

LOAN NUMBER 3125 UNI

Loan Agreement

(Essential Drugs Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 7, 1990

LOAN NUMBER 3125 UNI

LOAN AGREEMENT

AGREEMENT, dated May 7, 1990, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Parts A through D of the Project will, except as otherwise provided, be carried out by Bendel, Cross River, Kwara and Gongola States of Nigeria (the Project States) with the Borrower's assistance and, as part of such assistance, the Borrower will relend to the Project States proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Bank and the Project States;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, (the General Conditions) constitute an integral part of this Agreement.

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 Agreements" means the agreements between the Bank and the Project States as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements;

(b) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and the Project States pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreements;

(c) "FMOH" means the Federal Ministry of Health of the Borrower;

(d) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement or Section 2.06 of the Project Agreements;

(e) "Federal Drug Revolving Fund" means the drug revolving fund referred to in Section 3.01 (f) of this Agreement;

(f) "Annual Project Performance Audit" means the audit referred to in Section 3.02 of this Agreement;

(g) "Project" means with respect to: (i) the Borrower, Parts A (1) (b) and (a) and A (2); B (2), (3) and (4); C (1) and (3); and D (2) and (3) of the Project; and (ii) the Project States, Parts A (1); B (1) and (3); C (1) and (2); and D (1) of the Project;

(m) "Essential Drugs List" means the respective essential drugs list of the Borrower and of each of the Project States satisfactory to the Bank; and

(n) "Naira" means the currency of the Borrower.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixty- eight million one hundred thousand dollars (\$68,100,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain (or cause to be opened and maintained) in dollars special accounts for FMOH and the Project States in commercial or merchant banks on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement and Schedule 2 to the Project Agreements.

Section 2.03. The Closing Date shall be June 30, 1997 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior

to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed;
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank; and
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project; Use of Proceeds of the Loan

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, public health and pharmaceutical practices. The Borrower shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall within the limits of its constitutional powers cause the Project States to perform in accordance with the provisions of the Project Agreements all the obligations of the Project States therein set forth, shall take or cause to be taken all action, necessary or appropriate to enable the Project States to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The Borrower shall through FMOH: (i) provide in its annual budget amounts sufficient to cover the Borrower's counterpart contributions to the costs of the Project; (ii) open and maintain at a commercial or merchant bank two project accounts (the FMOH Project Accounts) to be used exclusively for expenditures relating to (A) the Borrower's technical support for the essential drugs programs of the Project States and the Local Government Administrations (the FMOH Project Account A); and (B) the essential drugs program of the Borrower (the FMOH Project Account B); and (iii) pay each quarter into the FMOH Project Accounts initial amounts (representing 25% of the Borrower's counterpart contributions to the first year's Project costs) of Naira 300,000 for the FMOH Project Account A, and Naira 1,000,000 for the FMOH Project Account B; and (iv) thereafter pay into the FMOH Project Accounts (not later than the quarter immediately following the quarter in which the Loan Agreement becomes effective) the respective counterpart contributions of the Borrower, adjusted to take account of any payments of the initial amounts specified above. The Borrower and the Bank presently estimate the said counterpart contributions to amount to \$6,700,000 equivalent over the Project period.

(d) The Borrower shall relend to the Project States the proceeds of the Loan allocated to the Project States under Categories (1), (2), (3) and (4) in Schedule 1 to this Agreement under subsidiary loan agreements (the

Subsidiary Loan Agreements) to be entered into between the Borrower and the Project States on terms and conditions which shall have been approved by the Bank including: (i) annual interest at the variable rate provided for in Section 2.05 of this Agreement; (ii) repayment of principal in not more than 20 years (including a maximum of 5 years of grace); (iii) payment by each Project State, at the rate specified in Section 2.04 of this Agreement, of a commitment charge on the principal amount of the proceeds of the Loan relented to it and not withdrawn from time to time; and (iv) provisions requiring each Project State to assume foreign exchange risks on the proceeds of the Loan relented to it.

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

(f) The Borrower shall through FMOH establish and thereafter with the participation of its teaching and specialist hospitals maintain for the Federal hospitals a drug revolving fund (the Federal Drug Revolving Fund) in accordance with procedures satisfactory to the Bank.

