

No. 11448

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
NIGERIA**

Loan Agreement—*Western State of Nigeria Cocoa Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Project Agreement between the Bank and the Western State of Nigeria). Signed at Washington on 23 June 1971

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 16 December 1971.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
NIGÉRIA**

Contrat d'emprunt—*Projet relatif à la production de cacao dans l'État occidental du Nigéria* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat relatif au Projet entre la Banque et l'État occidental du Nigéria). Signé à Washington le 23 juin 1971

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.

LOAN AGREEMENT¹

AGREEMENT, dated June 23, 1971, between FEDERAL REPUBLIC OF NIGERIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the Project described in Schedule 3 to this Agreement by making the Loan as hereinafter provided;

(B) The Project will be carried out by Western State of Nigeria (hereinafter called Western State) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Western State the proceeds of the Loan as hereinafter provided; and

(C) The Bank is willing to make a loan available upon the terms and conditions hereinafter set forth and in a project agreement of even date herewith² between the Bank and Western State;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions):

(a) Section 5.01 is deleted;

(b) Paragraph (i) of Section 6.02 is deleted and the following paragraph is substituted therefor:

“(i) Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred.”

(c) the words “, the Project Agreement” are added after the words “the Loan Agreement” wherever they occur in Sections 6.06, 9.01 and 9.03.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions 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 Western State of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement;

¹ Came into force on 5 November 1971, upon notification by the Bank to the Government of Nigeria.

² See p. 171 of this volume.

³ See p. 170 of this volume.

(b) "First Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Western State pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the First Subsidiary Loan Agreement;

(c) "Co-operative Trust" means Cooperative Investment and Trust Society Limited, registered under Section 7 (1) of the Co-operative Societies Law, Chapter XXVI of the Laws of Western Nigeria, 1959;

(d) "By-laws" means By-laws of the Co-operative Trust;

(e) "Second Subsidiary Loan Agreement" means the agreement to be entered into between Western State and Co-operative Trust pursuant to Section 2.04 (a) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Second Subsidiary Loan Agreement;

(f) "Subsidiary Loan Agreements" means the First Subsidiary Loan Agreement and the Second Subsidiary Loan Agreement;

(g) "Law" means the Co-operative Societies Law, Chapter XXVI of the Laws of Western Nigeria, 1959;

(h) "Regulations" means the Western Region Co-operative Societies Regulations of 1959, as amended;

(i) "MANR" means Ministry of Agriculture and Natural Resources of Western State;

(j) "Project Development Unit" means the unit to be established pursuant to Section 2.02 (a) of the Project Agreement and responsible to MANR;

(k) "Registrar" means registrar of the Co-operative Societies appointed under Section 3 of the Law and includes any person when exercising such powers of the registrar as may have been conferred upon him under that Section; and

(l) "Co-operative Society" means a Co-operative Society registered under Co-operative Societies Ordinance, Chapter 39, Laws of Nigeria, 1948, or under the provisions of the Law.

Article II. THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to seven million two hundred thousand dollars (\$7,200,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Loan Agreement and in respect of interest and other charges on the Loan; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories; provided, further, that except as

the Bank shall otherwise agree, no withdrawals shall be made from the Loan Account in respect of Category II (a) of Schedule 1 to this Agreement unless the Survey Coordinator provided for under Section 2.02 (b) (ii) of the Project Agreement shall have been appointed.

Section 2.03. The Closing Date shall be March 31, 1977 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 15 and August 15 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 2 to this Agreement.

Section 2.08. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.09. The Federal Commissioner for Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Section 2.10. The Permanent Secretary of Ministry of Finance of Western State and such other person or persons he shall authorize in writing are designated as representatives 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.

Article III. EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall exercise every right and recourse available to it to cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, agricultural and engineering practices, and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Loan to Western State on terms and conditions, and pursuant to a subsidiary loan agreement, satisfactory to the Bank.

(c) The Borrower shall exercise its rights under the First Subsidiary Loan 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 First Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable Western State to perform all of its obligations under the Project Agreement and the Subsidiary Loan Agreements and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. (a) Except as the Bank shall otherwise agree, the Borrower shall exercise every right and recourse available to it to cause the goods and services required for the Project and to be financed out of the proceeds of the Loan to be procured pursuant to the provisions set forth or referred to in Section 2.09 (a) of the Project Agreement.

