

CONFORMED COPY

CREDIT NUMBER 3653 UNI

Development Credit Agreement

(Health Systems Development Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 25, 2003

CONFORMED COPY

CREDIT NUMBER 3563 UNI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 25, 2003, between FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) 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) “Eligible Categories” means in respect of the Federal Special Account, Categories 2 (a), 3 (a), 4 (a) and 5 (a) set forth in the table in Part A.1 of Schedule 1 to this Agreement; and in respect of the States Special Account, Categories 1 (b) through (kk), 2 (b) through (kk), 3 (b) through (kk), 4 (b) through (kk), and 5 (b) through (kk);

(b) “Eligible Expenditures” means, in respect of a Special Account, the expenditures for works, goods and services referred to in Section 2.02 (a) of this

Agreement and to be financed out of the proceeds of the Credit allocated from time to time to said Special Account's respective Eligible Categories;

- (c) "FMOF" means the Borrower's Federal Ministry of Finance;
- (d) "FMOH" means the Borrower's Federal Ministry of Health;
- (e) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement;
- (f) "Financial Procedures Manual" means the manual, to be adopted pursuant to Section 5.01 (b) of this Agreement, containing accounting, financial reporting and auditing procedures for maintaining proper financial controls in the implementation of the Program and Project;
- (g) "IAPSO" means the Inter-Agency Procurement Services of the United Nations;
- (h) "IEC materials" means information, education and communication materials;
- (i) "LGA" means a Local Government Area established and operating pursuant to the Borrower's Constitution dated May 29, 1999;
- (j) "National Council on Health" means the highest advisory body on health matters in the Borrower's country established pursuant to the National Health Policy;
- (k) "National Health Policy" means the Borrower's policy on national health approved in 1988;
- (l) "National Planning Commission" means the Extra Ministerial Department of the Borrower charged with the responsibility of coordinating national development plans;
- (m) "National Project Steering Committee" means the Committee established by the Borrower to monitor progress in Project implementation established under the Health System Fund Project, Loan No. 3326, consisting of the National Planning Commission, representatives of the FMOH, FMOF, representatives from Participating States, and representatives of the States and Local Government Affairs Office of the Presidency;
- (n) "Participating State" means any of the Borrower's States which have entered into a Subsidiary Agreement with the Borrower in accordance with the provisions set forth in Schedule 5 of this Agreement;

(o) "Project Accounts" means the accounts referred to in Section 3.03 (a) of this Agreement;

(p) "Project Financial Management Unit or PFMU means a Project Financial Management Unit satisfactory to the Association to be established by a participating State with the assistance of the Association in the Office of the Accountant General of the State with responsibility for financial management of projects financed by the Association in such Participating State.

(q) "Project Implementation Manual" means the manual to be adopted pursuant to Section 5.01 (a) of this Agreement for implementation of the Project, giving details of procurement and disbursement arrangements, performance indicators and other administrative, and organizational arrangements, as such manual may be amended from time to time with the prior agreement of the Association;

(r) "Project Management Unit" or "PMU" means any of the units to coordinate, monitor and evaluate implementation of the Project at State levels, and "National Project Coordination Unit" means the unit to be established within the FMOH to coordinate, monitor and evaluate implementation of the Project at the Federal and State levels;

(s) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on August 8, 2000 and on behalf of the Borrower on August 17, 2000;

(t) "Public Enterprises" means any enterprise established and operating pursuant to the Borrower's laws and in which the Borrower has an ownership interest;

(u) "Special Accounts" means the accounts referred to in Part B of Schedule 1 to this Agreement;

(v) "State" means any of the States established and operating pursuant to Article 3 of the Borrower's Constitution dated May 29, 1999, and the Federal Capital Territory;

(w) "State Special Account" means the Special Account to be established for implementation of the Project at State level pursuant to paragraph B.1 of Schedule 1 to this Agreement;

(x) "Subsidiary Agreements" means any of the agreements to be entered into between the Borrower and each of the Participating States pursuant to Section 3.01 (c) of this Agreement and Schedule 5 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to each of the Subsidiary Agreements;

- (y) “UNFPA” means the United Nations Fund for Population Activities;
- (z) “UNICEF” means the United Nations Children’s Fund; and
- (aa) “WHO” means the World Health Organization.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred one million and eight hundred thousand Special Drawing Rights (SDR 101,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit 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 canceled.