Section 3.02. The Borrower shall: (i) through FMOH carry out annually a project performance audit (the Annual Project Performance Audit) satisfactory to the Bank; and (ii) no later than six months after the end of each fiscal year furnish to the Bank a report satisfactory to the Bank on the Annual Project Performance Audit.

Section 3.03. Except as the Bank 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 Loan shall be governed by the provisions of Schedule 4 to this Agreement and Schedule 3 to the Project Agreements.

Section 3.04. The Borrower shall carry out the actions described in Schedule 6 to this Agreement to the satisfaction of the Bank.

Section 3.05. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by each Project State pursuant to Section 2.03 of the Project Agreements.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts (including the Special Accounts, the FMOH Project Accounts and the Federal Drug Revolving Fund Account) reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section for each fiscal year audited, in

accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (a) The Project States shall have failed to perform any of their obligations under the Project Agreements;
- (b) The Borrower and the Project States shall have failed to perform their obligations under the Subsidiary Loan Agreements; and
- (c) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project States will be able to perform their obligations under the Project Agreements and the Subsidiary Loan Agreements.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely the event specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date: Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) at least one Project State has executed a Subsidiary Loan Agreement;
- (b) two suitably qualified persons have been appointed and assigned as coordinators of the Project activities of: (i) FMOH's Department of Food and Drug Administration and Control; and (ii) FMOH's Department of Hospital Services and Training
- (c) at least one Project State which has executed a Subsidiary Loan Agreement has opened a State Project Account and paid in the initial amount required under Section 2.01 (b) of the Project Agreements; and
- (d) the Borrower has established the FMOH Project Accounts and paid in the initial amounts required under Section 3.01 (c) of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that a Project Agreement has been duly authorized or ratified by a Project State and is legally binding on the said Project State in accordance with its terms; and

(b) that a Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and a Project State and is legally binding on the Borrower and the Project State in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economic Development of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Honourable Minister
Federal Ministry of Finance and
Economic Development
P.M.B. 12591
Federal Secretariat, Ikoyi
Lagos, Nigeria

Cable address:

Telex:

FEDMINFIN
Lagos

21248 (ITT)

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

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

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

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hamzat Ahmadu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Essential drugs seed stock:		100% of foreign expenditures and 85% of local expenditures
(a) Bendel State	5,700,000)	
)	
(b) Cross River State	8,500,000)	
)	
(c) Gongola State	6,900,000)	
)	
(d) Kwara State	3,500,000)	
)	
(e) FMOH	15,100,000)	
(2) Vehicles, equipment and materials:		100% of foreign expenditures and 85% of local expenditures
(a) Bendel State	1,600,000)	
)	
(b) Cross River State	800,000)	
)	
(c) Gongola State	1,200,000)	
)	
(d) Kwara State	600,000)	
)	
(e) FMOH	2,500,000)	
(3) Consultants, ser- vices, fellowships and studies:		100%
(a) Bendel State	700,000)	
)	
(b) Cross River State	800,000)	
)	
(c) Gongola State	500,000)	
)	
(d) Kwara State	300,000)	
)	
(e) FMOH	1,800,000)	
(4) Civil works:		
(a) Project		

States (Central Medical Stores only):		
(i) Bendel State	100,000)	
)	
(ii) Cross River State	300,000)	
)	
(iii) Gongola State	100,000)	
)	
(iv) Kwara State	300,000)	85%
)	
(b) FMOH	1,300,000)	
(5) Future pro- ject pre- paration funds (FMOH)	600,000	100%
(6) Unallocated:		
(a) Bendel State	1,700,000	
(b) Cross River State	3,500,000	
(c) Gongola State	3,000,000	
(d) Kwara State	1,100,000	
(e) FMOH	5,600,000	
TOTAL	68,100,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of Categories (2), (3) and (4) on account of payments made for expenditures before that date but after April 1, 1989 in aggregate amounts not exceeding the equivalent of (i) \$500,000 for Bendel State, (ii) \$600,000 for Cross River State, (iii) \$800,000 for Gongola State; (iv) \$500,000 for Kwara State; and (v) \$300,000 for FMOH.