(b) Except as the Bank shall otherwise agree, the Borrower shall exercise every right and recourse available to it to cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.03. The Borrower shall cause those of its agencies responsible for providing technical agricultural services and training facilities, including the Cocoa Research Institute of Nigeria, to cooperate with Western State, with any agency of Western State, and the Project Co-ordinating Committee specified under Section 2.05 of the Project Agreement to the extent necessary for the diligent and efficient carrying out of the Project.

Section 3.04. The Borrower undertakes to notify the Bank promptly of the introduction or revision of any taxes in respect of the production, marketing or exportation of cocoa.

Article IV. OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank; (ii) undertakes that if any such 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 the functions of a central bank for the Borrower) 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; and (iii) further undertakes that the Borrower will, within the limits of its constitutional powers, make the foregoing undertaking effective with respect to liens or assets of any of the Borrower's political subdivisions or of any agency of any such political subdivisions, and to the extent that the Borrower is unable within the limits of its constitutional powers to make such undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term “governmental assets” means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Central Bank of Nigeria or any institution performing the functions of a central bank for the Borrower.

Article V. CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by Western State of its obligations under the Project Agreement and Subsidiary Loan Agreements, the performance by the Co-operative Trust of its obligations under the Second Subsidiary Loan Agreement, the administration, operations and financial condition, in respect of the Project, of the departments or agencies of Western State responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and
- (b) 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall exercise every right and recourse available to it to cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition in respect of the Project, of the departments or agencies of Western State responsible for carrying out the Project or any part thereof.

(b) 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, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Loan Agreement or the performance by Western State of its obligations under the Project Agreement and the Subsidiary Loan Agreements.

Section 5.03. 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.

Article VI. TAXES AND RESTRICTIONS

Section 6.01. 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 imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of 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 6.02. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII. REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

- (a) A default shall occur in the performance of any obligation on the part of Western State under the Project Agreement.
- (b) A default shall occur in the performance of any obligation of the Borrower or of Western State under the First Subsidiary Loan Agreement.
- (c) A default shall occur in the performance of any obligation of Western State or of the Co-operative Trust under the Second Subsidiary Loan Agreement.
- (d) Co-operative Trust shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by Co-operative Trust or by others whereby any of the property of Co-operative Trust shall or may be distributed among its creditors.
- (e) The Law, the Regulations or the By-laws shall have been amended so as to affect materially and adversely the carrying out of the Project or the operations or financial condition of Co-operative Trust.
- (f) An extraordinary situation shall have arisen which shall make it improbable that Western State will be able to perform its obligations under the Project Agreement or the Subsidiary Loan Agreements.
- (g) An extraordinary situation shall have arisen which shall make it improbable that Co-operative Trust will be able to perform its obligations under the Second Subsidiary Loan Agreement.
- (h) The Borrower, Western State or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Co-operative Trust or for the suspension of its operations.

- (i) The Project Agreement or the Subsidiary Loan Agreements or any material provision thereof shall have been amended, suspended, abrogated or waived without the prior approval of the Bank.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) The event specified in Section 7.02 (a), (b), (c), (f), (g) or (h) 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 Western State.
- (b) The event specified in Section 7.02 (e) or (i) of this Agreement shall occur.

Article VIII. EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

- (a) The execution and delivery of the Project Agreement on behalf of Western State have been duly authorized or ratified by all necessary corporate and governmental action.
- (b) The execution and delivery of the First Subsidiary Loan Agreement on behalf of the Borrower and Western State respectively have been duly authorized or ratified by all necessary corporate and governmental action.
- (c) The execution and delivery of the Second Subsidiary Loan Agreement on behalf of Western State and the Co-operative Trust respectively have been duly authorized or ratified by all necessary corporate and governmental action.
- (d) The Project Development Unit has been established with the functions and powers as set forth in Schedule 1 to the Project Agreement.
- (e) The Project Co-ordinating Committee referred to in Section 2.05 of the Project Agreement has been established with membership and terms of reference acceptable to the Bank.
- (f) The Project Manager, the Deputy Project Manager, the Financial Controller and the Senior Credit Officer referred to in Section 2.02 (b) of the Project Agreement have been employed.
- (g) The By-laws have been amended to enable the Co-operative Trust to carry out the credit operations under the Project.