Section 2.03. The Closing Date shall be July 1, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 2012 and ending May 15, 2037. Each installment to and including the installment payable on May 15, 2022 shall be one and one-fourth percent ($1\frac{1}{4}\%$) of such principal amount, and each installment thereafter shall be two and one-half percent ($2\frac{1}{2}\%$) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate

agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

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 the Project at the national level through FMOH, and cause the Participating States to carry out the Project at State levels, all with due diligence and efficiency and in conformity with appropriate administrative, financial and health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend a portion of the proceeds of the Credit allocated to Categories (1), (2), (3), (4) and (5) to the Participating States under Subsidiary Agreements to be entered into respectively between the Borrower and each Participating State, on the same terms as this Credit and satisfactory to the Association, and which shall include the terms and conditions set forth in Schedule 5 to this Agreement.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the works, goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall cause the FMOH and each of the Participating States to:

- (a) open and maintain an account in Naira in a commercial bank acceptable to the Borrower and the Association on terms and conditions satisfactory to the Association (the "Project Accounts");
- (b) promptly thereafter, to finance the Borrower's and Participating State's contribution to the costs of the Project, cause:
 - (i) the FMOH to make an initial deposit into its Project Account, in an amount equivalent to \$100,000;
 - (ii) the States of Adamawa, Anambra, Bayelsa, Borno, Delta, Ebonyi, Ekiti, Enugu, Federal Capital Territory, Kebbi, Kogi, Kwara, Ondo, Osun, Rivers, Sokoto, Taraba and Zamfara each to make initial deposits into their respective Project Accounts, in an amount equivalent to \$40,000; and
 - (iii) the remaining Participating States each to make initial deposits into their respective Project Accounts, in an amount equivalent to \$20,000.
- (c) thereafter deposit into each such Project Account, on a monthly basis, one-twelfth of the counterpart funds required for Project implementation that year; and
- (d) use the funds in the Project Account exclusively to finance expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall cause FMOH:

- (a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project, and
- (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project of the States, departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall cause FMOH and the Participating States to:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Financial Monitoring Reports, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Financial Monitoring Reports 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 5 of Schedule 4, the Borrower shall cause FMOH and the Participating States to prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 60 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, except as provided for in paragraphs (c) and (d) below, each FMR shall be furnished to the Association not later than 60 days after each subsequent calendar quarter, and shall cover such calendar quarter.

(c) The Borrower may, at any time during Project implementation, submit a request to the Association for withdrawals from the Credit Account to be made on the basis of amplified FMRs in accordance with the provisions of paragraph 2 of Annex B to Schedule 1 to this Credit Agreement, together with an amplified financial monitoring report for the preceding calendar quarter, in form and substance satisfactory to the Association, which:

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

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

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

(d) if the Bank agrees to the Borrower's request referred to in paragraph (c) above, the Borrower shall thereafter cause to be prepared and furnished to the Bank within 45 days after the end of each calendar quarter an Amplified FMR in respect of such quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) Subsidiary Agreements have been executed between the Borrower and at least two Participating States;
- (b) FMOH and the two Participating States referred to in subparagraph (a) above have adopted the Project Implementation Manual in form and substance satisfactory to the Association;
- (c) FMOH and the two Participating States referred to in subparagraph (a) above have adopted the Financial Procedures Manual in form and substance satisfactory to the Association;
- (d) FMOH has established the National Project Coordination Unit with a Project coordinator, accountant, an internal auditor, and a procurement officer, with

qualifications and experience satisfactory to the Association, and if financed by the Credit, employed in accordance with Section II of Schedule 3;

