPMU shall no later than June 30, 1990, prepare and furnish to the Borrower and the Association a maintenance plan satisfactory to the Association for the maintenance of wells, boreholes and pumps on a self-sustaining basis.

(e) ADPMU shall: (i) no later than December 31, 1989, prepare and furnish to the Association for its review and comments proposals for the structure and operating procedures of pilot water users associations for the small-scale irrigation development under Part A (5) of the Project; and (ii) no later than December 31, 1990 establish at least three of the pilot water users associations.

(f) ADPMU shall prepare and furnish to the Association and the Borrower for their review and comments ADPMU's annual work programs and plans, survey results, annual reports and audited accounts and its quarterly progress reports.

### SCHEDULE 3

#### Actions Referred to in Section 2.07.

1. Rivers State shall: (i) no later than July 1, 1989 establish an agricultural institutions review team in a form and with functions and staffing satisfactory to the Association; and (ii) no later than March 31, 1990 furnish to the Association terms of reference satisfactory to the Association for the carrying out of the agricultural public institutions review required under Part F.2 of the Project. The membership of the said team shall include a public administration specialist (team leader), a State finances specialist and an agricultural planning specialist.

2. Rivers State undertakes that no agro-processing unit shall be installed under Part A.7 of the Project unless prior arrangements satisfactory to the Association have been made for: (i) its operation and management by persons contributing at least 10% of the capital costs of the unit; and (ii) cost recovery.

3. Rivers State shall: (i) no later than December 31, 1991 with the assistance of FACU carry out a mid-term review of the Project; (ii) promptly thereafter discuss with FDARD and the Association the findings of the mid-term review, including any proposed changes in the Project; and (iii) assist APMEU to prepare the project completion report required under Section 9.07 (c) of the General Conditions.

4. Rivers State shall annually agree with the Borrower and the Association upon the staffing levels appropriate to the Project and shall not exceed said levels without the prior agreement of the Association and the Borrower.

5. Rivers State shall no later than December 31, 1990: (i) carry out a review of (A) the responsiveness of the private sector to participation, as registered retailers, in the distribution of agricultural inputs, (B) the performance of such registered retailers, (C) the role of farmer organizations in inputs distribution; and (D) the constraints on the participation of such organizations in inputs distribution; and (ii) furnish to the Association and the Borrower the results of the review.

6. (a) Rivers State shall cause AISC to sell agricultural inputs (other than fertilizers) at rates adequate to enable AISC and retailers to cover their overall costs.

(b) Rivers State shall cause ADPMU and AISC to prepare and furnish to the Association and the Borrower for their review and comments their respective annual work programs and plans, survey results, annual reports and audited accounts and their quarterly progress reports.

(c) Rivers State shall no later than September 30, 1989 employ consultants to prepare and carry out a program to train agricultural cooperatives to develop business skills in input supplies distribution management.

(d) Rivers State shall take all necessary action to facilitate the participation by registered private retailers (including farmers organizations) in the distribution of fertilizer and other agricultural inputs and shall not take or permit to be taken any action which would prevent or interfere with the distribution of inputs by such private retailers.

(e) Rivers State shall no later than December 31, 1989 prepare and furnish to the Association the Articles of Association of AISC and the schedule for the transfer of shares of AISC owned by Rivers State.

7. Rivers State shall: (i) with the assistance of FACU carry out a review of the relative costs and benefits of using force account units and private contractors to carry out road works; (ii) furnish the results of such review to the Association as soon as available; and (iii) disband, and dispose of the plant and equipment of, any force account unit operating uneconomically.

8. Rivers State shall jointly with the Borrower: (i) conclude arrangements with fuel distribution company or companies for the installation of an efficient fuel distribution system for fishermen; and (ii) furnish to the Association for its review no later than December 31, 1989 the details of the said arrangements.

9. Rivers State shall not later than June 30, 1989, prepare and furnish to the Bank: (i) a plan satisfactory to the Association setting out the terms and conditions on which loans will be made under Part A.1 (iv) of the Project for the purchase of motorcycles; (ii) details of the travel allowance to be paid to Project staff; and (iii) proposals for review by the Association of arrangements for the bulk purchase of motorcycles.

10. Rivers State shall no later than June 30, 1990, cause AISC to

employ independent auditors acceptable to the Association to audit AISC's accounts.

#### SCHEDULE 4

##### Rivers State Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (d), (2) (a) (iv) and (b) (iv), (3) (d), (4) (d) and (5) (a) (iv), (b) (iii) and (c) (iv) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Rivers State Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Rivers State 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 Rivers State Special Account for eligible expenditures.

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

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

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

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

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

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

(b) If the Association shall have determined at any time that any amount outstanding in the Rivers State Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