Section 8.02. The following are specified as additional matters, within the meaning of Section 11.02 (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, and executed and delivered on behalf of, Western State, and constitutes a valid and binding obligation of Western State in accordance with its terms.
- (b) That the First Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and Western State respectively, and constitutes a valid and binding obligation of the Borrower and Western State in accordance with its terms.

(c) That the Second Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Western State and Co-operative Trust respectively, and constitutes a valid and binding obligation of Western State and Co-operative Trust in accordance with its terms.

Section 8.03. The date October 1, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX. REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Federal Commissioner for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

The Permanent Secretary
Federal Ministry of Finance
Mosaic House, Tinubu Square
Lagos

Cable address:

Permfin
Lagos

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.

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

Federal Republic of Nigeria:

By J. T. F. IYALLA
Authorized Representative

International Bank for Reconstruction and Development:

By M. SHOAI B
Vice President

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 eligible expenditures so to be financed in each category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Cocoa planting and re-planting loans	3,300,000	80% of total expenditures (representing disbursements made by Project Development Unit)
II. Imported goods and services		100% of foreign expenditures for directly imported goods and services or 80% of total expenditures for imported goods procured locally
(a) Cocoa survey equipment and vehicles	100,000	
(b) Other imported equipment, vehicles and experts' services	700,000	
III. Project Development Unit-staff salaries and allowances, buildings and equipment	1,250,000	40% of total expenditures
IV. Interest and other charges on the Loan accrued on or before February 14, 1977	1,250,000	100% of foreign expenditures
V. Unallocated	600,000	
	7,200,000	
TOTAL	7,200,000	

2. For the purposes of this Schedule:

- (a) the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;
- (b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term "total expenditures" means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set

forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under any of the Categories I or III shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, by notice to the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

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>
August 15, 1977	155,000	August 15, 1984	250,000
February 15, 1978	160,000	February 15, 1985	260,000
August 15, 1978	165,000	August 15, 1985	270,000
February 15, 1979	170,000	February 15, 1986	280,000
August 15, 1979	175,000	August 15, 1986	290,000
February 15, 1980	180,000	February 15, 1987	300,000
August 15, 1980	190,000	August 15, 1987	310,000
February 15, 1981	195,000	February 15, 1988	320,000
August 15, 1981	205,000	August 15, 1988	335,000
February 15, 1982	210,000	February 15, 1989	345,000
August 15, 1982	220,000	August 15, 1989	360,000
February 15, 1983	225,000	February 15, 1990	370,000
August 15, 1983	235,000	August 15, 1990	385,000
February 15, 1984	240,000	February 15, 1991	400,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1 ¹ / ₄ %
More than three years but not more than six years before maturity	2 %
More than six years but not more than eleven years before maturity	3 ¹ / ₂ %
More than eleven years but not more than sixteen years before maturity	5 ¹ / ₄ %
More than sixteen years but not more than eighteen years before maturity	6 ¹ / ₄ %
More than eighteen years before maturity	7 ¹ / ₄ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is located in the Abeokuta, Ibadan, Oyo, Ondo and Ijebu Provinces of Western State, and consists of:

- A. The planting of approximately 16,500 acres of new cocoa, and the replanting of approximately 27,000 acres of old cocoa with high yielding cocoa varieties; and bringing these to maturity through, among other measures, the control of capsids and Blackpod disease, the use of fertilizers and the planting of plantain and pigeon peas for temporary shade;
- B. The provision of credit to farmers in the Project area for new planting and replanting of cocoa;
- C. The provision of training in modern techniques of cocoa production to Project field staff;
- D. The establishment and staffing of a Project Development Unit; and
- E. The provision of the vehicles and equipment required to prepare an investment project for a second stage of the cocoa rehabilitation and development program.

The Project is expected to be completed by September 30, 1976.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.]

PROJECT AGREEMENT

AGREEMENT, dated June 23, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and WESTERN STATE OF NIGERIA (hereinafter called Western State).