(e) The Borrower, through FMOH, has appointed, in accordance with the provisions of Section II of Schedule 3 to this Agreement, an independent auditor for auditing of the Project and the special accounts; and

(f) FMOH and the two Participating States referred to in subparagraph (a) above have opened the Project Accounts and deposited therein the initial deposit referred to in Section 3.03 (b) of this Agreement.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and a Participating State and is legally binding upon the Borrower and such Participating State in accordance with its terms.

Section 5.03. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. 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
Ahmadu Bello Way
Abuja, Nigeria

Cable address:

FEDMINFIN
Abuja

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477 6391

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 Abuja, Republic of Nigeria, as of the day and year first above written.

FEDERAL REPUBLIC OF NIGERIA

By /s/ Mallam Adamu Ciroma

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mark D. Tomlinson

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works:		100% of foreign expenditures and 80% of local expenditures
(a) Federal	0	
(b) Abia	0	
(c) Adamawa	760,000	
(d) Akwa Ibom	0	
(e) Anambra	760,000	
(f) Bayelsa	760,000	
(g) Bauchi	0	
(h) Benue	0	
(i) Borno	760,000	
(j) Cross River	0	
(k) Delta	760,000	
(l) Ebonyi	760,000	
(m) Edo	0	
(n) Ekiti	760,000	
(o) Enugu	760,000	
(p) FCT	760,000	
(q) Gombe	0	
(r) Imo	0	
(s) Jigawa	0	
(t) Kaduna	0	
(u) Katsina	0	
(v) Kebbi	760,000	
(w) Kogi	760,000	
(x) Kwara	760,000	
(y) Lagos	0	
(z) Nasarawa	0	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(aa) Niger	0	
(bb) Ogun	0	
(cc) Ondo	760,000	
(dd) Osun	760,000	
(ee) Oyo	0	
(ff) Plateau	0	
(gg) Rivers	760,000	
(hh) Sokoto	760,000	
(ii) Taraba	760,000	
(jj) Yobe	0	
(kk) Zamfara	760,000	
(2) Goods:		100% of foreign expenditures and 80% of local expenditures
(a) Federal	1,440,000	
(b) Abia	270,000	
(c) Adamawa	1,150,000	
(d) Akwa Ibom	270,000	
(e) Anambra	1,150,000	
(f) Bayelsa	1,150,000	
(g) Bauchi	270,000	
(h) Benue	270,000	
(i) Borno	1,150,000	
(j) Cross River	270,000	
(k) Delta	1,150,000	
(l) Ebonyi	1,150,000	
(m) Edo	270,000	
(n) Ekiti	1,150,000	
(o) Enugu	1,150,000	
(p) FCT	1,150,000	
(q) Gombe	270,000	
(r) Imo	270,000	
(s) Jigawa	270,000	
(t) Kaduna	270,000	
(u) Katsina	270,000	
(v) Kebbi	1,150,000	
(w) Kogi	1,150,000	
(x) Kwara	1,150,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(y) Lagos	270,000	
(z) Nasarawa	270,000	
(aa) Niger	270,000	
(bb) Ogun	270,000	
(cc) Ondo	1,150,000	
(dd) Osun	1,150,000	
(ee) Oyo	270,000	
(ff) Plateau	270,000	
(gg) Rivers	1,150,000	
(hh) Sokoto	1,150,000	
(ii) Taraba	1,150,000	
(jj) Yobe	270,000	
(kk) Zamfara	1,150,000	
(3) Training:		80%
(a) Federal	1,440,000	
(b) Abia	490,000	
(c) Adamawa	990,000	
(d) Akwa Ibom	490,000	
(e) Anambra	990,000	
(f) Bayelsa	990,000	
(g) Bauchi	490,000	
(h) Benue	490,000	
(i) Borno	990,000	
(j) Cross River	490,000	
(k) Delta	990,000	
(l) Ebonyi	990,000	
(m) Edo	490,000	
(n) Ekiti	990,000	
