



"NIGERIA PRE-PAID HEALTH SCHEME PROJECT"

Operations Manual

**for the Grant Agreement between the
Global Partnership on Output-Based Aid (GPOBA)
and
Stichting Health Insurance Fund (HIF)**



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Exchange Rates

EUR/USD

1.34

NGN/USD

128.00

ACRONYMS AND ABBREVIATIONS

CAPDAN	Computer and Allied Products Association of Nigeria
CPCD	Center for Poverty-Related Communicable Diseases
DA	Designated Account
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization
GA	Grant Agreement
GoN	Government of Nigeria
GPOBA	Global Partnership on Output Based Aid
HHMO (HNL)	Means Hygeia Nigeria Limited established and operating under the laws of Nigeria
HIF	Stichting Health Insurance Fund
HMO	Health Maintenance Organization
IT	Information Technology
MI	Monitoring Indicator
NHIS	National Health Insurance Scheme
OM	Operations Manual
PAF	PharmAccess Foundation
SOE	Statement of Expenditure
SPN	Service Provider Network

I. Introduction

Purpose of this Operations Manual

This Operations Manual (OM) sets out the arrangements agreed by the signatories to the Grant Agreement (GA). It also specifies the arrangements between all organizations involved in the implementation of the Nigeria Pre-Paid Health Scheme Project (the 'Project'). The OM outlines the goals, milestones and relevant details for each phase of the Project. Additionally, the OM outlines the procurement, financial management, monitoring arrangements, disbursement, social and environmental management frameworks that will govern the actions of all parties involved.

This OM is intended to be a reference document for the Project partners and to delineate the key steps and requirements for successful implementation. Any changes to the OM during the course of implementing this Project must be requested in writing and must receive written approval from GPOBA.

The GA, the formal legal document that regulates the relationship between GPOBA and the Grant Recipient, Stichting Health Insurance Fund (HIF), will defer to this OM for the description of the Project's *modus operandi*. Any Project parameters specified in the GA however supersede the terms of this OM. HIF will bear full responsibility for ensuring operational compliance, including all fiduciary responsibility vis-à-vis the GPOBA GA and this OM.

All the findings and recommendations of the Computer and Allied Products Association (CAPDAN) Target Population Study, funded by GPOBA, have been incorporated into this OM by the Grant Recipient.

Objectives of the Project

The Project aims to increase access to quality basic health care in Nigeria by providing pre-paid health insurance plans to low-income small business employers (whose annual income is below 300,000 NGN) and their households and employees and their households whose businesses belong to the Computer and Allied Products Association (CAPDAN) in Lagos. The estimated target population is 27,500. The Project will provide funding to subsidize access to the health insurance service for up to 22,500 over a four and a half year period. The insurance packages will provide the beneficiaries coverage for primary care, maternal care and treatment for high-risk diseases such as HIV/AIDS, malaria and tuberculosis through a Service Provider Network (SPN) of clinics and hospitals.

The Project is an extension of an existing program (the Community Health Program) which was established by two Dutch non-profit organizations, HIF and PharmAccess Foundation (PAF) in partnership with a local private sector health insurance entity, Hygeia Nigeria Limited (HHMO). The Project will rely on a similar provider network and monitoring and evaluation practices that are already used in the existing Community Health Program.

Project Outputs

The GPOBA subsidy will provide funding for the following output-based components: insurance premium, marketing and upgrading subsidies. The subsidy payment will be subject to the verification of outputs by PAF.