WHEREAS by a loan agreement of even date herewith¹ between Federal Republic of Nigeria (hereinafter called the Borrower) and the Bank (hereinafter referred to as the Loan Agreement), the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to seven million two hundred thousand dollars (\$7,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Western State agree to undertake such obligations toward the Bank as hereinafter set forth;

WHEREAS by a subsidiary loan agreement of even date herewith between the Borrower and Western State, the proceeds of the loan provided for under the Loan Agreement will be made available to Western State on the terms and conditions therein set forth; and

WHEREAS Western State, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. DEFINITIONS

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions² (as so defined) have the respective meanings therein set forth.

Article II. EXECUTION OF THE PROJECT

Section 2.01. Western State shall carry out the Project described in Schedule 3 to the Loan Agreement through the Project Development Unit with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 2.02. (a) Western State shall establish and maintain the Project Development Unit to be responsible for the execution of the Project. Except as the Bank shall otherwise agree, Western State shall cause the Project Development Unit (i) to be operated in accordance with the functions and powers, and to be provided with the staff, specified in Schedule 1 to this Agreement; and (ii) to maintain separate and distinct accounts reflecting expenditures on, and the results achieved by, the Project.

(b) Except as the Bank shall otherwise agree: (i) the persons proposed for initial appointment to the posts of the Project Manager, the Deputy Project Manager, the Financial Controller and the Senior Credit Officer of the Project Development Unit, their terms of reference and the terms and conditions of their employment shall be acceptable to the Bank and Western State; and (ii) Western State shall promptly (A) establish and maintain or cause to be established and maintained the position of a Survey Co-ordinator within MANR to co-ordinate field studies, prepare a second stage cocoa development project and to report to Western State thereon, and (B) make initial appointment to such position of a competent and qualified senior member of the staff of MANR upon terms and conditions and with terms of reference satisfactory to the Bank and Western State.

¹ See p. 160 of this volume.

² See p. 170 of this volume.

(c) Western State shall consult with the Bank about any changes in appointments to any of the positions specified in paragraph (b) of this Section sufficiently in advance of such appointments for the Bank to have adequate opportunity to comment on them.

Section 2.03. Without restriction or limitation upon the provisions of Section 2.01 of this Agreement, Western State shall establish or cause to be established a bank account (hereinafter called the Project Account) to be used exclusively to make payments for the cost of goods and services required on the part of the Project Development Unit to carry out the Project. Western State shall deposit or cause to be deposited, on a quarterly basis, in the Project Account such amounts as shall be required by the Project Development Unit to meet payments for the costs of the Project required on the part of the Project Development Unit to cover the forthcoming three months of such costs as estimated by the Project Manager of the Project Development Unit.

Section 2.04. (a) Western State shall lend in the currency of the Borrower amounts aggregating up to \$5,850,000 equivalent from the proceeds of the loan and from other funds available to it to Co-operative Trust under the First Subsidiary Loan Agreement. Such loan by Western State to Co-operative Trust shall take the form of transfers and disbursements by the Project Development Unit to farmers participating in the Project of (i) insecticides, sprayers, fertilizers, cocoa seedlings and other planting materials in kind and (ii) funds for hired labor, such transfers and disbursements being financed for the respective farmer by credit arrangements between the farmer and Co-operative Trust. Such loan by Western State to Co-operative Trust shall be on terms and conditions, and pursuant to a subsidiary loan agreement, satisfactory to the Bank.

(b) Except as the Bank shall otherwise agree, Western State shall ensure that the farmer receiving credit under the Project shall be a member, and shall continue until the full repayment of such credit to be a member, of a cocoa marketing co-operative society.

Section 2.05. Western State shall establish and maintain a Project Co-ordinating Committee, having terms of reference and a membership acceptable to the Bank, to coordinate the work of the ministries, agencies and organizations involved in the carrying out of the Project and to oversee the progress of the Project.

Section 2.06. (a) Western State undertakes that (i) existing subsidies for insecticides, fungicides and fertilizers will not be reduced without prior consultation with the Bank; and (ii) to notify the Bank promptly of any changes made in the existing cocoa marketing procedures, cocoa producer prices and taxes on sales of cocoa.

(b) Except as the Bank shall otherwise agree, Western State shall maintain provision of credits, subsidies and services to farmers for three years after completion of the Project to ensure that no farmer participating in the Project shall receive credits, subsidies and services under similar conditions for less than four years.

