

No. 4677

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
UNITED KINGDOM OF GREAT BRITAIN  
AND NORTHERN IRELAND**

**Guarantee Agreement—*Nigerian Railway Project* (with annexed Loan Regulations No. 4, exchange of letters and Loan Agreement between the Bank and the Federation of Nigeria). Signed at Washington, on 2 May 1958**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 17 February 1959.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
ROYAUME-UNI DE GRANDE-BRETAGNE  
ET D'IRLANDE DU NORD**

**Contrat de garantie — *Projet relatif aux chemins de fer nigériens* (avec, en annexe, le Règlement n° 4 sur les emprunts, un échange de lettres et le Contrat d'emprunt entre la Banque et la Fédération nigérienne). Signé à Washington, le 2 mai 1958**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 17 février 1959.*

No. 4677. GUARANTEE AGREEMENT<sup>1</sup> (*NIGERIAN RAILWAY PROJECT*) BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 2 MAY 1958

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AGREEMENT, dated May 2, 1958, between UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between Federation of Nigeria (hereinafter called the Borrower) and the Bank, which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-eight million dollars (\$28,000,000), on the terms and conditions set forth or referred to in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such loan;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>3</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>4</sup> to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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<sup>1</sup> Came into force on 3 July 1958, upon notification by the Bank to the Government of the United Kingdom of Great Britain and Northern Ireland.

<sup>2</sup> See p. 38 of this volume.

<sup>3</sup> See p. 34 of this volume.

<sup>4</sup> See p. 50 of this volume.

## Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* Whenever there is reasonable cause to believe that the Borrower will not have sufficient funds to carry out or cause to be carried out the Project in accordance with the Loan Agreement, the Guarantor will, in consultation with the Bank and the Borrower, take appropriate measures to assist the Borrower to obtain the additional funds necessary therefor.

## Article III

*Section 3.01.* It is the mutual understanding of the Guarantor and the Bank that, except as otherwise herein provided, the Guarantor will not grant in favor of any external debt any preference or priority over the Loan. To that end, the Guarantor undertakes that, except as otherwise herein provided or as shall be otherwise agreed between the Guarantor and the Bank, if any lien shall be created on any assets or revenues of the Guarantor as security for any external debt, such lien shall equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect. This Section shall not apply to the following :

- (a) the creation of any lien on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property;
- (b) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or
- (c) any pledge by or on behalf of the Guarantor of any of its assets in the ordinary course of banking business to secure any indebtedness maturing not more than one year after its date.

For the purposes of this Section the expression “ assets or revenues of the Guarantor ” shall include assets or revenues of any territorial subdivision of the Guarantor which has power to raise revenues by taxation and to charge such revenues or any of its assets as security for external debt.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully towards achievement of the purposes of the Loan. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) Within the limits of its constitutional powers, the Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor (including those of the Borrower) for purposes related to the Loan.

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Guarantor; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions now or at any time hereafter imposed under the laws of the Guarantor.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of the Treasury of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

H. M. Treasury  
Treasury Chambers  
Great George Street  
London, S.W. 1, United Kingdom

Alternative address for cablegrams and radiograms :

Profilist  
London

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 5.02.* The Ambassador of the Guarantor to the United States is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

United Kingdom of Great Britain and Northern Ireland :

By Harold CACCIA  
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP  
Vice President

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.*]

## EXCHANGE OF LETTERS

## I

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON 25, D. C.

May 1, 1958

Dear Mr. Thorold :

In connection with the Bank's proposed loan to the Federation of Nigeria, consideration has been given to the form of negative pledge undertaking to be included in the loan agreement.

The Bank wishes to be sure that the negative pledge undertaking will cover the assets of the Federal Government and of its agencies, including those assets which form the backing for the currency circulating in Nigeria and which might broadly be termed Nigeria's currency reserves. The purpose of this memorandum is to record the Bank's understanding as regards those assets.