(o) Enugu	990,000	
(p) FCT	990,000	
(q) Gombe	490,000	
(r) Imo	490,000	
(s) Jigawa	490,000	
(t) Kaduna	490,000	
(u) Katsina	490,000	
(v) Kebbi	990,000	
(w) Kogi	990,000	
(x) Kwara	990,000	
(y) Lagos	490,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(z) Nasarawa	490,000	
(aa) Niger	490,000	
(bb) Ogun	490,000	
(cc) Ondo	990,000	
(dd) Osun	990,000	
(ee) Oyo	490,000	
(ff) Plateau	490,000	
(gg) Rivers	990,000	
(hh) Sokoto	990,000	
(ii) Taraba	990,000	
(jj) Yobe	490,000	
(kk) Zamfara	990,000	
(4) Consultant Services:		80%
(a) Federal	2,160,000	
(b) Abia	270,000	
(c) Adamawa	520,000	
(d) Akwa Ibom	270,000	
(e) Anambra	520,000	
(f) Bayelsa	520,000	
(g) Bauchi	270,000	
(h) Benue	270,000	
(i) Borno	520,000	
(j) Cross River	270,000	
(k) Delta	520,000	
(l) Ebonyi	520,000	
(m) Edo	270,000	
(n) Ekiti	520,000	
(o) Enugu	520,000	
(p) FCT	520,000	
(q) Gombe	270,000	
(r) Imo	270,000	
(s) Jigawa	270,000	
(t) Kaduna	270,000	
(u) Katsina	270,000	
(v) Kebbi	520,000	
(w) Kogi	520,000	
(x) Kwara	520,000	
(y) Lagos	270,000	
(z) Nasarawa	270,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(aa) Niger	270,000	
(bb) Ogun	270,000	
(cc) Ondo	520,000	
(dd) Osun	520,000	
(ee) Oyo	270,000	
(ff) Plateau	270,000	
(gg) Rivers	520,000	
(hh) Sokoto	520,000	
(ii) Taraba	520,000	
(jj) Yobe	270,000	
(kk) Zamfara	520,000	
(5) Operating Costs:		80%
(a) Federal	720,000	
(b) Abia	55,000	
(c) Adamawa	180,000	
(d) Akwa Ibom	55,000	
(e) Anambra	180,000	
(f) Bayelsa	180,000	
(g) Bauchi	55,000	
(h) Benue	55,000	
(i) Borno	180,000	
(j) Cross River	55,000	
(k) Delta	180,000	
(l) Ebonyi	180,000	
(m) Edo	55,000	
(n) Ekiti	180,000	
(o) Enugu	180,000	
(p) FCT	180,000	
(q) Gombe	55,000	
(r) Imo	55,000	
(s) Jigawa	55,000	
(t) Kaduna	55,000	
(u) Katsina	55,000	
(v) Kebbi	180,000	
(w) Kogi	180,000	
(x) Kwara	180,000	
(y) Lagos	55,000	
(z) Nasarawa	55,000	
(aa) Niger	55,000	

<u>Category</u>	<u>Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the % of Expenditures to be Financed</u>
(bb) Ogun	55,000	
(cc) Ondo	180,000	
(dd) Osun	180,000	
(ee) Oyo	55,000	
(ff) Plateau	55,000	
(gg) Rivers	180,000	
(hh) Sokoto	180,000	
(ii) Taraba	180,000	
(jj) Yobe	55,000	
(kk) Zamfara	180,000	
(6) Refunding of Project Preparation Advance	1,280,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(7) Unallocated	10,430,000	
	<hr/>	
TOTAL	101,800,000	
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2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for works, goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term “Incremental Operating Costs” means the incremental operating costs of the Federal Coordination Unit and the PFMU’s of the Participating States arising under the Project on account of equipment, travel per diems and allowances, travel and accommodation, office rental and Project support staff recruited to work in the Federal Coordination Unit and the PMUs, excluding salaries of civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) under Categories (2) (a), (3) (a), (4) (a) and (5) (a) until the National Project Coordination Unit has prepared a detailed work plan of activities, including

