

CONFORMED COPY

LOAN NUMBER 3034 UNI

(Imo Health and Population Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 2, 1989

LOAN NUMBER 3034 UNI

LOAN AGREEMENT

AGREEMENT, dated May 2, 1989, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Part A of the Project will be carried out by Imo State of Nigeria (Imo State) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Imo State part of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agree-

ment of even date herewith between the Bank and Imo State;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and Imo State of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Imo State 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 to the Subsidiary Loan Agreement;

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

(d) "SMOH" means the Ministry of Health of Imo State;

(e) "PSC" means the Imo State Interministerial Project Steering Committee referred to in Part A (2)(C) of the Project and in Section 2.01 (c) of the Project Agreement;

(f) "ICC" means the Imo State Interministerial Project Coordinating Committee referred to in Part A (2)(D) of the Project and in Section 2.01 (c) of the Project Agreement;

(g) "HFSC" means the Imo State Health Finance Steering Committee referred to in Part A (2)(F) of the Project and in Section 2.01 (c) of the Project Agreement;

(h) "PCU" means the Project Coordination Unit referred to in Section 2.01 (e) of the Project Agreement;

(i) "Imo State Project Account" means the project account referred to in Section 2.01 (b) of the Project Agreement;

(j) "FMOH Project Account" means the project account referred to in Section 3.01 (c) of this Agreement;

(k) "Special Account" means an account referred to in Section 2.02 (b) of this Agreement; and

(l) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated February 3, 1988, and April 28, 1988, between the Borrower and the Bank.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to twenty seven million six hundred thousand dollars (\$27,600,000).

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 in dollars two special accounts in commercial banks on terms and conditions satisfactory to the Bank. One of the Special Accounts shall be used for purposes of Part A of the Project and the other Special Account shall be used for purposes of Part B of the Project. Deposits into, and payments out of, a Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1995 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 percent ($3/4$ 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.
- (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 May 15 and November 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

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

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

(c) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall: (i) under a specific sub-head of estimate in the budget provide amounts sufficient to cover the Borrower's counterpart contribution to the costs of the Project, (ii) open and maintain a project account (the FMOH Project Account) to be used exclusively to meet expenditures for Part B of the Project, and (iii) thereafter promptly pay each quarter of the year: (A) into the Imo State Project Account, the Borrower's counterpart contribution to the costs for that quarter of Part A of the Project, and (B) into the FMOH Project Account, the Borrower's counterpart contribution to the costs for that quarter for Part B of the Project. The said quarterly payments shall commence in the quarter immediately following the quarter in which the Loan becomes effective and shall be made no later than the first month of the quarter. The Borrower and the Bank presently estimate the Borrower's counterpart contribution to the costs of the Project to amount to \$4,300,000 equivalent over the project period.

(d) The Borrower shall relend to Imo State out of the proceeds of the Loan an amount equivalent to twenty-two million three hundred thousand dollars (\$22,300,000) or such other amounts as shall be allocated to Categories (1), (2), (3), (4) and (6) in Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and Imo State, under terms and conditions which shall have been approved by the Bank which shall include provisions requiring (i) repayment of principal in 20 years (including 5 years of grace), (ii) annual interest at the variable rate provided for in Section 2.05 of this Agreement, and (iii) the bearing by Imo State of any foreign exchange risk.

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

Section 3.02. 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 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by Imo State pursuant to Section 2.03 of the Project Agreement.

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 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 and those for the Special Accounts 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) Imo State shall have failed to perform any of its obligations under the Project Agreement;
- (b) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that Imo State will be able to perform its obligations under the Project Agreement; and
- (c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of Imo State or for the suspension of its operations.

