

CONFORMED COPY

LOAN NUMBER 2995 UNI

(Private Small and Medium Enterprise Development Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated December 22, 1988

LOAN AGREEMENT

AGREEMENT, dated December 22, 1988, between 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) Parts A through E of the Project will be carried out by the Central Bank of Nigeria (CBN) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CBN for relending to Participating Banks (PBs) part 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 Agreement of even date herewith between the Bank and CBN;

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 in Schedule 4 to this Agreement (the General Conditions) constitute an integral part of this 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) "Project Agreement" means the agreement between the Bank and CBN of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "CBN" means the Central Bank of Nigeria, established and operating pursuant to the Central Bank of Nigeria Act (Cap. 30) of the Laws of the Federal Republic of Nigeria and Lagos, 1958, as amended from time to time;

(c) "Subsidiary Administration Agreement" means the agreement to be entered into between the Borrower and CBN pursuant to Section 3.01 (c) of this Agreement;

(d) "Participation Agreement" means the agreement to be entered into between CBN and each Participating Bank (as such term is hereinafter defined) pursuant to Section 2.02 (a) of the Project Agreement for Parts A to E (1) of the Project;

(e) "Sub-loan Agreement" means the agreement to be entered into by a Participating Bank and a Beneficiary (as such term is hereinafter defined) under which a Participating Bank agrees to provide a Sub-loan or an Investment for an Investment Project (as such terms are hereinafter defined);

(f) "SME" means a small and medium scale enterprise with fixed assets (excluding land) plus cost of the Investment Project (hereinafter referred to as asset size of SME) not exceeding Naira 10 million in constant 1988 prices;

(g) "Micro-enterprise" means an enterprise with fixed assets (excluding land) plus cost of the Investment Project below Naira 400,000 in constant 1988 prices;

(h) "Beneficiary" means an SME which, except as the Borrower and the Bank shall otherwise agree, is 100% owned by private Nigerian individuals or private Nigerian juridical persons and which operates in any economic sector (including manufacturing, agro-related industries, mining, quarrying, industrial support services, equipment leasing, and other service activities ancillary thereto) other than subsistence agriculture, real estate, commerce, finance and insurance, hotels and construction and which enters into a Sub-loan Agreement with a PB for an Investment Project;

(i) "SME Apex Unit" means the Apex Unit established by CBN pursuant to Section 2.08 (a) of the Project Agreement;

(j) "Naira" or the sign "N" means the currency of the Borrower;

(k) "PB" or "Participating Bank" means each commercial bank, merchant bank, or any development bank or specialized financial institution which shall for the purposes of the Project be designated by CBN as a Participating Bank;

(l) "MAN" means the Manufacturers Association of Nigeria;

(m) "MGA" means the Mutual Guarantee Association;

(n) "NASSI" means the Nigeria Association of Small-Scale Industrialists;

(o) "Sub-loan" means a loan, including lease financing, made or proposed to be made by a PB to a Beneficiary for an Investment Project out of the proceeds of the Loan relented to it by CBN;

(p) "Free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 1 (b) of Part A of Schedule 2 to the Project Agreement;

(q) "Free-limit Investment" means an Investment, as so defined, which qualifies as a free-limit Investment pursuant to the provisions of paragraph 1 (b) of Part A of Schedule 2 to the Project Agreement;

(r) "Investment" means an investment, other than a Sub-loan, made or proposed to be made by a PB in a Beneficiary for an Investment Project out of the proceeds of the Loan relented to it by CBN;

(s) "Investment Project" means a specific development project to be carried out by a Beneficiary for which a PB agrees to provide a Sub-loan or Investment under Parts A to D of the Project;

(t) "Special Account" means any of the accounts referred to in Section 2.02 (b) of this Agreement; and

(u) "Sub-Account" means any sub-account of Special Account "A" opened pursuant to Section 2.02 (c) of this Agreement.