(b) in respect of expenditures made by a Project State under any Category unless: (i) a Project Agreement has been executed on behalf of the Project State and an opinion has been furnished to the Bank stating that the Project Agreement has been duly authorized or ratified by the Project State and is legally binding on the Project State in accordance with its terms; and (ii) a Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Project State and an opinion has been furnished to the Bank stating that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the Project State and is legally binding on the Borrower and the Project State in accordance with its terms; and

(c) in respect of expenditures made by a Project State or, as the case may be, FMOH in respect of essential drugs seed stock under Category (1):

(i) for any year of the Project unless (A) the Project State or, as the case may be, FMOH has furnished the Bank with estimates of essential drugs seed stock requirements satisfactory to the Bank showing the quantities and amounts of essential drugs seed stock required for that year by the Project State or, as the case may be, FMOH, and (B) the Project State concerned or, as the case may be, FMOH has established a system for managing the recovery of drug

costs satisfactory to the Bank including in the case of the Project State the appointment of a suitably qualified financial controller; and

- (ii) in amounts in excess of those set out in the estimates for essential drugs seed stock requirements furnished to and agreed with the Bank pursuant to sub-paragraph (c)(i) of this paragraph.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) provide the public with access to a sustainable supply of safe, effective and affordable drugs; (ii) improve the skills of health workers in providing drugs; (iii) educate patients and the public in the proper use of drugs; and (iv) reorganize and strengthen the institutions responsible for the carrying out of essential drugs programs.

The Project consists of the following Parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve the objectives of the Project.

Part A: Supply of Safe Drugs

(1) (a) Development by the Project States of improved procedures for the selection, quantification and procurement of drugs, including: (i) preparation and maintenance in each Project State of an essential drugs list satisfactory to FMOH and the Bank; (ii) production and distribution of standard procurement manuals; and (iii) provision to each Project State of communication equipment and staff with commercial skills.

(b) Provision to the public of a sustainable supply of safe, effective and affordable drugs.

(c) Improving drug storage and distribution in the Project States including: (i) upgrading, re-equipping or construction of each Project State's Central Medical Stores; (ii) rehabilitation, construction and equipping of zonal and Local Government Administration medical stores; (iii) provision of refrigeration, low-cost cooling systems and stand-by generators for the medical stores and facilities; (iv) the provision of a small number of vehicles and/ or rehabilitation of existing vehicles; and (v) production and distribution of forms and manuals on supply management.

(d) Monitoring drug quality in the Project States, including the provision of transport and materials to field supervisors assigned to check the adequacy of storage procedures and conditions and inventory management.

(e) Program to recover drug replacement costs incurred by the Borrower and the Project States, including: (i) the establishment of drug revolving funds (DRFs); (ii) provision of financial managers and (in the case of the Project States) professional accountants to assist in the operation and management of DRFs; (iii) provision to the DRFs of equipment (e.g., computers, safes and strong boxes); (iv) preparation for the DRFs of financial management systems and distribution to the DRFs of forms and manuals on financial management and supply; (v) training of the staff of DRFs; and (vi) annual audits of DRFs.

(2) (a) Strengthening by the Borrower of Federal drug procurement institutions, including: (i) establishment of a Central Drug Procurement Unit in FMOH and rehabilitation of an office block for the Central Drug Procurement Unit; (ii) provision of computers, software and office and communication equipment; (iii) development by the Borrower of a procurement information service; (iv) upgrading of the Federal drug production unit at Yaba through the provision of matching equipment, reference materials and, for one year, raw materials; and (v) provision in six Federal regional hospitals of basic equipment and raw materials for blending pharmacies.

(b) Improving drug storage and materials handling by Federal health institutions and workers including: (i) upgrading and reequipping of the Federal Medical Stores; (ii) construction, equipping and staffing of two

Federal regional stores at Kano and Port Harcourt; and (iii) provision of vehicles to collect and deliver drugs to Federal hospitals.