The Bank's understanding is as follows :

- (a) that the currency presently circulating in Nigeria is that issued by the West African Currency Board under regulations of the Secretary of State for the Colonies; and that this currency is backed by assets which are held in the name of the Currency Board;
- (b) that the Federation has no power of disposal in respect of such assets in the hands of the Board;
- (c) that HMG regards the assets of the West African Currency Board as segregated for use only for the purposes of the Federation and the other West African territories and that such assets would not be used by HMG for its own purposes or encumbered by HMG either for its own account or for the account (whether joint or several) of any of the territories linked to the Currency Board;
- (d) that it is the intention that the Federation shall establish a Nigerian currency;
- (e) that it is the intention that a Central Bank, or other Nigerian currency authority, shall be established which will exchange existing Currency Board notes against the new Nigerian currency and present the Currency Board notes for redemption against sterling or other assets in accordance with applicable procedures;

- (f) that, when and to the extent that Nigerian currency takes the place of notes and coin of the Currency Board as legal tender in Nigeria, then sterling and other assets of the Currency Board equivalent to the value of the Board's currency presented by Nigeria for redemption will become assets of the Federal Government, or of the Central Bank or similar institution.

In sum, the Bank understands that the position regarding what may be termed the currency reserves of Nigeria is that, so long as they are in the hands of the Currency Board they are not capable of being pledged, and that, upon ceasing to be in the hands of the Currency Board, they will necessarily become assets of the Federal Government or of the Central Bank or similar institution and hence will be covered specifically by the language of the negative pledge clause. Since the Bank would proceed with the loan on this basis, it would welcome confirmation that this understanding is correct and that there is no other course that might be open.

Yours sincerely,

J. Burke KNAPP  
Vice President

G. F. Thorold, Esq., C.M.G.  
Economic Minister  
British Embassy  
Washington, D. C.

## II

BRITISH EMBASSY  
WASHINGTON

May 1, 1958

Gentlemen,

Thank you for your letter of today's date regarding Nigeria's currency reserves. I confirm that your understanding as set forth in your letter is correct, and that there is no other course that might be open other than those set out in your letter.

Yours sincerely,

G. F. THOROLD

The International Bank for Reconstruction  
and Development  
Washington 25, D. C.

LOAN AGREEMENT  
(NIGERIAN RAILWAY PROJECT)

AGREEMENT, dated May 2, 1958, between FEDERATION OF NIGERIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article I*

LOAN REGULATIONS; SPECIAL DEFINITION

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> to this Agreement (such Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* The term "the Corporation" means the Nigerian Railway Corporation established and incorporated under the Nigerian Railway Corporation Ordinance, 1955, as amended, of the Borrower.

*Article II*

THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-eight million dollars (\$28,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of five and three-eighths per cent ( $5\frac{3}{8}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

<sup>1</sup> See p. 34 of this volume.

<sup>2</sup> See p. 50 of this volume.



*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower undertakes that the proceeds of the Loan shall be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>2</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Corporation and the Bank, subject to modification by further agreement between them.

*Section 3.02.* The Borrower undertakes that all goods financed out of the proceeds of the Loan shall be imported into its territories and shall there be used exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Minister responsible for Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

### *Article V*

#### PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall make the proceeds of the Loan available to the Corporation on terms and conditions satisfactory to the Bank and undertakes that the Project shall be carried out by the Corporation with due diligence and efficiency and in conformity with sound engineering and financial practices.

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<sup>1</sup> See p. 48 of this volume.

<sup>2</sup> See p. 50 of this volume.

(b) The Borrower undertakes, whenever there is reasonable cause to believe that the funds available to the Corporation will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Corporation or cause the Corporation to be provided with such funds as are needed to meet such expenditures.

(c) The Borrower undertakes that the Corporation shall maintain its plant, equipment and other property and shall make all necessary renewals and repairs thereof, all in accordance with sound engineering practices; and that the Corporation shall at all times operate such plant, equipment and property in accordance with sound railway and business practices.

(d) The Borrower undertakes that there shall be furnished to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(e) The Borrower undertakes that there shall be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Corporation; that the Borrower shall enable or take such steps as may be necessary to enable the Bank's representatives to inspect the Project and all facilities operated by the Corporation, the goods and any relevant records and documents; and that there shall be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project and all facilities operated by the Corporation, the goods, all financial transactions between the Borrower and the Corporation and the operations and financial condition of the Corporation.