## 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 to two hundred seventy million dollars (\$270,000,000).

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) amounts paid (or, if the Bank shall so agree, amounts to be paid) by CBN on account of withdrawals made by: (A) a Beneficiary under a Sub-Loan or Investment; or (B) a Beneficiary or an entrepreneur under a loan made under Part E (1) of the Project, to meet the reasonable cost of goods and services required for Investment Projects under Parts A to D of the Project or a study under Part E (1) of the Project in respect of which the withdrawal from the Loan Account is requested; and (ii) 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 E (2) and F of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars two special accounts on terms and conditions satisfactory to the Bank. One of the accounts (Special Account "A") shall be opened in the Central Bank of Nigeria and shall be used for Parts A to E of the Project and the other account (Special Account "B") shall be opened in a commercial bank and shall be used for Part F (2) of the Project. Deposits into and payments out of (i) Special Account "A" shall be made in accordance with Schedule 3 to the Project Agreement; and (ii) Special Account "B" shall be made in accordance with Schedule 5 to this Agreement.

(c) The Borrower shall cause CBN, for the purpose of carrying out Parts A to D and E (1) of the Project, to open and maintain in dollars one sub-account of Special Account "A" in any PB on terms and conditions satisfactory to the Bank.

Section 2.03. (a) CBN is designated with respect to Categories (1), (2), (3), (4) and (5) in Schedule 1 hereto as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) The Federal Ministry of Industries (FMI) is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions with respect to Category (6) (a) of Schedule 1 hereto.

Section 2.04. The Closing Date shall be March 31, 1996, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. 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 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum 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 purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.07 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 2.07. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.08. 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 carry out Part F (1) and F (2) of the Project through FMI and Part F (3) of the Project through the Nigerian Bank for Commerce and Industry (NBCI), all with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices. The Borrower shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for

Part F of the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause CBN to carry out Parts A to E of the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of CBN 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 CBN to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) For the purposes of carrying out Parts A to E of the Project, the Borrower shall make available to CBN the proceeds of the Loan allocated to Categories (1) to (5) of Schedule 1 hereto under a subsidiary administration agreement to be entered into between the Borrower and CBN, under terms and conditions which shall have been approved by the Bank.

(d) For the purposes of Part F (3) of the Project, the Borrower shall relend to NBCI an amount equivalent to \$1,000,000 or such other amount as shall be allocated to Category (6)(b) of Schedule 1 hereto under an agreement to be entered into between the Borrower and NBCI (the NBCI Agreement) under terms and conditions satisfactory to the Bank including the repayment terms, interest rate and other charges as are applicable to the Loan.

(e) The Borrower shall exercise its rights under the Subsidiary Administration Agreement and the NBCI Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Administration Agreement or the NBCI Agreement or any provision thereof.

Section 3.02. In order to assist the Borrower in carrying out Part F of the Project, the Borrower shall through FMI (with respect to Part F (2) of the Project) and through NBCI (with respect to Part F (3) of the Project) 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.

Section 3.03. 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 Parts A to E of the Project shall be carried out by CBN pursuant to Section 2.05 of the Project Agreement.

Section 3.04. (a) The Borrower shall, at least until the completion of the Project, establish and maintain the Project Coordination Committee (PCC) which shall be responsible for the coordination of implementation of the Project.

(b) PCC shall have the following members: (i) a representative of the Federal Ministry of Finance and Economic Development (who shall be the chairman); (ii) the head of the SME Apex Unit (who shall be the member/secretary); (iii) a representative of CBN; (iv) a representative of FMI; (v) a representative of NBCI; and (vi) two representatives of the PBs.

Section 3.05. Except as the Bank may otherwise agree, the Borrower shall cause CBN to:

(a) open and thereafter maintain a separate account in its books for Parts A through E of the Project in accordance with its

normal financial procedures and on terms and conditions satisfactory to the Bank and to open the said account by the date on which it shall receive: (A) the first payment of interest or other charges on Sub-loans or loans made under Part E (1) of the Project; or (B) the first repayment of principal under Sub-loans or loans made under Part E (1) of the Project; or (C) the first payment on account of Investments; and

(b) credit upon receipt of each such payment or repayment under Sub-loans or Investments or loans made under Part E (1) of the Project the payment or repayments so received to the said separate account. All amounts so credited to the said separate account shall be utilized by CBN, to the extent that they are not yet required to meet the Borrower's repayment obligations to the Bank under this Agreement, exclusively to finance Investment Projects or, with respect to any amount for loans under Part E (1) of the Project, studies to be carried out under the said Part of the Project, all in accordance with procedures and on terms and conditions consistent with Schedules 1 and 2 to the Project Agreement.

