

CONFORMED COPY

LOAN NUMBER 3326 UNI

(Health System Fund Project)

between

FEDERAL REPUBLIC OF NIGERIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 6, 1991

LOAN NUMBER 3326 UNI

LOAN AGREEMENT

AGREEMENT, dated August 6, 1991, between the FEDERAL REPUBLIC OF NIGERIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Part A of the Project will be carried out by the Borrower through the States of Nigeria participating in the Project (the Project States) with the Borrower's assistance;

(C) the Borrower will, as part of such assistance, make available to the Project States proceeds of the Loan allocated to Categories (1), (2) and (3)(a) and (b)(ii) in Schedule 1 to this Agreement;

(D) the Borrower has requested the Government of Japan

(Japan) to make available to the Borrower a grant (the Japanese Grant) in an amount of one hundred seventy million yen (170,000,000) to assist in financing technical assistance under the Project on the terms and conditions set forth in an agreement (the Japanese Grant Agreement) to be entered into between the Borrower and the Bank as Administrator of the Japanese Grant; 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;

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 modifications set forth in Schedule 7 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, wherever used in this Agreement, 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) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

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

(c) "PFI Cofinancing Agreement" means the agreement to be entered into between a Project State and a PFI pursuant to Section 3.01 (e)(iii) of this Agreement;

(d) "PFI Deed of Guarantee" means the Deed of Guarantee to be executed by a PFI pursuant to Section 3.01 (e)(iv) of this Agreement;

(e) "Sub-loan" means a loan made or proposed to be made out of the proceeds of the Loan by the Borrower, under a Subsidiary Loan Agreement, to a Project State for purposes of the Project;

(f) "free-limit Sub-loan" has the meaning assigned to it by paragraph 1 (b) of Schedule 7 to this Agreement;

(g) "Statement of Policy" means the Statement of Policy mentioned in Section 3.04 of this Agreement;

(h) "Project Guidelines" means the Project Guidelines mentioned in Section 3.04 of this Agreement;

(i) "Credit Guidelines" means the Credit Guidelines mentioned in Section 3.04 of this Agreement;

(j) "PFI" means any of the eligible financial intermediaries selected to participate in the Project in accordance with criteria satisfactory to the Bank;

(k) "Central Bank" means the Central Bank of Nigeria established and operating under the Central Bank of Nigeria Act (Cap. 30) of the Laws of the Federal Republic of Nigeria and Lagos, 1958;

(l) "Control Account" means the account mentioned in Section 4.02 of this Agreement;

(m) "FMOH" means the Federal Ministry of Health;

(n) "Project Coordination Committee" means the Project Coordination Committee mentioned in Section 3.01 (c) of this Agreement; and

(o) "Revolving Fund" means the Revolving Fund mentioned in Section 3.01 (d) of this Agreement.

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, various currencies that shall have an aggregate value equivalent to the amount of seventy million dollars (\$70,000,000) as the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

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: (i) amounts paid (or, if the Bank shall so agree, amounts to be paid) by a Project State under Part A of the Project described in Schedule 2 to this Agreement to meet the reasonable cost of goods and services required for a sub-project in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B and C of the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain (or cause to be opened and maintained) in dollars special deposit accounts in commercial or merchant banks for FMOH (the FMOH Special Account) and the Project States (the Project States Special Accounts) on terms and conditions satisfactory to the Bank including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the FMOH Special Account and the Project States Special Accounts (hereinafter together referred to as the Special Accounts) shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during 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 determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement,

beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 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, as such Schedule 3 shall be amended from time to time by the Bank to the extent required to:

(a) conform in relevant part substantially to the aggregate of the amortization schedules applicable to the Sub-loans, and

(b) take into account any cancellation pursuant to Article VI of the General Conditions and repayments made by the Borrower under Section 2.08 of this Agreement; provided that any such amendments to the amortization schedule permitted hereunder shall not authorize repayments of the principal amount of the Loan beyond the latest repayment date set forth in such Schedule 3. Such amendments of said Schedule 3 shall include amendments to the table of premiums on prepayments, if necessary.

Section 2.08. The Borrower entrusts the Project States with responsibility for the preparation of withdrawal applications relating to Categories (1), (2) and (3) (a) and (b) (ii) in Schedule 1 to this Agreement and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications. Withdrawal applications relating to the said Categories shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$50,000 equivalent.