detailed costs and performance indicators, acceptable to the Association and has established a financial management system acceptable to the Association; and (c) under Categories (1) (b) through (kk), (2) (b) through (kk) , (3) (b) through (kk), (4) (b) through (kk) , and (5) (b) through (kk) with respect to a Participating State, until: (i) a Subsidiary Agreement between the Borrower and such Participating State has been executed, is binding and has become effective; (ii) the Association has received an opinion pursuant to Section 12.02 (b) of the General Conditions that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and such Participating State and is legally binding upon the Borrower and such Participating State in accordance with its terms; (iii) such Participating State has established a financial management system acceptable to the Association; (iv) such Participating State has opened its Project Account and deposited therein the initial deposit referred to in Section 3.03 (b) of this Agreement; and (v) such Participating State has prepared a detailed work plan of activities for the following twelve months, satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts not exceeding \$300,000 equivalent; (ii) goods under contracts not exceeding \$150,000 equivalent; (iii) services of consulting firms under contracts not exceeding \$100,000 equivalent; (iv) services of individual consultants under contracts not exceeding \$50,000 equivalent; (v) training and study tours not to exceed \$15,000 equivalent; and (vi) Incremental Operating Costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The initial allocation of the Credit to Participating States is indicated in Schedule 5 to this Agreement.

B. Special Accounts

1. The Borrower shall cause to be opened and maintained in dollars two separate special deposit accounts (the Federal Special Account, and the State Special Account) in commercial banks, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. When the conditions set forth in Paragraph 4 of Schedule 5 have been met for a Participating State, such Participating State may open and maintain in dollars its own Special Account in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. A Participating State which has opened its own Special Account shall not be entitled to further withdrawals from the State Special Account.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into said Special Accounts shall be made as follows:

(a) until the Association shall have received: (i) the first Financial Monitoring Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Financial Monitoring Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Association of a Financial Monitoring Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Monitoring Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of each Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association determines at any time that any Financial Monitoring Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for any Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Financial Monitoring Reports.

5. The Association shall not be required to make further deposits into any Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into any 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 Association determines at any time that any amount outstanding in any Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Accounts
When Withdrawals Are Not Made
On the Basis of Financial Monitoring Reports**

1. For the purposes of this Annex:
 - (a) the term “Authorized Allocation” means:
 - (i) in respect of the Federal Special Account, an amount equivalent to \$550,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex;
 - (ii) in respect of the State Special Account, an amount equivalent to \$18,100,000 to be withdrawn from the Credit Account and deposited into said Special Account pursuant to paragraph 2 of this Annex.
 - (b) Notwithstanding subparagraph (a) (ii) of this paragraph, the Authorized Allocation for the State Special Account shall be based on the number of Participating States and shall be reduced by any amount allocated to the Special Account of a Participating State opened under subparagraph (ii) above.
2. Withdrawals of a Special Account’s Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:
 - (a) For withdrawals of said Special Account’s Authorized Allocation, the Borrower shall cause the Association to be furnished a request or requests for deposit into said Special Account of an amount or amounts which in the aggregate do not exceed said Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into said Special Account such amount as the Borrower shall have requested.
 - (b) For replenishment of said Special Accounts, the Borrower shall furnish to the Association requests for deposit into said Special Accounts at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall cause the Association to be furnished the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and

deposit into said 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 paid out of said Special Account for Eligible Expenditures. Each such deposit into said Special Account shall be withdrawn by the Association from the Credit Account under one or more of said Special Account's Eligible Categories.