Section 3.06. The Borrower shall through FMI submit to the Bank within six weeks of the end of each six-month period, semi-annual progress reports on FMI's technical assistance activities under Part F (1) and F (2) of the Project. Such reports shall contain such information as the Bank shall reasonably request.

Section 3.07. The Borrower shall through FMI:

(a) carry out annual reviews of the Entrepreneurship Development Programs included under Part F (2) (i) of the Project in accordance with procedures and within a timetable agreed with the Bank;

(b) carry out: (i) not later than December 31, 1989: (A) the study included in Part F (2) (ii) of the Project; and (B) the studies included in Part F (2) (iii) and F (2) (v) of the Project; and (ii) not later than December 31, 1990, the studies included in Part F (2) (iv) of the Project;

(c) exchange views with the Bank on the conclusions and recommendations of such reviews and studies; and

(d) taking into account the views expressed by the Bank, implement such recommendations within a timetable agreed with the Bank.

Section 3.08. The Borrower shall cause NBCI to employ consultants to assist in carrying out Part F (3) of the Project no later than February 28, 1989.

Section 3.09. The Borrower shall together with CBN review with the Bank at least once every year progress in carrying out the various Parts of the Project with a view to determining and effecting such changes as may be required to ensure the successful implementation of the Project, including any adjustment required in the onlending terms and conditions.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. The Borrower 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 Part F of the Project, of the departments or agencies of the Borrower responsible for carrying out the said Part of the Project or any portion thereof.

Section 4.02. (a) The Borrower shall:

(i) have the records and accounts referred to in Sec-

tion 4.01 of this Agreement and those for Special Account B 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.

(b) For all expenditures under Part F of the Project 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 reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures 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.

#### 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) CBN shall have failed to perform any of its obligations under the Project Agreement.

(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 CBN will be able to perform its obligations under the Project Agreement.

(c) The Central Bank of Nigeria Act (Cap. 30) of the Laws of the Borrower and Lagos, 1958, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CBN to perform any of its obligations under the Project Agreement.

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

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 Subsidiary Administration Agreement has been executed on behalf of the Borrower and CBN;

(b) CBN has made arrangements satisfactory to the Bank for the employment of consultants to assist the SME Apex Unit in its administration and operations;

(c) CBN has issued a circular to the banking system, satisfactory to the Bank, setting forth the conditions and procedures for the utilization of funds by PBs under Parts A to D and E (1) of the Project;

(d) CBN has signed Participation Agreements for Part A of the Project with at least three PBs pursuant to Section 2.02 (a) of the Project Agreement, under terms and conditions satisfactory to the Bank; and

(e) the Borrower has submitted evidence satisfactory to the Bank showing that PCC, with membership and responsibilities acceptable to the Bank, has been established.

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 Project Agreement has been duly authorized or ratified by CBN, and is legally binding upon CBN in accordance with its terms; and

(b) that the Subsidiary Administration Agreement has been duly authorized or ratified by the Borrower and CBN and is legally binding upon the Borrower and CBN in accordance with its 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. Except as provided in Section 2.03 of this Agreement, the Minister of Finance and Economic Development 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 Minister of Finance and Economic Development  
Federal Ministry of Finance  
and Economic Development  
P.M.B. 12591  
Federal Secretariat, Ikoyi  
Lagos, Nigeria



Cable address:

PERMFIN  
Lagos

Telex:

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:

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/ Hamzat 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) Goods and services to be financed under Part A of the Project:		
(a) Sub-loans and Investments:	)	
	)	
(i) SMEs with asset size of Naira 5 million and	75,000,000) ) ) )	100% of Sub-loans and Investments

	above	)		up to 70% of the
	(ii) SMEs with	75,000,000)		cost of the
	asset size	)		Investment
	below	)		Project
	Naira 5	)		
	million	)		
		Amount of the		% of
		Loan Allocated		Expenditures
		(Expressed in		to be Financed
Category		Dollar Equivalent)		
(b) Sub-loans and		)		
Investment for		)		
free standing		)		
working capital:		)		
		)		
(i) SMEs with	25,000,000)		100% of Sub-loans	
asset size	)		and Investments	
of Naira 5	)		up to 70% of the	
million and	)		cost of the	
above	)		Investment	
	)		Project	
(ii) SMEs with	25,000,000)			
asset size	)			
below	)			
Naira 5	)			
million	)			
(2) Goods and services				
to be financed				
under Part B of				
the Project:				
(a) Sub-loans for	1,000,000		100% of Sub-	
the prepara-			loans	
tion of re-				
structuring				
workouts by				
SMEs				
(b) Sub-loans to	19,000,000		100% of Sub-	
and Invest-			loans and	
ments in			Investments	
SMEs			up to 100%	
			of the	
			cost of the	
			Investment	
			Project	
		Amount of the		% of
		Loan Allocated		Expenditures
		(Expressed in		to be Financed
Category		Dollar Equivalent)		
(3) Sub-loans under	5,000,000		100% of Sub-	
Part C of the			loans	
Project				
(4) Sub-loans for	30,000,000		100% of Sub-	
equipment leasing			loans up to	
under Part D of			85% of the cost	
the Project			of the leased	
			equipment	
(5) Technical assis-				
tance under Part E				
of the Project:				
(a) Consultants'	5,000,000		70%	
services for				

	Part E (1) of the Project		
(b)	Consultants' services for studies and training, vehicles and equipment included in Part E (2) of the Project	2,500,000	100%
(6) (a)	Consultants' services for studies and training included in Part F (2) of the Project	800,000	100%
		Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(b)	Consultants' services for Part F (3) of the Project	1,000,000	100%
(7)	Unallocated	5,700,000	
	TOTAL	270,000,000	

2. 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 the equivalent of \$350,000 may be made under Categories (5)(b) and (6) on account of payments made before that date but after June 1, 1988;

(b) any Sub-loan or Investment which shall be presented for financing under Categories (1) to (4) in paragraph 1 of this Schedule, unless the PB concerned has signed a Participation Agreement;

(c) Investment Projects under Category (3) in said paragraph, unless CBN has prepared and furnished to the Bank a statement on procedures satisfactory to the Bank for micro-enterprises to utilize the proceeds of the Loan allocated to said Category (3);

(d) expenditures under Category (5) (a) in paragraph 1 above, unless the PB concerned has signed a Participation Agreement in respect of the studies included in Part E (1) of the Project; and

(e) consultants' services under Category (6) (b) unless the NBCI Agreement has been signed.

3. Withdrawals to be made under Categories (1) to (4) with respect to Investment Projects shall be made in accordance with the procedures set forth in Schedules 1 and 2 to the Project Agreement.

4. Withdrawals to be made under Category (5) (a) shall not exceed for any one SME or entrepreneur an amount of Naira 15,000 in constant 1988 prices.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) assist in financing such productive facilities and resources in the Federal Republic of Nigeria as will contribute to the economic and social development of the country; (b) support private small and medium scale enterprises to become more competitive; (c) revive production and improve economic viability of selected firms; (d) support a program of assistance to micro-enterprises; (e) provide long-term financing to SMEs; (f) support the Entrepreneurship Development Programs; (g) make the delivery of technical support services more demand driven and responsive to the needs of Beneficiaries; and (h) strengthen the policy framework for small and medium scale enterprises.

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: Line of Credit

The financing, through CBN and PBs of fixed investments, including services and working capital needs of private sector small and medium scale enterprises.

#### Part B: Pilot Financial Restructuring

The provision, through CBN and PBs, of financing and technical assistance to Beneficiaries in need of such assistance to enable them to prepare and carry out financial restructuring programs, including refinancing and/or rescheduling of existing debts, swaps of debt into equity or quasi-equity instruments, and injection of new money for fresh working capital and fixed assets.

#### Part C: Pilot Mutualist Credit Guarantee Scheme

(1) The establishment, through CBN, PBs and MGAs of a Pilot Mutualist Credit Guarantee Scheme.