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

Borrower.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Imo State;

(b) Imo State has approved and furnished to the Bank a statement on essential drug policy satisfactory to the Bank and the Borrower;

(c) Imo State has employed and assigned to PCU the senior accountant, the community development officer and the architect referred to in Section 2.01 (e) of the Project Agreement; and

(d) Imo State has opened the Imo State Project Account and paid into it an initial amount equivalent to \$100,000 as required by Section 2.01 (b) of the Project 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 the Project Agreement has been duly authorized or ratified by Imo State, and is legally binding upon Imo State in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Imo State and is legally binding upon the Borrower and Imo 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
PMB 12591
Federal Secretariat, Ikoyi
Lagos, Nigeria

Cable address:

FEDMINFIN
Lagos

Telex:

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:

INTBAFRAD
Washington, D.C.

Telex:

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

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

FEDERAL REPUBLIC OF NIGERIA

By /s/ Hamzat Ahmadu
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Edward V. K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works for Part A of the Project	7,400,000	80%
(2) Consultants' services, foreign fellowships and studies under Part A of the Project	1,300,000	100%
(3) Vehicles and equipment for Part A of the Project	4,200,000	100%
(4) Drugs and supplies under Part A of the	8,700,000	100%

Project		
(5) Cost of preparing future health projects and health planning assistance under Part B of the Project	3,100,000	75%
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(6) Refunding of Project Preparation Advance	700,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	2,200,000	
TOTAL	27,600,000	

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

(i) in respect of payments made for expenditures prior to the date of this Agreement; or

(ii) in respect of expenditures for drugs under Category (4) unless the drug revolving fund has been established under Part A (3) (A) of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist in the improvement of health and nutrition in Imo State; (ii) to assist Imo State and its local government authorities to plan, execute, monitor and evaluate health, nutrition and family planning policies and programs; (iii) to assist FMOH's programs which support (A) the formulation and development of national strategies and plans of action for carrying out national health and population policies, and (B) the preparation of health, population and nutrition projects for internal and external financing.

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

Part A: Imo State Activities

(1) Assistance to local government authorities of Imo State to plan, execute, monitor and evaluate community-based health, family planning and nutrition activities including:

(A) training of staff of Health Units in supervision and management skills and techniques; and

(B) provision to Health Units of equipment, vehicles, training materials and logistical support.

(2) Assistance to Imo State's Ministry of Health (SMOH) to: (i) coordinate, and provide technical support and training for, primary health care; (ii) plan, manage, monitor and evaluate the delivery of health services; and (iii) improve SMOH's financial

management and resource mobilization capabilities, including:

- (A) the reorganization of SMOH's Public Health Division into the following four units, namely: (i) Primary Health Care Coordination Unit; (ii) School Health Unit; (iii) Information, Education and Communication Unit; and (iv) Environmental and Public Health Unit;
 - (B) provision to SMOH's Public Health Division of vehicles, equipment and training materials;
 - (C) establishment of the Imo State Interministerial Project Steering Committee (PSC) to oversee overall senior-level policy coordination of the various components of Part A of the Project;
 - (D) establishment of the Imo State Interministerial Coordinating Committee (ICC) as an advisory body to SMOH with functions which shall include assisting SMOH in the preparation of the annual work plan for Part A of the Project;
 - (E) development and implementation of a management monitoring and evaluation system including the provision of micro-computing and office equipment, staff training and the carrying out of operations research;
 - (F) establishment of the Imo State Health Finance Steering Committee (HFSC) as an advisory body to SMOH with functions which shall include assisting SMOH in the preparation of the annual financial plan for the health sector; and
 - (G) strengthening of SMOH's accounts and audit units including the provision of micro-computer facilities, furniture and basic office equipment and staff training and improvement of SMOH's accounting and financial reporting procedures.
- (3) Assistance to SMOH to strengthen its health cost recovery and essential drugs supply and distribution programs, including:
- (A) the establishment and management of an Imo State Essential Drugs Service (ISEDS) (including a drug revolving fund) which will be responsible for setting policy guidelines for drug procurement, distribution, and the use and management of the drug revolving fund;
 - (B) the provision to ISEDS of vehicles, equipment (including micro-computers), supplies and materials, and training of staff of ISEDS and hospitals and primary health care facilities;
 - (C) training of accounts staff, pharmacists, storekeepers and other health personnel in accounting and inventory control management and provision of training workshops for staff of public health facilities on the mechanisms and principles of cost recovery;
 - (D) the carrying out of (i) a study of the drug market in Imo State; and (ii) a study of the price elasticity of user health service fees.
 - (E) development of a therapeutics manual and formulary, and improvement of health accounting and inventory control management;
 - (F) purchase of essential drugs and vaccines;
 - (G) construction of a public health laboratory;
 - (H) provision of equipment, materials and supplies to the

laboratory; and

(I) training of laboratory staff.