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 through the Project States with respect to Part A of the Project and FMOH with respect to Parts B and C of the Project, carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall provide in its budget amounts adequate to meet the Borrower's counterpart contributions to the costs of the Project, said contributions being presently estimated by the Borrower and the Bank to amount over the Project period to \$700,000 equivalent.

(c) The Borrower shall establish and thereafter maintain in a form and with functions and membership satisfactory to the Bank a Project Coordination Committee (the Project Coordination Committee) to be responsible for: (i) ensuring the coordination of the activities of agencies of the Borrower participating directly in the carrying out of the Project; and (ii) mediating project-related issues between the Project States and the PFIs.

(d) The Borrower shall not later than December 31, 1991, establish and thereafter maintain in the Central Bank in a form and with procedures satisfactory to the Bank, a revolving fund (the Revolving Fund), to be used for financing, on loan terms, health sub-projects to be carried out by States eligible for such financing.

(e) The Borrower shall relend to the Project States the proceeds of the Loan allocated to Categories (1), (2) and (3)(a) and (b)(ii) in Schedule 1 to this Agreement under agreements (the Subsidiary Loan Agreements) to be entered into by the Borrower and the Project States under terms and conditions which shall have been approved by the Bank including provisions in each Subsidiary Loan Agreement requiring:

- (i) each Project State to pay annual interest at the variable rate provided for in Section 2.05 of this Agreement;
- (ii) repayment of principal by each Project State in not less than 7 years nor more than 15 years (including a grace period of 2 to 3 years);
- (iii) a Project State, as a condition precedent to the withdrawal by the Project State of the proceeds of a Sub-loan, to enter into an agreement with a PFI (the PFI Cofinancing Agreement) under which the PFI agrees: (1) to cofinance not less than 10% of the total costs of each sub-project to be financed out of the proceeds of the Sub-loan, except as the Borrower and the Bank shall otherwise agree; (2) provide training, and assign adequate and competent staff, for the identification, appraisal and supervision of State health sub-projects; and (3) furnish to the Borrower and the Bank such reports relating to the Project as the Borrower or the Bank may reasonably request;
- (iv) the Borrower to require the PFI to execute a Deed of Guarantee (the PFI Deed of Guarantee) under which the PFI assumes at least 10% of the credit risk of a Sub-loan made to the Project State by guaranteeing, as primary obligor and not as surety merely, the due and punctual repayment to the Borrower of at least 10% of the principal of, and interest and other charges on, the Sub-loan; and

- (v) assumption by the Project States of any foreign exchange risks on the Sub-loans.

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 4 to this Agreement.

Section 3.03. The Borrower shall, not earlier than 18 months nor later than 24 months after the date on which the Loan Agreement becomes effective, carry out jointly with the Bank a mid-term review of the Project and shall, inter alia, in the course of the said review re-examine jointly with the Bank the health financing requirements of the local government authorities with a view to rectifying any deficiency in such financing in a manner satisfactory to the Borrower and the Bank.

Section 3.04. The Borrower: (i) shall cause the Project to be operated in accordance with a Statement of Policy, Project Guidelines and Credit Guidelines satisfactory to the Bank; and (ii) shall not make any changes, or permit any changes to be made, in the said Statement or Guidelines, except in consultation with the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including 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; 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.

(c) 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 paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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 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.

Section 4.02. The Borrower shall cause the Central Bank:
(i) to establish and maintain an account (the Control Account) showing the status of Sub-loans made to the Project States, including details of withdrawals and disbursements made under Categories (1), (2) and (3)(a) and (b)(ii) in Schedule 1 to this Agreement; (ii) to review annually the overall financial status of Sub-loans; and (iii) to prepare and furnish to the Federal Ministry of Finance and Economic Development, FMOH and the Bank no later than six months after the end of each fiscal year a report satisfactory to the Bank on the Control Account.

ARTICLE V

Remedies of the Bank

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

- (i) the Project States shall have failed to perform any of their obligations under the Subsidiary Loan Agreements;
- (ii) 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 the Project States will be able to perform their obligations under the Subsidiary Loan Agreements; and
- (iii) subject to paragraph (b) of this Section, the right of the Borrower to withdraw the proceeds of any loan, credit or grant made to the Borrower for the financing of the Project (including the Japanese Grant) shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(b) Paragraph (a)(iii) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that:

- (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a)(i) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the event specified in paragraph (a)(iii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) at least two Subsidiary Loan Agreements have been executed; and

(b) the Project Coordination Committee has been established in accordance with Section 3.01 (c) of this Agreement.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Loan Agreements mentioned in Section 6.01 (a) above have been duly authorized or ratified by the Borrower and the Project States concerned, and are legally binding upon the Borrower and the said Project States in accordance with their terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:

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)
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/ Zubair Mamoud Kazaure
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Katherine Marshall
Acting 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 to be financed under Sub-loans	26,100,000	100% of foreign expenditures and 80% of local expenditures
(2) Goods to be financed under Sub-loans	30,500,000	100% of foreign expenditures and 80% of local expendi- tures
(3) Consultants' services, training and services financed under:		
(a) Part A of of the Project	3,400,000	100%
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(b) Other Parts of the Project:		
(i) FMOH	500,000	100%
(ii) Project States	2,000,000	
(4) Unallocated:		
(a) Project	7,300,000	

States	
(b) FMOH	200,000

TOTAL	70,000,000
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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 goods or services supplied from the territory of any country other than that of the Borrower; and

(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.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,000,000, may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after February 1, 1990; and

(b) a Sub-loan unless: (i) the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth in Schedule 7 to this Agreement; (ii) the Project State to which the Sub-loan has been made has entered into (A) a Subsidiary Loan Agreement, and (B) a PFI Cofinancing Agreement; and (iii) a PFI Deed of Guarantee has been executed in respect of such Sub-loan.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve health services through a health system fund to be established under the Project; (ii) finance health system improvements; (iii) improve the quality, coverage and efficiency of the health and family planning services of Project States and local government authorities; (iv) promote the development of population programs; and (v) strengthen the capacity of the Project States and local government authorities to plan, carry out, monitor and evaluate their health, nutrition and family planning programs.

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

Part A: State Health Sub-Projects

(1) Assisting Project States to carry out health and family planning sub-projects, including the extension of a line of credit to the Project States for the following:

(a) Institutional Development Sub-Projects designed to strengthen the capacity of State and local government authorities to plan, carry out and monitor community-based health, family planning and nutrition programs and to improve resource mobilization and financial management, including:

(i) in-service training in supervisory methods, acquisition of equipment, vehicles, training materials and other logistical support items and installation of a management information system;

(ii) improving coordination between State ministries

of health (SMOHs) and local government authorities;

- (iii) assisting each SMOH to strengthen its financial planning and management capability through the development of an annual financing plan for the health services (including cost recovery from drugs and medical services) and an annual work plan; and
 - (iv) provision to the SMOHs of technical assistance, staff training, office equipment and funds for operational research;
- (b) Health Services Improvement Sub-Projects, including:
- (i) upgrading, renovation and construction of primary health care (PHC) facilities;
 - (ii) support for provision of basic health services including pre-and post-natal maternal health care (MHC), family planning (FP) services, immunizations, and health and nutrition education;
 - (iii) improvement of drug supply and distribution including support for essential drug programs developed by Project States with FMOH's assistance, renovation of pharmaceutical stores of hospitals, States and the local government authorities, and acquisition of essential drugs and vaccines;
 - (iv) establishment of disease surveillance and diagnostic services including the renovation or construction of facilities for public health laboratories and the provision of technical assistance, staff training, equipment and supplies;
 - (v) improvement of MCH and FP services including strengthening of the MCH/FP Units in the Public Health Divisions of the SMOHs, acquisition by the said Units of vehicles, equipment and provision of staff training; and the development of FP services in the private sector;
 - (vi) information, education and communication (IEC) activities including the development of an integrated IEC plan to increase: (A) the practice of preventive health care, family planning and better nutrition in the home, (B) demand for MHC services; and (C) awareness of and demand for family planning;
 - (vii) nutrition activities including: (A) promotion of nutrition education to improve infant feeding practices, (B) testing of pilot feeding programs for vulnerable groups; (C) development of regular nutrition surveillance systems for monitoring and evaluating nutrition activities; and (D) the development of improved weaning foods and their distribution; and
 - (viii) support for non-governmental organizations (NGOs) including: (A) promotion of the involvement of NGOs in the health care system, and (B) establishment of a nodal point in government for financial, marketing and procedural assistance to NGOs.
- (c) Future Sub-Projects Preparation Activities, including:
- (i) facility mapping and planning for renovation and upgrading, (ii)

facility utilization studies, (iii) staffing norms studies, (iv) studies on SMOH organization and the State health delivery system, (v) epidemiological studies, and (vi) other feasibility studies.