Three output triggers will govern the disbursement of GPOBA's subsidies:

1. Enrollment level: Individual enrollment trigger (enrollment data provided bi-monthly by 21st of the month after the end of the two-month period):

- a. subsidy of 50% of the GPOBA contribution to the premium cost relating to that enrollment (GPOBA contribution = yearly premium – co-payment from beneficiaries).
 - b. One-time marketing subsidy of US\$8.14 per person enrolled. This will be a one-time subsidy payable the first year the individual enrolls. The subsidy is not payable for future enrollments by that individual.
2. Quality of service: PAF will monitor the SPN quality of service semi-annually. Six-months after enrollment, if the providers meet the established quality standards as measured by PAF during the most recent semi-annual monitoring and evaluation exercise, HHMO will receive the remaining 50% of the premium subsidy relating to the enrollment mentioned in point 1 above. If two or more of the providers do not meet the quality standards as specified for each provider, the margin for HHMO (20% of premium) will be withheld, until the quality standards are met or the providers are removed from the HIF network.
3. Upgrading: GPOBA will also provide subsidy to cover the cost of upgrading up to two healthcare providers (to be determined by the Medical Due Diligence). The upgrades are required to ensure that the provider(s) can provide quality care to the target population. Payments will be made from PAI to HHMO to cover the upgrading as soon as PAF has approved the upgrading plans and GPOBA has provided its non-objection to the plans. HHMO will be responsible for the upgrading of the provider(s). As part of the upgrading process systems and procedures at CAPDAN will also be enhanced to ensure that they can support the Project. Support will include educating CAPDAN members about the scheme and facilitating their membership.

II. Project Description

HHMO will offer the insurance plan to beneficiaries for one-year periods. HHMO will start with marketing and an outreach campaign to familiarize the target population with the product. HHMO will aim at enrolling households, rather than individuals, to create a more diverse risk pool. The Project will cover primary care, maternal health services and screening / treatment for HIV/AIDS, malaria and tuberculosis (see Annex E for a specific list of plan benefits and exclusions). Except for inpatient care, there will be no maximum coverage limit (i.e. no limit on the number of visits or treatments per beneficiary) for services covered under this plan. Beneficiaries do not need to make any additional co-payments per visit beyond their annual enrollment fee provided the illness/treatment is covered under the plan. PAF and HHMO will review the project's product offering on an annual basis and adjust the offering and premium where necessary based on the healthcare costs and healthcare utilization of the selected target population.

The premium for the insurance product will be NGN8,700 (US\$68.06) annually per person in year one. The premium is expected to increase to reflect the local rate of inflation per annum up to 8.1%. Initially scheme participants will pay 15% of total premium costs (≈US\$10.5 in year 1), but this is expected to increase to approximately 57% of total premium costs *i.e.*, US\$55.2 after 5 years. Premium subsidies are therefore expected to decline from 85% of the total premium cost during the first year of the Project to an estimated 43% in year five. Over time premium levels may be differentiated based on income. Beneficiaries contribute a co-payment to encourage ownership, empowerment and increase utilization of the services. See table below for an overview of the expected premium cost, subsidy and co-payment levels for the Project.

Figure 1: Expected Premium, Subsidy and Co-payment Levels

Year	1	2	3	4	5
Enrollees	9,000	13,500	16,500	19,500	22,500
Premium cost USD	68.06	73.57	79.52	85.96	92.92
Co-payment %	15%	21.0%	29.3%	40.9%	57.2%
Co-payment USD	10.21	15.42	23.29	35.19	53.16
GPOBA Subsidy %	85%	79.0%	70.7%	59.1%	42.8%
GPOBA Subsidy USD	57.85	58.15	56.23	50.77	39.76

The total GPOBA subsidy amount will not exceed US\$ 4.143.000.

The Insurance Premium Subsidies per enrolled beneficiary shall be up to the following percentages (excluding co-payment discount offered during pre-enrollment period) of the premium amount, and not to exceed the following amounts:

Year 1: 85% of the premium amount, not exceeding 7,400 Naira

Year 2: 79% of the premium amount, not exceeding 7,500 Naira

Year 3: 70.7% of the premium amount, not exceeding 7,200 Naira

Year 4: 59.1% of the premium amount, not exceeding 6,500 Naira

Year 5: 42.8% of the premium amount, not exceeding 5,100 Naira

HHMO will payout 80% of the premium revenues that it receives to the health care providers and will retain the remaining 20% for management and administrative costs and profit. HHMO will bear the risk of its cost margins exceeding the 20% of premium revenues that the Project will permit it to retain. HHMO's profit margin will not exceed 5% of premium revenues and any profit in excess of this threshold will offset future disbursements from GPOBA.