(c) Monitoring drug quality by Federal health institutions, including: (i) upgrading of the quality assurance laboratory in Yaba, construction of a new regional laboratory in Kaduna and provision for the Kaduna and Yaba laboratories of staff, equipment, reference standards, reagents and other chemicals, books and journals; (ii) provision of vehicles, office equipment and staff for the Inspectorate Unit of FMOH; (iii) construction, equipping and staffing of three basic testing laboratories in Warri or Calabar, Kano and Port Harcourt; and (iv) provision of staff, reference books and periodicals and data processing and office equipment to the Drugs Registration and Information Unit of FMOH.

Part B: Improving Health Workers Skills

(1) Improving health workers skills at the State and Local Government levels in the Project States, including: (i) in-service training of health workers in (A) the proper use of drugs, (B) cost recovery and operation of DRFs, (C) communication skills, and (D) management of drugs and other supplies; (ii) workshops, initial training and periodic refresher training for health workers; (iii) provision of training Materials and equipment (e.g., audio visual equipment and generators and a therapeutic manual for every health worker); (iv) appointment of a training coordinator in each Project State; and (v) fellowships for core staff.

(2) (a) Intensive training by FMOH's Department of Primary Health Care (DPHC) on a multi-state basis of core staff assigned to State essential drugs programs.

(b) Conduct by DPHC of workshops for selected university and private sector health specialists to prepare them to support the essential drugs programs of the States.

(c) Preparation by DPHC of prototype training materials on essential drugs for use by the Project States.

(d) Training of staff of the Federal teaching and specialist hospitals in essential drugs management.

(e) Specialized overseas training of selected staff of the Drug Registration and Information Unit, Inspectorate and Quality Assurance Laboratories and the Essential Drugs Unit (DPHC) of FMOH.

(3) Revision of curricula in health sciences at schools of medicine, nursing and pharmacy of the Borrower and the Project States including: (i) adjustment of curricula in approximately 13 schools of medicine, 40 schools of nursing and 6 schools of pharmacy; (ii) introducing the teaching of essential drugs as a subject in primary health care training programs; and (iii) development for the schools of appropriate instructional materials.

(4) Establishment by the Borrower of small drug information units in the Federal Hospitals, including: (i) provision of computers and software, office equipment, stationery and other supplies; and (ii) publication by FMOH's Drug Registration and Information Unit of professional bulletins and newsletters on drugs.

Part C: Changing Drug-Related Attitudes

(1) Provision at the Federal, State and Local Government levels of information, education and communication activities to convey to users of health services the benefits of proper drug use and the need for cost recovery.

(2) (a) Production in each of the Project States of mass media materials and educational aids.

(b) Appointment in each of the Project States of an information, education, communication coordinator.

(c) Workshops in each of the Project States to educate officials,

Local Government chairmen and councillors, religious and traditional leaders, private practitioners, pharmacists and other influential leadership groups in proper drug use and practices.

(3) Production and distribution by the Borrower of materials for educating users of health services (e.g., radio and video programs, educational aids and simple handouts on major diseases and proper drug use) and conduct of a national campaign on proper drug use.

Part D: Strengthening Institutional Capacity and Future Project Preparation

(1) Strengthening by the Project States of the capacity of State and local level health institutions to carry out essential drugs programs including: (i) consolidation of existing drug supply activities of the State Ministries of Health, the State Hospital Management Boards and the Local Government Administrations; (ii) establishment of core units to manage the State Essential Drugs Programs (SEDPS); (iii) audits of the SEDPS; and (iv) provision of office equipment, furniture, vehicles and specialized training.

(2) Strengthening by the Borrower of the capacity of Federal health institutions to carry out essential drugs programs including: (i) a modest addition to the staff of FMOH's Department of Food and Drug Administration and Control and of Hospital Services and Training; (ii) feasibility studies of drug production in the private and public sectors; and (iii) a program of institutional review and development activities, including an assessment of indigenous skills and resources available to strengthen management capabilities in the health sector.