Part B: Assistance to the Federal Ministry of Health (FMOH)

(1) Strengthening of FMOH's Department of Planning, Research and Statistics (DPRS) including: (A) the assignment to DPRS of a Project Officer exclusively for the Health System Fund (HSF) activities, (B) acquisition by DPRS of office equipment, materials and vehicles, (C) appointment to DPRS of a Project Advisor (local), and (D) the appointment of an internationally recruited adviser to promote local consultancy and work with local firms employed to assist the Project States.

(2) Establishment of a Health Management Information System (MIS) including the provision of the services of an internationally recruited MIS advisor assisted by adequate staff, hardware, equipment and materials for FMOH and the Project States.

(3) Technical assistance, training and studies including: (A) a project performance audit, (B) studies to examine the Health System Fund Policy Statement of the Borrower, project and credit guidelines and project preparation procedures, (C) studies into ways of strengthening local consultancy skills, and (D) a local and/or overseas training program which emphasizes project development skills, management and project implementation.

Part C: Federal Support to the States

Provision by the Borrower to the Project States of technical assistance and other support for: (i) the training of health planners and other key officials employed by the Project States to strengthen their health agencies; and (ii) the preparation by the Project States of their three-year rolling plans, annual implementation plans, and first phase sub-projects.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 15, 1996	1,280,000
April 15, 1997	1,325,000
October 15, 1997	1,380,000
April 15, 1998	1,430,000
October 15, 1998	1,485,000
April 15, 1999	1,545,000
October 15, 1999	1,605,000
April 15, 2000	1,665,000
October 15, 2000	1,730,000
April 15, 2001	1,795,000
October 15, 2001	1,865,000
April 15, 2002	1,940,000
October 15, 2002	2,015,000
April 15, 2003	2,090,000
October 15, 2003	2,170,000
April 15, 2004	2,255,000
October 15, 2004	2,340,000
April 15, 2005	2,430,000
October 15, 2005	2,525,000
April 15, 2006	2,625,000
October 15, 2006	2,725,000
April 15, 2007	2,830,000
October 15, 2007	2,940,000
April 15, 2008	3,055,000

October 15, 2008	3,170,000
April 15, 2009	3,295,000
October 15, 2009	3,420,000
April 15, 2010	3,550,000
October 15, 2010	3,690,000
April 15, 2011	3,830,000

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

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

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

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

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

Part C: Other Procurement Procedures

1. All works estimated to cost less than the equivalent of \$2,000,000, may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Bank.
2. Goods estimated to cost less than \$300,000 but more than \$200,000 equivalent per contract (up to an aggregate amount not to exceed \$9,800,000 equivalent) may be procured under contracts awarded on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Bank.
3. Goods estimated to cost per contract \$200,000 equivalent or less (up to an aggregate amount not to exceed \$2,000,000 equivalent) may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.
4. Small and scattered items of works estimated to cost less than \$50,000 equivalent per individual work (up to an aggregate amount not to exceed \$2,600,000 equivalent) may be carried out by force account.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:
 - (a) With respect to each contract estimated to cost the equivalent of \$1,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to paragraph 2 (d) of said Appendix shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.
 - (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to paragraph 3 of said Appendix shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.
2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a) the term "eligible Categories" means Categories (1)

through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule equivalent to: (i) \$200,000 for FMOH; and (ii) \$300,000 for a Project State.

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding

special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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

SCHEDULE 6

Modifications of General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following provisions are substituted therefor:

"or (f) by the date specified in paragraph 2 (c) of Schedule 7 to this Agreement, the Bank shall, in respect of any amount or portion of the Loan: (i) have received no applications or requests under paragraph 2 (a) or (b) of the said Schedule; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 7

Terms and Conditions of Sub-loans

1. No expenditures for goods or services to be met from proceeds of a Sub-loan shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 2 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 2 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan (not including a Sub-loan made for the first sub-project to be carried out by a Project State) in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$500,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan under Categories (1), (2) and (3) (a) in Schedule 1 hereto, the foregoing amount being subject to change from time to time as determined by the Bank.

2. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, a Project State shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by a Project State for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the expenditures proposed to be financed out of the proceeds of the Loan, and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1995.

3. Sub-loans shall be made on terms whereby the Borrower shall obtain, by written contract with the Project State or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Project State to carry out the Sub-project or Sub-projects with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) require that the goods and services to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Sub-project or Sub-projects;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods, works, plants and construction included in the Sub-project or Sub-projects, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Project State shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder

to be made payable in a currency freely usable by the Project State to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing; and

(f) suspend or terminate the right of the Project State to the use of the proceeds of the Loan upon failure to perform its obligations under its contract with the Borrower.