Approximately 75% of HHMO's payments to the SPN will be fixed up-front monthly payments to cover primary care (capitation fees). The remaining 25% of HHMO's payments to the SPN will depend on actual services rendered (fee-for-service claims). HHMO and the SPN will pre-agree the cost of common fee-for-service procedures. Fee-for-service will require pre-authorization from HHMO and will involve an invoicing process to compensate providers.

Plan Enrollment and Targeting

The Project will begin with a 2-3 month pre-enrollment period. Scheme members that sign up during the pre-enrollment period may be offered a discount and will not be able to access service until the end of the period. After pre-enrollment, enrollment will take place on a rolling basis, and will be supported by HHMO's ongoing marketing campaign to ensure member retention and re-enrollment in later years. Enrollment will be open to low-income small business employers and their households (whose annual income is below 300,000 NGN) and employees and their households whose businesses belong to the Computer and Allied Products Association (CAPDAN) in Lagos. Upon enrollment, beneficiaries will make their annual co-payment in advance for the coming year. HHMO will then provide each enrolled beneficiary with an ID card which will allow access to the service within 31 days of enrollment (except during pre-enrollment period).

This Project will seek to enroll 22,500 CAPDAN affiliated people, by its fourth year according to the following targets:

Figure 2: Target Enrollment Levels per Period

	Pre-enrolment 2-3 months	End year 1	End year 2	End year 3	End year 4	End year 5
End of year target enrollment level	5,000	9,000	13,500	16,500	19,500	22,500

Enrollment will stop at the end of December 2012 as the project completion date is June 2013.

HHMO will not enroll any individuals whose employer is legally obligated to register them in the Government of Nigeria's National Health Insurance Scheme.

Upgrading

A review of clinics in the area will be carried out to select up to two clinics that will be added to the existing Community Health Program network. Once selected, PAF's medical team will conduct a medical due diligence on the new providers and assess their current level of performance and work with HHMO to establish an upgrading plan for areas that require improvement. Physical upgrading will be carried out which

will include providing necessary equipment, improving physical infrastructure, and installing essential administrative systems and ongoing maintenance of equipment. Training of medical and administrative staff will be carried out periodically for the duration of the Project. As part of the upgrading process systems and procedures at CAPDAN will also be enhanced to ensure that they can support the Project. Support will include educating CAPDAN members about the scheme and facilitating their membership.

The contract between HHMO and PAF will state that if the targets in the upgrading plans are not met, or if other shortcomings are observed with respect to the upgrading of a healthcare provider, HHMO is obliged to submit a revised upgrading plan to PAF for approval within 30 days after such failure has become known. If the provider fails to meet the target for a second time and/or fails to remedy the shortcomings within the period described by PAF, and such failure continues for 60 days after HHMO has been given notice thereof, PAF may decide to have HHMO remove the provider concerned from the network.

Project Components

The total Project cost is estimated at US\$8,479,164 over five years. Users are anticipated to contribute US\$2,414,000 of co-payments. GPOBA's total contribution will be no more than US\$6,065,164 and will consist of the following components:

Insurance Premium, Marketing and Upgrading Subsidies US\$4,573,000

GPOBA's grant will subsidize plan premiums, HHMO's marketing efforts, and upgrades for up to two new service providers as follows:

- o Insurance Premium subsidies US\$4,143,000
- o Marketing subsidies US\$197,000
- o Upgrading US\$234,000

Funds for HIF Project Management: US\$261,000

HIF will establish an implementation, monitoring and evaluation agreement with PAF to govern their relationship with each other for the duration of GPOBA's involvement in the Project. HIF will also provide semi-annual reports to GPOBA, review all reports submitted by HHMO and PAF, work with Project auditors, and coordinate activities.

