

CONFORMED COPY

CREDIT NUMBER 3447 UNI

Project Agreement

(Community Based Poverty Reduction Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CROSS RIVER STATE OF NIGERIA

Dated April 20, 2001

CREDIT NUMBER 3447 UNI

PROJECT AGREEMENT

AGREEMENT, dated April 20, 2001, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and CROSS RIVER STATE OF NIGERIA (CROSS RIVER 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 forty-seven million Special Drawing Rights (SDR 47,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that Cross River State agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary financing agreement to be entered into between the Borrower and Cross River State, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to Cross River State on the terms and conditions set forth in the said Subsidiary Financing Agreement; and

WHEREAS Cross River 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, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Cross River 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 the Project through the Cross River State Poverty Reduction Agency with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and community development practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and Cross River State shall otherwise agree, Cross River State shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) Cross River 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 the Project Agreement and Part B of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Cross River State shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Cross River State, a plan for the sustainability of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with Cross River State on the said plan.

Section 2.04. Without limitation to its obligations under Section 2.01 of this Agreement, the Borrower shall:

(a) open and thereafter maintain, until the completion of the Project, an account (the Cross River Project Account) in Naira, in a commercial bank, on terms and conditions satisfactory to the Association;

(b) promptly thereafter make an initial deposit in Naira of an amount equivalent to US\$60,000 (Initial Deposit) into such account to finance the Borrower's contribution to the Project;

(c) thereafter deposit into the Cross River Project Account by January 1 each

year during Project implementation such amounts as shall be required and agreed upon with the Association to timely replenish the Cross River Project Account back to the amount of the initial deposit referred to in paragraph (b); and

(d) use the funds in the Cross River Project Account exclusively to finance expenditures under the Project.

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

Section 2.05. (a) Cross River State shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Financing Agreement, and other matters relating to the purposes of the Credit.

(b) Cross River State shall promptly inform 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 Cross River State of its obligations under this Agreement and under the Subsidiary Financing Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Cross River State shall establish and thereafter maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Cross River State shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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 the financial statements referred to in paragraph (a) of this Section, for such year as so audited; and (B) an opinion on such statements and report of such audit, by the 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 such records, accounts and financial statements, and the audit thereof, and concerning the said auditors, as the Association may from time to time reasonably request.

Section 3.02. Without limitation upon the provisions of Section 4.01 of this Agreement, Cross River State shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of the said Section 4.01 in order to enable Cross River State, not later than June 30, 2002, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by the said

report, and projected sources and applications of funds for the Project for the six-month period following the period covered by the said report; and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by the said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by the said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by the said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by the said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

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 Cross River 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 Cross River 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 facsimile 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:

Telex:

Facsimile:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

(202) 477-6391

For Cross River State :

The Governor
Government of Cross River State
Office of the Governor
Calabar
Cross River State
Nigeria

Facsimile:

(234) 87 238383

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 Cross River State may be taken or executed by the Governor or such other person or persons as the Governor shall designate in writing, and Cross River 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 Abuja, Federal Republic of Nigeria, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mark D. Tomlinson

Acting Regional Vice President
Africa

CROSS RIVER STATE OF NIGERIA

By /s/ Sam Anani

Authorized Representative

SCHEDULE 1

Implementation Program

1. Cross River State and SAPR shall carry out Part B of the Project in accordance with the provisions of the PIM, and shall not amend or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the

implementation of the Project.

2. Cross River State shall through SAPR:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by September 30, 2003, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

3. Eligibility Criteria for Micro-projects

Without limitation on the provisions of paragraph 1 above, no Micro-project shall be eligible for financing out of the proceeds of the Credit unless SAPR shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the PIM, that the Micro-project satisfies the eligibility criteria specified in more detail in the PIM, which shall include the following:

(a) the Micro-project shall be for social and economic infrastructure and services, including primary health, basic education, rural water supply, feeder roads, and the construction of markets and granaries;

(b) the Micro-project shall be initiated by a Beneficiary duly represented by a community based organization;

(c) the Micro-project shall be economically, financially and technically viable in accordance with the standards specified in the PIM;

(d) except as the Association shall otherwise agree, the Beneficiary shall provide not less than 10% of the estimated costs of the Micro-project in the form of cash, materials, labor or other services; and

(e) the Micro-project shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety and environmental protection.

4. Terms and Conditions of Community Subprojects Grants

In financing Micro-projects, SAPR shall enter into a Grant Agreement with the Beneficiary, under terms and conditions which shall include the following:

(a) financing to be on a grant basis and, unless otherwise agreed with the Association, not to exceed the equivalent of \$50,000 per Grant;

(b) the obligation to carry out the Micro-project in accordance with the PIM, with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Micro-project;

(c) the requirement that: (i) the goods, works and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to the Development Credit Agreement; and (ii) such goods, works and services shall be used exclusively in the carrying out of the Micro-project;

(d) the right of SAPR to inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Micro-project the operations thereof and any relevant records and documents;

(e) the right of SAPR to obtain all information as SAPR or the Association shall reasonably request regarding the administration, operation and financial conditions of the Micro-project; and

(f) the right of SAPR to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the Micro-project upon the failure by the Beneficiary to perform any of its obligations under the Grant Agreement.