Section 2.07. Western State shall cause MANR to carry out on a continuing basis accepted Swollen Shoot Virus Disease control measures within such parts of the Project area as are outside the areas designated as areas of mass infection by MANR.

Section 2.08. Except as the Bank shall otherwise agree, Western State shall ensure that the Western Nigeria Marketing Board and Co-operative Trust make available to co-operative societies in the Project area promptly as needed the financing required by such co-operative societies to purchase the cocoa produced under the Project.

Section 2.09. (a) Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in

accordance with, and subject to, the provisions set forth in Schedule 2 to this Agreement.

(b) Western State shall insure or cause to be insured, or make or cause to be made adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan relented to it by the Borrower against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by Western State to replace or repair such goods.

(c) Except as the Bank may otherwise agree, Western State shall cause all goods and services financed out of the proceeds of the Loan relented to it by the Borrower to be used exclusively for the Project.

Section 2.10. (a) Western State shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and contract documents for the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) Western State shall: (i) maintain or cause to be maintained records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan relented to it by the Borrower, and to disclose the use thereof in the Project; (ii) enable the Bank's representatives to inspect the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan so relented to it and the goods and services financed out of such proceeds.

Section 2.11. Western State shall duly perform all its obligations under the Subsidiary Loan Agreements. Except as the Bank shall otherwise agree, Western Nigeria shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreements or any provision thereof.

Section 2.12. Western State shall (i) cause the Co-operative Trust to amend the By-laws to enable it to carry out credit operations provided for under the Project and to exercise other powers and functions necessary or incidental thereto, and (ii) promptly take or cause to be taken all measures as shall be necessary to ensure that farmers under the Project can receive credit from the Co-operative Trust.

Article III. FINANCIAL COVENANTS

Section 3.01. Except as the Bank shall otherwise agree, Western State shall have the accounts:

- (i) of the Project Development Unit audited annually by an independent accountant or accounting firm acceptable to the Bank; and
- (ii) of the co-operative societies (including Co-operative Trust) participating in the Project audited annually by the Registrar in accordance with the Law;

and shall (A) promptly after audited financial statements (balance sheet and related statement of earnings and expenses) of the Project Development Unit and of such co-operative societies (including Co-operative Trust) are available, and, except as the Bank shall otherwise agree, not later than four months after the close of the financial year to which they apply, transmit or cause to be transmitted to the Bank certified copies of such statements and signed copies of the related auditors' reports of such scope and in such detail as the Bank shall have reasonably requested and (B) furnish or cause to be furnished to the Bank such other information concerning the accounts and financial statements of the Project Development Unit and the audit thereof as the Bank shall from time to time reasonably request.

Article IV. CONSULTATION, INFORMATION AND INSPECTION

Section 4.01. The Bank and Western State shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and Western State shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of the Project Development Unit and the Co-operative Trust and other matters relating to the purpose of the Loan.

Section 4.02. The Bank and Western State shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the performance by either of them of its obligations under this Agreement, the performance by the Borrower and Western State of their respective obligations under the First Subsidiary Loan Agreement, or the performance by Western State and Co-operative Trust of their respective obligations under the Second Subsidiary Loan Agreement.

Article V. EFFECTIVE DATE; TERMINATION; CANCELLATION AND SUSPENSION

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Bank and of Western State thereunder shall terminate on the earlier of the following two dates:

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

(b) If the Loan Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Bank shall promptly notify Western State of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

Article VI. MISCELLANEOUS PROVISIONS

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the 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.

For Western State:

Permanent Secretary
Ministry of Finance
Ibadan
Nigeria

Cable address:

Permfina
Ibadan

Section 6.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Western State may be taken or executed by the Commissioner for Finance or such other person or persons as he shall designate in writing.

Section 6.03. Western State shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of the person or person who will, on behalf of Western State, take any action or execute any documents required or permitted to be taken or executed by Western State pursuant to any of the provisions of this Agreement.

Section 6.04. 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 representatives thereunto duly authorized, have caused this 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.