Funds for PAF Monitoring and Evaluation US\$953,000

PAF will continuously monitor and evaluate the Pre-paid Community Health Scheme by reviewing financial / medical reporting, and monitoring the quality of the SPN. Estimated costs for these activities are as follows:

- o Financial and medical reporting US\$615,000
- o Quality assurance US\$338,000

Research Funding US\$50,000

The bio-medical research program is an optional component of the scheme and has been included in this proposal at the recommendation of GPOBA. It consists of medical research on the disease burden of the target population by the Center for Poverty Related Communicable Diseases (CPCD). GPOBA would provide a maximum of US\$50,000 for the operational research component. HIF needs to find additional funding and determine if and how this component can be conducted constructively within 3 months of GA effectiveness. If after 3 months of GA effectiveness, the GA Recipient has not informed GPOBA of its decision, the Research Funding will not longer be available.

Audits US\$108,000

GPOBA's grant will allocate funds to compensate an independent auditor for annually reviewing the CAPDAN insurance scheme. Funds from the Dutch Ministry of Development Cooperation will cover costs associated with auditing HIF, PAF, AIID and CPCD.

Unallocated Funds US\$119,164

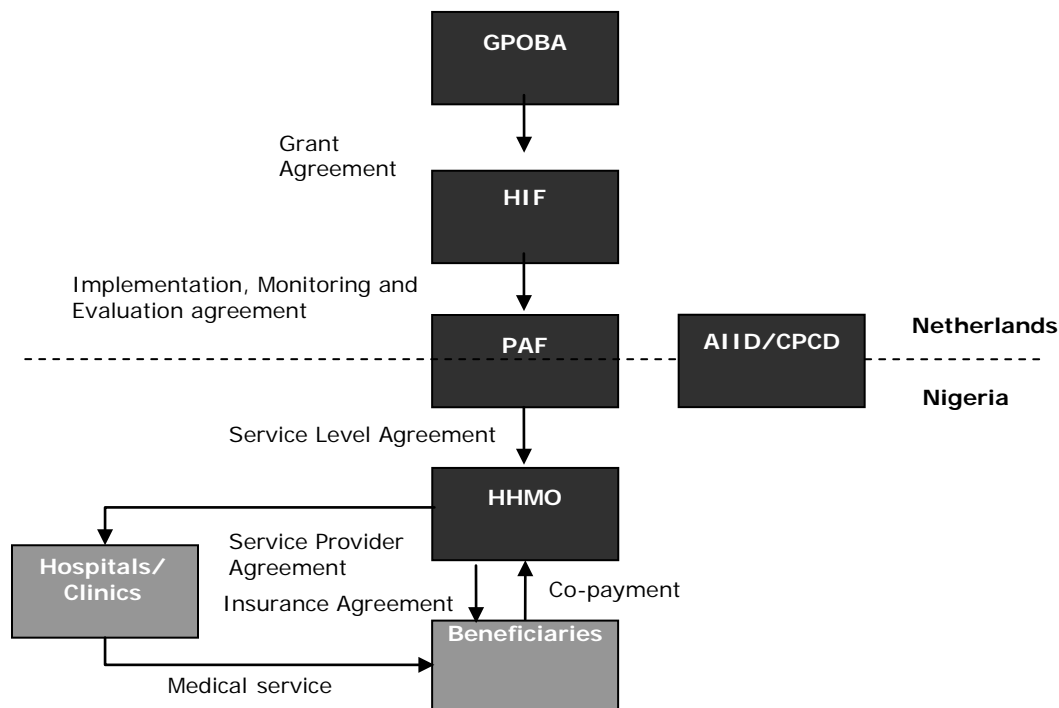
Given the innovative nature of the Project and HHMO / PAF's relative unfamiliarity with the target group, this Project has budgeted for contingencies.

III. Project Implementation

Roles and Responsibilities

The Project structure consists of five parties (see diagram below): 1) HIF as the grant recipient from GPOBA; 2) PAF as HIF's implementation, monitoring and evaluation partner; 3) HHMO as PAF's local implementation partner in Nigeria; 4) a network of up to 15 healthcare providers; and 5) the beneficiaries to be targeted for enrollment in the pre-paid health insurance scheme.