(2) The provision of Sub-loans to eligible micro-enterprises for financing fixed assets and working capital, such Sub-loans to be guaranteed by MGAs such as MAN, NASSI or other non-governmental organizations.

#### Part D: Equipment Leasing

The provision, through CBN and PBs of long-term financing to Beneficiaries to enable them to lease the necessary industrial and business equipment.

#### Part E: Assistance to SMEs, Entrepreneurs and CBN

(1) The establishment by CBN of a Pilot Studies Facility to provide financing to SMEs and entrepreneurs through PBs on loan terms to enable such SMEs and entrepreneurs:

(a) to carry out pre-feasibility, feasibility and implementation studies;

(b) to obtain expertise, services and management counselling for the acquisition of technological know-how; and

(c) to solve operational problems.

(2) The provision of vehicles and equipment, consultants' services and training to CBN to enable it to:

(a) administer the line of credit provided under Part A above and other Beneficiary credit programs through the SME Apex

Unit;

- (b) carry out orientation seminars for the staff of PBs;
- (c) improve the expertise of the staff of PBs in project appraisal, supervision and monitoring;
- (d) train staff of PBs in the preparation and evaluation of programs related to financial restructuring of Beneficiaries;
- (e) formulate procedures for the Pilot Mutualist Credit Guarantee Scheme;
- (f) carry out a study to develop appropriate regulatory and policy framework for equipment leasing;
- (g) carry out a study for the establishment of a Mutual Investment Fund;
- (h) carry out periodic reviews of the economic and social impact of Investment Projects; and
- (i) undertake policy and project preparation work in the industrial and financial sectors.

Part F: Technical Assistance to FMI and NBCI

(1) Arrangements by FMI for staff of SMEs and entrepreneurs to be trained by training specialists or at appropriate institutions in simple business skills with full cost recovery features.

(2) The carrying out by FMI of the following reviews, studies and activities: (i) periodic reviews of the Entrepreneurship Development Programs; (ii) a study for developing linkages between SMEs and larger enterprises through sub-contracting; (iii) a technology development study on linkages between SMEs and research institutions; (iv) sub-sector surveys and development of profiles for different industries; (v) a study to evaluate alternative ways of implementing an industrial estates program on a commercial basis with the participation of the private sector; and (vi) strengthening of FMI's capacity to formulate policies for development of SMEs.

(3) Strengthening of NBCI's operations in the areas of appraisal, supervision, portfolio management, equipment leasing and merchant banking.

\* \* \*

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)
February 15, 1994	4,930,000
August 15, 1994	5,120,000
February 15, 1995	5,315,000
August 15, 1995	5,520,000
February 15, 1996	5,735,000
August 15, 1996	5,955,000
February 15, 1997	6,185,000
August 15, 1997	6,425,000
February 15, 1998	6,670,000
August 15, 1998	6,930,000
February 15, 1999	7,195,000
August 15, 1999	7,475,000
February 15, 2000	7,765,000

August 15, 2000	8,065,000
February 15, 2001	8,375,000
August 15, 2001	8,695,000
February 15, 2002	9,035,000
August 15, 2002	9,380,000
February 15, 2003	9,745,000
August 15, 2003	10,120,000
February 15, 2004	10,510,000
August 15, 2004	10,915,000
February 15, 2005	11,335,000
August 15, 2005	11,775,000
February 15, 2006	12,230,000
August 15, 2006	12,700,000
February 15, 2007	13,190,000
August 15, 2007	13,700,000
February 15, 2008	14,230,000
August 15, 2008	14,780,000

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 eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

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 and the Guarantor, 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 therefor:

"or (f) by the date specified in paragraph 2 (c) of Part A of Schedule 2 to the Project Agreement, the Bank

shall, in respect of any portion of the Loan: (i) have received no applications or requests under subparagraphs (a) or (b) of paragraph 2 of the said Part; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower terminate the right of the Borrower 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 5

##### Special Account B

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (6) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part F (2) of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$100,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the 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 the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, 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) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the eligible Category, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

- (i) 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
- (ii) the total unwithdrawn amount of the Loan allocated to the eligible Category minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part F (2) of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Category 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 the Special Account: (i) was made for any expenditure or in any 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, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

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