International Bank for Reconstruction and Development:

By M. SHOAB
Vice President

Western State of Nigeria:

By H. S. A. ADEDEJI
Authorized Representative

SCHEDULE 1

FUNCTIONS, POWERS AND STAFF FOR THE PROJECT DEVELOPMENT UNIT

A. *Functions and Powers*

The Project Development Unit shall be responsible for the carrying out of the Project on behalf of Western State and shall exercise, *inter alia*, the following functions and powers:

- (a) to approve all staff to be appointed or seconded to it as the case may be, and to remove from its service any person so appointed, or to return to the respective department any person so seconded, at any time;
- (b) to employ and discharge all monthly and daily paid staff as required for the proper carrying out of the Project;
- (c) to conclude such contracts and transactions as it may deem proper with the prior approval of the Commissioner of Agriculture and Natural Resources;
- (d) to open such bank accounts as are required for the proper execution of the Project;

- (e) to keep proper books of accounts and proper records, and to appoint an external auditor for the auditing of its accounts and for the discharge of such other accountancy and audit functions as it may determine ;
- (f) to maintain its own transport facilities;
- (g) to furnish quarterly reports of its activities to the Bank and the Borrower; and
- (h) to furnish a report of its activities during the preceding financial year together with an audited statement of accounts in respect of that year to the Bank and the Borrower not later than four months after the end of the financial year.

B. Staff

The Project Development Unit shall be directed by a Project Manager who shall be responsible, through the Permanent Secretary of MANR, to the Commissioner of Agriculture and Natural Resources of Western State. The Project Manager shall be assisted by a Deputy Project Manager, a Financial Controller, an Accountant and a Senior Credit Officer.

Field management shall be carried out through offices located at Ibadan, Ilesha, Abeokuta and Akure and controlling field operational units.

The following staff shall be made available to the Project Development Unit by MANR.

Title	Number	Project Year in Which Required			
		1	2	3	4
Agricultural Officers	5	4	1	—	—
Agricultural Superintendents	24	12	4	2	6
Agricultural Assistants	100	60	—	—	30
Special Laborers	300	180	—	30	90

Four Loan Officers shall be seconded to the Project Development Unit from Co-operative Trust.

SCHEDULE 2

PROCUREMENT

1. With respect to equipment, vehicles, fertilizers and insecticides included in Categories I and II of Schedule 1 to the Loan Agreement: (i) individual contracts shall be of size sufficiently large so as not to discourage potential bidders or to impede an economical and diligent carrying out of the Project; and (ii) where any contract is estimated to cost U.S. \$10,000 equivalent or more:

(a) If bidders are required to pre-qualify, Western State shall, before qualification is invited, inform the Bank, or cause the Bank to be informed in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of pre-qualified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for pre-qualification, shall be furnished to the Bank for its comments before the applicants are notified and Western State shall make or cause to be made such additions or deletions from the said list as the Bank shall reasonably request.

(b) Before bids are invited, Western State shall furnish, or cause to be furnished to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or

procedure as the Bank shall reasonably request. Any further modification or addition to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, Western State shall, before a final decision on the award is made, inform the Bank, or cause the Bank to be informed of the name of the bidder to whom the award of the contract is intended and shall furnish, or cause to be furnished to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Bank shall promptly inform Western State whether it has any objection to the intended award and shall state the reasons for any such objection it may have.

(d) If the contract shall be awarded over the Bank's objection or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

(e) Copy of the contract shall be furnished to the Bank promptly after its execution.

2. With respect to any other contract for equipment, vehicles, fertilizers and insecticides included in Categories I and II, Western State shall, promptly after the contract is awarded, furnish, or cause to be furnished to the Bank copy of the contract as well as copy of the record of public opening of the bids, and the bid evaluation report. The Bank shall promptly inform Western State if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* and, in such event, no expenditures under such contract shall be financed out of the proceeds of the Loan.

3. Contracts for Project Development Unit Buildings and Equipment included in Category III shall be awarded on the basis of local competitive bidding in accordance with Western State regulations, as the same may be modified, in respect of the Project, with the consent of the Bank.

4. Copy of any contract with respect to goods and services included in Category III shall be furnished to the Bank promptly after its execution.

5. The insecticide to be used by Project area farmers shall be "Gammalin" or other insecticide satisfactory to Western State and shall be procured by the farmers from the Project Development Unit.

6. Farmers shall procure cocoa seedlings and other planting materials from Project nurseries maintained by the Project Development Unit, and insecticides, sprayers, and fertilizers shall be procured from the Project Development Unit.