Figure 3: Project Overview



HIF will receive GPOBA's grant and will:

- Manage the flow of funds from GPOBA for the Project
- Submit semi-annual withdrawal requests to GPOBA
- Provide scheme oversight through its Board of Directors
- Publicize the Project and lobby donors to fund further replication
- Select an external auditor to review the use of GPOBA funds
- Enter into an Implementation, Monitoring and Evaluation Agreement with PAF, in which it shall specifically state that funds may be advanced from HIF to PAF for eligible expenditures of the Project for PAF and HHMO.

PAF will implement, monitor and evaluate the Project and will:

- Manage the Project implementation
- Independently verify outputs that will trigger output based disbursements to HHMO through:
 - i. Bi-monthly audits of enrollment levels and co-payments
 - ii. Semi-annual service provider quality assessment

- Conduct medical due diligence to determine upgrading needs for providers and quality targets
- Work with HHMO to create and approve upgrading plans for providers
- Provide oversight for the upgrading of providers
- Facilitate the upgrading process by supporting training for service providers
- Financial management of project including regular reporting to HIF
- Manage payment to HHMO
- Manage reporting process with HHMO
- Provide financial and operational reporting to HIF

HHMO will serve as the Project's local implementation partner and will:

- Manage all aspects of the health insurance scheme, including enrollment, co-payment collection, claim processing, payments to providers, and data collection
- Draft upgrading plan for providers
- Manage provider upgrades (with oversight from PAF) and procure required goods and works
- Market the Project to the target population
- Implement the Project's anti-fraud mechanisms including providing ID cards to all plan participant
- Work to prevent fraud by analyzing beneficiary utilization data
- Divulge all necessary information that PAF and HIF may need to verify revenues, costs and profits associated with this Project and needed according to reporting requirements
- Provide reporting to PAF

The Service Provider Network (SPN), as per Annex F, will:

- Provide medical care as defined in the service package to the target population
- Work to prevent fraud by checking patient identification
- Support upgrading process

Disbursement Procedures

The disbursement procedure for GPOBA's Grant will occur as follows:

(i) Initial request for advance. HIF will submit a Withdraw Application to GPOBA for an initial advance in the sum of EUR 500,000.

(ii) Subsequent Requests. Advance/Direct payment will be requested with each subsequent Withdraw Applications together with supporting documents. Supporting documentation should be provided with each application for withdrawal as set out in the Disbursement letter. The minimum value of Applications is EUR 70,000 equivalent.

(iii) Designated Account (DA). Advances from the Grant Account will be deposited into HIF's Euro denominated bank account. This will be a Designated Account that will only receive deposits from the World Bank/GPOBA in relation to this project. Advances to HIF from the Grant's Accounts will be managed in accordance with Bank Guidelines and the Disbursement Letters to be issued by the Bank.

(iv) Disbursement Letter: soon after signing the Grant, HIF will receive a Disbursement letter from a World Bank Disbursement Officer. This letter will request the Grant Recipient to designate at least two (2) authorized signatories for withdrawal applications. The Grant recipient can provide this authorization by

sending a letter to the World Bank delegating authority to the designated staff, along with a sample of the staff members' signatures. The Disbursement Letter shall include information on the supporting documentation for reporting eligible expenditures paid from the Designated Account, including the Claim Statement from HHMO as per Annex A and C.

Banking Arrangements and Flow of Funds

Bank Accounts

Bank accounts for the collection of monies belonging to the Project or the payment of expenses from such monies must be in the name of the Project. Specific funding/banking arrangements are as follows:

(a) One Designated Account denominated in Euro by HIF, opened with a commercial bank/financial institution acceptable to the World Bank to which the initial deposit and replenishments from World Bank will be lodged;

(b) One Domiciliary Account denominated in Euro by PAF and HHMO opened with a commercial bank/ financial institution.

(c) A current Drawdown Account in Naira into which draw-downs from the related domiciliary account will be credited on a need basis in respect of incurred eligible expenditures, this is applicable only to HHMO;

At HHMO, the Domiciliary Account shall be operated by bank transfers through debit instructions to the Bank while the Drawdown Account shall be operated as a Cheque Account. Amount due for payment shall be transferred from the Domiciliary Account into the Drawdown Account and cheque will be issued to the beneficiary from this account.