3. The Association shall not be required to make further deposits into a Special Account, once the total unwithdrawn amount of the Credit allocated to said Special Account's Eligible Categories minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Credit allocated to said Categories, shall equal the equivalent of twice the amount of said Special Account's Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to said Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in said Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made
On the Basis of Financial Monitoring Reports**

1. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into a Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into a Special Account shall be withdrawn by the Association from the Credit Account under one or more of such Special Account's Eligible Categories.
2. Each application for withdrawal from the Credit Account for deposit into the Special Account shall be supported by an Amplified Financial Monitoring Report.
3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into a Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the Amplified Financial Monitoring Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Amplified Financial Monitoring Report to be remaining in the Special Account, shall not exceed the equivalent of \$1,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (i) strengthening the capacities for management of the health system at the State level; (ii) improving the delivery of primary health care services with a particular focus on maternal and child health and reproductive health services in Participating States; and (iii) at the Federal level, strengthening policy formulation and further developing a system to monitor the performance of the health sector.

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

Part A: Strengthening Capacity for System Management at State Level

1. State Ministries of Health. Strengthening the capacities of State Ministries of Health to improve budget management processes, develop health accounts, increase the autonomy of local health facilities through the introduction of service agreements, and carry out annual performance reviews to discuss results, lessons learned and share good practices with stakeholders and beneficiaries.
2. Human Resources Development. Development of human resources through staff training, with a particular emphasis on maternal and child health, reproductive health, obstetric care, and communicable disease control, carrying out participatory training needs assessments, and improving the quality of training programs in schools of nursing, midwifery and health technology.
3. Health Management Information System. Strengthening the health management information system to improve access to basic information for decision making.
4. Information Technology. Improving access to information technology and communications, through internet and technology.
5. Research and Studies. Carrying out studies and technical audits.

Part B: Strengthening the Delivery of Priority Health Services

1. Primary Health Care Services. Improving access to quality primary health care services, rehabilitating, equipping, and supplying water to selected health facilities.
2. Training and Equipment. Improving the delivery of primary health care services and improving disease control through the provision of training and equipment.

3. Essential Drugs. Improving the availability of essential drugs in health facilities.
4. Nursing, Midwifery and Health Technology Schools. Improving the quality of training in nursing, midwifery and health technology schools, and rehabilitation of selected schools.

Part C: Capacity Strengthening at Federal Level and Project Coordination, Monitoring and Evaluation

1. Health Reforms. Supporting the formulation of health policies and strategies and the implementation of health reforms.
2. Information System and Assessments. Supporting the implementation of the National Health Management Information System and annual health sector performance assessments.
3. Research. Promoting research on health care financing, and supporting research, studies and audits on key systemic issues.
4. Project Management, Coordination and Evaluation. Providing support for Project Management, coordination and evaluation, including support for the National Project Coordination Unit in assisting Participating States, consolidation of annual work programs, reports, and accounts, monitoring progress in Project implementation, and providing information to the National Project Steering Committee.

* * *

The Project is expected to be completed by January 1, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each and contracts for works shall be grouped in bid packages estimated to cost \$300,000 or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods which the Association agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$3,600,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

Except as otherwise provided in paragraph 1 of this Part, works estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$18,750,000 equivalent, and goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$12,000,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

3. National Shopping

Subject to the provisions of paragraph 1 of this Part, goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$6,800,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Subject to the provisions of paragraph 1 of this Part, vehicles and equipment up to an amount not to exceed \$80,000 for each Participating State may be procured from IAPSO. Condoms, contraceptives, drugs, medical equipment, medical supplies, and laboratory supplies up to an aggregate amount not to exceed \$5,400,000 may be procured from UNFPA UNICEF and WHO, all in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Direct Contracting

Goods to be procured as an extension of an existing contract or which must be purchased from the original supplier to be compatible with existing equipment or where only one supplier exists, and costing \$1,500,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

6. Force Account

Works costing \$30,000 equivalent or less per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may, with the Association's prior agreement: (A) be procured in accordance with the provisions of paragraph 3.7 of the Guidelines, or (B) be carried out by force account in accordance with the provisions of paragraph 3.8 of the Guidelines.

7. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$6,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to the following:

- (i) Each contract for works estimated to cost the equivalent of \$300,000 or more;
- (ii) Each contract for works procured by direct contracting or force account;
- (iii) Each contract for goods estimated to cost the equivalent of \$150,000 or more;
- (iv) Each contract for goods procured by direct contracting or from UN Agencies; and
- (v) the first contract for works and goods procured through national competitive bidding procedures by the National Project Coordination Unit and each Participating State PMU.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$150,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for: (i) financial audits; (ii) engineering design of simple works; and (iii) other repetitive tasks, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.)

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(c) With respect to each contract for training estimated to cost the equivalent of \$15,000 or more, and each single source selection of consultants, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall through FMOH carry out the Project in accordance with the Project Implementation Manual and the Financial Procedures Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision of the Project Implementation Manual or the Financial Procedures Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. (a) The Borrower shall through FMOH establish and thereafter maintain a National Project Steering Committee consisting of representatives of the FMOH, the Federal Ministry of Finance, the National Planning Commission, States and Local Government Affairs Office in the Presidency, LGAs, and Participating States. The National Project Steering Committee shall provide policy direction for implementation of the Project.

(b) The Borrower shall maintain the National Project Coordination Unit in a form and with functions, staffing and resources satisfactory to the Association, and shall cause each Participating State to maintain its respective PMU in a form and with functions, staffing and resources satisfactory to the Association.

3. (a) The Borrower shall cause to be prepared and furnished to the Association by December 31, 2002:

- (i) detailed instruments for monitoring and evaluation, including data collection forms, reporting formats and analytical methodologies for use by the National Project Coordination Unit, Participating States, and LGAs;
- (ii) targets and schedules for project inputs, process, output and outcome indicators; and
- (iii) terms of reference for the monitoring and supervision consultants.

(c) The Borrower shall cause the National Project Coordination Unit to establish by December 15, 2002 and thereafter maintain an effective monitoring and evaluation system, utilizing technical advisory services when necessary to assist it in the generation of information and analysis, and its functions shall include: (i) the development of a data collection system, including social impact monitoring, to be used to establish the performance criteria and impact for each component of the Project; (ii) the compilation and consolidation of monitoring information including data related to

performance, impact, expenditure and disbursements; and (iii) the preparation of consolidated quarterly implementation reports for the overall Project.

4. The Borrower shall cause the National Project Coordination Unit:

(a) by February 15 of each year to furnish the National Project Steering Committee with progress reports on the discharge of its functions under the Project and other documents relating to the progress of each Participating State;

(b) by March 15 of each year to furnish to the Association information referred to in paragraph (a) above, together with the comments of the National Project Steering Committee thereon;

(c) by August 15 in each year to furnish to the National Project Steering Committee for its approval, consolidated annual work programs, related annual budget proposals relating to each Participating State and the National Project Coordination Unit; and

(d) by September 15 of each year to furnish to the Association information referred to in paragraph (c) above, together with the comments of the National Project Steering Committee thereon.

5. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 30, in each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 2004, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Schedule 5

Terms and Conditions of Subsidiary Agreements With Participating States Required Pursuant to Section 3.01 (c) of this Agreement

1. The terms and conditions of each Subsidiary Agreement shall include the following obligations of Participating States to:

(a) carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and health practices and in accordance with the Project Implementation Manual, the Financial Procedures Manual, and the Implementation Program in Schedule 4 to this Agreement; and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;

(b) comply with the procedures for procurement of good, works and services set forth in Section 3.02 and Schedule 3 to this Agreement;

(c) comply with record keeping, auditing and report requirements set forth in Section 4.01 of this Agreement with respect to the Project, including the annual auditing of its records and accounts and its Special Account in respect of the Project (operations, resources and expenditures in respect of the Project);