*Section 5.02.* (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other or cause to be furnished to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any agency of the Borrower (including assets of the Central Bank of Nigeria, or of any other institution performing similar functions) as security for any external debt, such lien will *ipso facto*

equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect. The Borrower further undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of any political subdivision of the Borrower or of any agency of any such political subdivision as security for any external debt, the Borrower will either (i) ensure that such lien equally and ratably secures the payment of the principal of, and interest and other charges on, the Loan and the Bonds, or (ii) give to the Bank an equivalent lien satisfactory to the Bank. The foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.04.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.05.* This Agreement, the Guarantee Agreement<sup>1</sup> and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 5.06.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 5.07.* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02

<sup>1</sup> See p. 26 of this volume.

of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1961.

*Section 7.02.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Section 7.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Federal Ministry of Finance  
Lagos, Nigeria

Alternative address for cablegrams and radiograms :

Permfir  
Lagos, Nigeria

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 7.04.* The Minister responsible for Finance of the Borrower is designated for the purposes of Section 8.03 (A) of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Federation of Nigeria :  
By F. Sam O. EBOH  
R. Amanze NJOKU  
Authorized Representatives

International Bank for Reconstruction and Development :  
By J. Burke KNAPP  
Vice President

## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 1, 1962 . . . . .	\$563,000	October 1, 1970 . . . . .	\$861,000
April 1, 1963 . . . . .	578,000	April 1, 1971 . . . . .	884,000
October 1, 1963 . . . . .	594,000	October 1, 1971 . . . . .	907,000
April 1, 1964 . . . . .	610,000	April 1, 1972 . . . . .	932,000
October 1, 1964 . . . . .	626,000	October 1, 1972 . . . . .	957,000
April 1, 1965 . . . . .	643,000	April 1, 1973 . . . . .	983,000
October 1, 1965 . . . . .	660,000	October 1, 1973 . . . . .	1,009,000
April 1, 1966 . . . . .	678,000	April 1, 1974 . . . . .	1,036,000
October 1, 1966 . . . . .	696,000	October 1, 1974 . . . . .	1,064,000
April 1, 1967 . . . . .	715,000	April 1, 1975 . . . . .	1,093,000
October 1, 1967 . . . . .	734,000	October 1, 1975 . . . . .	1,122,000
April 1, 1968 . . . . .	754,000	April 1, 1976 . . . . .	1,152,000
October 1, 1968 . . . . .	774,000	October 1, 1976 . . . . .	1,183,000
April 1, 1969 . . . . .	795,000	April 1, 1977 . . . . .	1,215,000
October 1, 1969 . . . . .	816,000	October 1, 1977 . . . . .	1,247,000
April 1, 1970 . . . . .	838,000	April 1, 1978 . . . . .	1,281,000

\* To the extent that any part of the loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1/2%
More than three years but not more than six years before maturity . . . . .	1 3/8%
More than six years but not more than eleven years before maturity . . . . .	2 3/8%
More than eleven years but not more than sixteen years before maturity . . . . .	3 3/8%
More than sixteen years but not more than eighteen years before maturity . . . . .	4 3/8%
More than eighteen years before maturity . . . . .	5 3/8%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project, which is part of the continuing development program of the Nigerian Railway Corporation, consists of :

(A) The completion of the Corporation's 1955-60 plan for the improvement of its existing railway system in accordance with a memorandum of even date delivered to the Bank by the Borrower. The 1955-60 plan comprises the following :

- (i) the acquisition of diesel locomotives and rolling stock;
- (ii) the strengthening and improvement of permanent way, including the relaying of track with heavier rail;
- (iii) the building of offices and quarters for employees of the Corporation;
- (iv) the improvement of telecommunications and of signalling facilities;
- (v) the remodelling, modernization and expansion of sidings, stations, yards and other terminal facilities;
- (vi) the modernization and expansion of maintenance and repair shops and other railway facilities.

It is expected that the 1955-60 plan will involve expenditures of approximately £12,100,000 during the fiscal years 1958-59 and 1959-60 and it is the intention that the plan will be completed by the end of 1960.