(4) Assistance to Imo State to carry out a population program in line with the national population policy including:

- (A) the establishment of an interministerial State Population Council to provide overall direction to the population program;
- (B) strengthening of SMOH's Family Planning and Maternal Health Care Unit and provision to the said Unit of about three assistant coordinators and vehicles, equipment and training supplies and materials;
- (C) establishment at Imo State University of a Population Studies Center to undertake policy-oriented research, evaluation and specialized training in population and demography and to provide policy guidance to the State Population Council;
- (D) development of family planning services in the private sector through the provision to about 300 private hospitals, maternity homes and clinics of family planning and information, education and communications materials;
- (E) technical training of doctors, nurses and midwives in family planning techniques;
- (F) strengthening of family planning services in hospitals under the management of the Imo State Hospitals Management Board including minor rehabilitation of the hospitals to facilitate provision of family planning services;
- (G) development of a community-based system for distributing contraceptives in each local government authority area;
- (H) training of Community Health Aides/Assistants (CHAs) to supervise the distribution of contraceptives; and provision of bicycles to the CHAs for use in their work;
- (I) the preparation and carrying out of an integrated information, education and communication plan including the introduction of family life education in schools; and
- (J) provision of (i) equipment, vehicles, supplies and materials to SMOH's Information, Education and Communication Unit, and (ii) equipment, educational materials, and training to the Health Units of local government authorities and the Community Health Committees of the Local Autonomous Committees.

(5) Assistance to Imo State to: (i) develop community-based health, nutrition and family planning activities, (ii) construct, upgrade and renovate primary health care facilities and provide upgraded housing in rural areas for nurses and midwives, (iii) establish a disease surveillance and a diagnostic service, (iv) train or retrain various levels of health staff including selective retraining in community health, (v) strengthen its health information, education and communication services, including:

- (A) the establishment of a building maintenance fund for minor renovation, and maintenance of about 190 existing primary health care clinics;
- (B) the construction and equipping of maternal health care annexes in about 60 existing dispensaries and maternity homes in order to introduce to the said dispensaries and

homes regular maternal health care and family planning services;

- (C) the construction and equipping in eligible rural communities of about 40 new primary health clinics;
- (D) establishment of a matching grant program for A, B and C above; and
- (E) renovation of the State Central Medical Store and pharmaceutical stores of the hospitals and the local government authorities.

(6) Assisting each of Imo State's local government authorities to establish local government and community health committees which shall consist of representatives of the communities, women's organizations, schools and the local government authority and shall be responsible for (i) identifying the highest risk groups in the area, (ii) developing community health projects, and (iii) establishing and maintaining a health fund to help finance community health projects, including:

- (A) provision to any such committees of technical support and basic training in management, motivation techniques and community mobilization;
- (B) provision of in-service training for trainers, supervisors, clinic staff, vaccinators, and community leaders in primary health care and basic planning and finance; and
- (C) annual evaluation of the community-based primary health care activities.

Part B: Federal Support Activities

Assistance to FMOH to: (i) strengthen its project preparation capabilities, and (ii) facilitate health planning and project preparation by the Federal, State and the local government authorities, including:

- (A) a program of training by FMOH's Directorate of National Health Planning to strengthen managerial process and nascent health planning and statistical units in State ministries of health; and
- (B) establishment and maintenance of project preparation funds for national-level projects to be prepared by FMOH.

* * * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1993	
through May 15, 2008	920,000