(3) Assisting other States of Nigeria to prepare future State essential drugs programs.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
January 15, 1995	1,250,000
July 15, 1995	1,300,000
January 15, 1996	1,350,000
July 15, 1996	1,400,000
January 15, 1997	1,455,000
July 15, 1997	1,510,000
January 15, 1998	1,565,000
July 15, 1998	1,625,000
January 15, 1999	1,690,000
July 15, 1999	1,755,000
January 15, 2000	1,820,000
July 15, 2000	1,890,000
January 15, 2001	1,960,000
July 15, 2001	2,035,000
January 15, 2002	2,115,000
July 15, 2002	2,195,000
January 15, 2003	2,280,000
July 15, 2003	2,365,000
January 15, 2004	2,455,000
July 15, 2004	2,550,000
January 15, 2005	2,650,000
July 15, 2005	2,750,000
January 15, 2006	2,855,000
July 15, 2006	2,965,000
January 15, 2007	3,080,000
July 15, 2007	3,195,000
January 15, 2008	3,320,000
July 15, 2008	3,445,000
January 15, 2009	3,575,000

July 15, 2009

3,700,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).
2. Bidders for contracts to manufacture or supply drugs required under the Project shall be prequalified as described in paragraph 2.10 of the Guidelines.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Nigeria may be granted a margin of preference in accordance with, and subject to the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. (a) Goods (other than drugs) procured by FMOH and estimated to cost an amount equivalent to \$60,000 or more but less than \$300,000 per bid package up to an aggregate amount not to exceed \$1,500,000 equivalent and all works may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures

satisfactory to the Bank.

(b) Drugs procured by FMOH estimated to cost an amount equivalent to \$300,000 or less per bid package up to an aggregate amount not to exceed \$1,100,000 equivalent may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank.

2. Drugs required in health emergencies duly declared by Federal or State authorities and items or groups of items (other than drugs) estimated to cost an amount equivalent to less than \$60,000 up to an aggregate amount not to exceed \$1,500,000 may be procured by the Borrower under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three local or international suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. The following items may be purchased by direct contracting from original suppliers or sources in accordance with paragraph 3.5 (b) and (c) of the Guidelines: (i) books, journals and other items of a proprietary nature obtainable only from one source; and (ii) additional equipment compatible with existing equipment and spare parts available from a sole source.

Part D: Review by the Bank of Procurement Decisions

1. Review of Prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and proposed awards and final contracts:

(a) With respect to goods estimated to cost per bid package: (i) in the case of FMOH \$500,000 equivalent or more; and (ii) in the case of a Project State: (A) \$300,000 or more equivalent for drugs; and (B) \$100,000 or more equivalent for goods (other than drugs) the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding subparagraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) Notwithstanding the provisions of subparagraphs (a) and (b) above, the first bidding documents prepared by FMOH or a Project State under both local and international competitive bidding procedures shall be subject to prior review by the Bank.

(d) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.02 (b) (ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of para. graph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ, or cause to be employed, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance

with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

FMOH Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Loan Account and deposited into the Special Account for FMOH pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

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

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

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

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

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

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

SCHEDULE 6

Actions Referred to in Section 3.04 of this Agreement

1. (a) The Borrower shall prepare and furnish to the Bank no later than January 1, 1991 proposals satisfactory to the Bank for the systematic updating of its Essential Drugs List (the Federal Essential Drugs List).

(b) The Borrower shall not revise the Federal Essential Drugs List more than once every year.

(c) The Borrower shall furnish to the Bank for its review and comments any revisions the Borrower proposes to make in the Federal Essential Drugs List.

(d) The Borrower undertakes that only drugs listed on the Federal Essential Drugs List shall be procured and financed out of the proceeds of the Loan.

(e) The Borrower shall ensure that the Federal Drug Revolving Fund is adequately funded in accordance with the principle of full cost recovery.

2. The Borrower shall: (i) no later than October 31 of 1990 and of each year thereafter furnish to the Bank in respect of the Project its work program and budget for the year of the Project following the year in which the work program and budget are furnished; and (ii) no later than January 1, 1991 commence the following actions to assist the Federal hospitals in the effective provision of drugs: (A) distribute to the Federal hospitals initial drafts of the three basic procedural manuals on procurement, supplies management, and cost recovery; (B) make available to the Federal hospitals, initial patient education materials; and (C) undertake in-service training on essential drugs of hospital staff responsible for out-patient

services.