(B) The construction and equipment of a new extension, consisting of a single track 3' 6" gauge line about 400 miles long from Kuru, on the eastern main line, to Maiduguri in the province of Bornu, the acquisition of locomotives and rolling stock and the installation of stations, yards, sidings, telecommunications and other necessary operating facilities. It is the intention that the new extension, the remaining cost of which is estimated at approximately £19,000,000, will be completed by the end of 1963.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS NO. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) By the deletion of Section 2.02.

(b) By the deletion of the last sentence of Section 4.01 and the substitution therefor of the following sentence :

“ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to April 1, 1958, or (b) expenditures in currency of the Borrower or for goods produced in (including

services supplied from) the territories of the Borrower or (c) expenditures in the territories of any country which is not a member of the Bank or for goods produced in (including services supplied from) such territories.\* ”

(c) By the deletion of subparagraphs (d), (e) and (f) of Section 5.02 and the substitution therefor respectively of the following subparagraphs :

“ (d) An extraordinary situation shall have arisen which shall make it improbable that the Borrower or the Guarantor will be able to perform its obligations under the Loan Agreement or the Guarantee Agreement, or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement.

“ (e) The Borrower shall have taken or permitted to be taken any action or proceeding whereby the undertaking of the Corporation, or any substantial part of such undertaking, shall or may be assigned or in any manner transferred or delivered to any other person, or whereby any property of the Corporation shall or may be distributed among the creditors of the Corporation.

“ (f) If the Borrower or any governmental authority having jurisdiction shall take any action for the dissolution or disestablishment of the Corporation or for the suspension of its operations. ”

(d) By the deletion of Section 5.03 and the substitution therefor of the following new Section :

“ SECTION 5.03. *Cancellation by the Bank.* If the right of the Borrower to make withdrawals from the Loan Account shall have been suspended for a continuous period of thirty days, or if the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled. ”

(e) By the deletion of the last sentence of Section 7.04 (k) and the substitution therefor of the following sentence :

“ Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Borrower or Guarantor (as the case may be) except as such procedure may be available against the Borrower or Guarantor (as the case may be) otherwise than by reason of the provisions of this Section. ”

(f) By the deletion of the first sentence of Section 7.04 (l) and the substitution therefor of the following sentence :

“ (l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made upon the Bank and (to the extent that such proceeding is available against the Borrower or Guarantor) upon the Borrower or Guarantor in the manner provided in Section 8.01. ”

(g) By the insertion of the following new Section :

“ SECTION 8.03 (A). *Action on Behalf of Borrower.* Any action required or

permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder."

(h) By the deletion of the second sentence in paragraph 8 of Section 10.01 and the substitution therefor of the following sentences :

"Whenever reference is made to the currency of the Guarantor, the term 'currency' means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the United Kingdom. Whenever reference is made to the currency of the Borrower, the term 'currency' means coin or currency issued by the West African Currency Board, or such other coin or currency as may hereafter become legal tender for the payment of public or private debts in the territories of the Borrower."

(i) By the addition, in paragraph 9 of Section 10.01, of the following sentence :

"The term 'pounds sterling' and the sign '£' mean pounds in currency of the Guarantor."

(j) By the deletion, in paragraph 13 of Section 10.01, of the word "Guarantor" and the substitution therefor of the word "Borrower".

(k) By the deletion of paragraph 14 of Section 10.01 and the substitution therefor of the following paragraph :

"14. Where used in Section 3.01 of the Guarantee Agreement, the term 'external debt' means any debt payable in any medium other than currency of the Guarantor, whether such debt is payable absolutely or at the option of the creditor in such other medium; and, where used in Section 5.03 of the Loan Agreement, the term 'external debt' means any debt payable in any medium other than in currency of the Borrower, whether such debt is payable absolutely or at the option of the creditor in such other medium."

(l) By the deletion of the eighth paragraph of the Form of Bond set forth in Schedule 1 and the seventh paragraph of the Form of Bond set forth in Schedule 2 and the substitution therefor, in each such Schedule, of the following paragraph :

"The principal of the Bonds, the interest accruing thereon and the premium,



if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of [name of Guarantor], or of [the Borrower] or laws in effect in its territories; *provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of [name of Guarantor] on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [name of Guarantor] or (b) under the laws of [the Borrower] or laws in effect in its territories on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower].*”

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