(d) carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project;

(e) at the request of the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;

(f) promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance by said Participating State of its obligations under the Subsidiary Agreement; and

(g) except as the Borrower and the Association shall otherwise agree, neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

2. The Subsidiary Credit Agreements shall provide for the following initial allocations: to Abia an amount of \$ 1,500,000; to Adamawa an amount of \$5,000,000; to Akwa Ibom an amount of \$1,500,000; to Anambra an amount of \$5,000,000; to Bayelsa an amount of \$5,000,000; to Bauchi an amount of \$1,500,000; to Benue an amount of

\$1,500,000; to Borno an amount of \$5,000,000; to Cross River an amount of \$1,500,000; to Delta an amount of \$5,000,000; to Ebonyi an amount of \$5,000,000; to Edo an amount of \$1,500,000; to Ekiti an amount of \$5,000,000; to Enugu an amount of \$5,000,000; to the Federal Capital Territory an amount of \$5,000,000; to Gombe an amount of \$1,500,000; to Imo an amount of \$1,500,000; to Jigawa an amount of \$1,500,000; to Kaduna an amount of \$1,500,000; to Katsina an amount of \$1,500,000; to Kebbi an amount of \$5,000,000; to Kogi an amount of \$5,000,000; to Kwara an amount of \$5,000,000; to Lagos an amount of \$1,500,000; to Nasarawa an amount of \$1,500,000; to Niger an amount of \$1,500,000; to Ogun an amount of \$1,500,000; to Ondo an amount of \$5,000,000; to Osun an amount of \$5,000,000; to Oyo an amount of \$1,500,000; to Plateau an amount of \$1,500,000; to Rivers an amount of \$5,000,000; to Sokoto an amount of \$5,000,000; to Taraba an amount of \$5,000,000; to Yobe an amount of \$1,500,000; and to Zamfara an amount of \$5,000,000. The Subsidiary Credit Agreements shall also provide that a Participating State may be reallocated additional amounts when it has utilized the amount that was initially allocated to it without further amendments, and the Borrower shall request the Association to make a reallocation under the Credit to such Participating State.

3. The Subsidiary Agreements shall include a provision stipulating that in case of conflict between a Subsidiary Agreement and this Agreement, the latter shall apply.

4. A Subsidiary Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association establishing that:

- (i) a Subsidiary Agreement has been executed on behalf of the Borrower and said Participating State;
- (ii) a PMU has been established in said Participating State with a duly qualified and experienced Project manager, accountant, and a procurement officer, with qualifications and experience and employed on terms and conditions (including terms of reference) satisfactory to the Association;
- (iii) said Participating State has adopted the Financial Procedures Manual;
- (iv) said Participating State has agreed to the auditing of its Special Account by the independent auditors appointed under Paragraph 5.01 (e) of this Agreement.
- (v) said Participating State has defined a work program for the first 12 months of Project implementation satisfactory to the Association and provided information on previous and current budgets; and

- (v) said Participating State has opened a Project Account and deposited therein its portion of the initial deposit referred to in Section 3.03 (b) of this Agreement.

5. The Subsidiary Credit Agreement shall provide that a Participating State may open and maintain a special deposit account under its name in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, if such Participating State has:

- (a) established with the assistance of the Association a PFMU and adopted a financial management system for the Project satisfactory to the Association;

- (b) appointed independent auditors on terms and conditions, including terms of reference, satisfactory to the Association in accordance with the provisions of Section II of Schedule 3 to this Agreement;

- (c) established a computerized financial management system in form and substance satisfactory to the Association in the State PFMU, trained staff to operate such system, and adopted the Financial Management Manual;

- (d) deployed appropriately qualified internal auditors, duly trained in financial management procedures for the Project; and

- (e) provided the Association with a replenishment application in respect of its withdrawals under the State Special Account.