Flow of Funds

GPOBA will disburse its Grant through a Designated Account (denominated in Euro) to HIF.

PAF will open a Domiciliary Account (denominated in Euro) to receive bi-annual advanced disbursements from HIF based on half yearly projected expenditures for PAF and HHMO.

HHMO will open a Domiciliary Account (denominated in Euro) to receive disbursements from PAF. HHMO will receive payments from PAF on an output-basis:

- Bi-monthly for enrollment levels and
- Bi-monthly for service quality based on semi-annual reports.

HHMO will open a Current Account (denominated in Naira) to receive disbursements from the HHMO Domiciliary Account.

All payment vouchers and cheques shall be written in the name of the beneficiary that appears on the supporting documents. When a beneficiary other than person shown in the supporting documents requires to be paid an open cheque, a letter of indemnity should be obtained. Also, a Letter of Indemnity should be obtained when payment is supported by duplicate copy of invoiced bill where the original have been

misplaced. All Cheques will be pre-crossed and unused booklets kept in a safe custody by the Head of the Project.

As agreed in the commitment paper it is not possible for HIF to bear foreign exchange rate risk on the project. Therefore the foreign exchange situation should be reviewed semi-annually and the project scope adjusted if necessary in agreement between HIF and GPOBA.

Replenishment of Designated Account

The Bank will replenish the HIF Designated account upon receipt and approval of withdrawal applications, together with satisfactory documentary evidence that payments from the Designated accounts are eligible for financing under Grant Agreement. Withdrawal Application Forms will be prepared and sent to the Bank/GPOBA signed and countersigned by at least two (2) authorized signatories. WB must provide a written non-objection to the Withdrawal Application.

Signatories

There shall be two (2) first signatories and one alternate for each signatory panel to the bank accounts. The names of staff members of HIF who are the bank signatories shall be communicated to the World Bank.

Disbursement Arrangements

Transaction-based Disbursement Procedures: By effectiveness, the Project will use the Transaction-based Disbursement Procedures (as described in the World Bank Disbursement Handbook), i.e., direct payment and advance. When project implementation begins, the semi-annual Interim Financial Reports (IFRs) produced by the Project will be reviewed. Where the reports are adequate and produced on a timely basis, and the grant recipient requests conversion to report-based disbursement, a review will be undertaken by the Bank project team to determine if the Project is eligible for report-based disbursement. The adoption of report-based disbursements by the Project will enable it to move away from the time consuming voucher-by-voucher (transaction-based) disbursement methods to semi-annual disbursements to the Project's Designated Account based on IFRs.

In the case of an SOE for the Project's Designated Account, the supporting documents, including contracts and procurement documentation, and evidence of payment shall be arranged and kept in a central location for examination by the Bank staff or independent auditors during supervision missions and audits. For more details, please refer to the World Bank Disbursement Handbook.

All required payments shall be included in the appropriate requests from HIF to GPOBA/WB (e.g. initial advance or subsequent Replenishment Requests). Disbursements for each component will be made in accordance with the provisions of the OM and the contractual agreements between the parties.

As a condition of Grant Effectiveness HIF has to agree with the World Bank/GPOBA on the format for Interim Financial Reports (IFR) and Annual Financial Statement. Annex B of the World Bank Publication 'Financial Monitoring Reports for World Bank-Financed Projects: Guidelines for Borrowers', dated November 30, 2002, provides and overview of samples of formats the client can select from.

Withdrawal of Funds

The process of withdrawing funds from GPOBA Grant is highlighted below:

- (a) all withdrawals must comply with the grant conditions;
- (b) specimen signature of persons authorized to sign withdrawal applications shall be submitted to the World Bank/GPOBA;
- (c) original copies of applications and an extra copy duly signed by the authorized signatories together with full payment instructions shall be dispatched to the World Bank/GPOBA
- (d) appropriate documentation for the works/service or goods must be available;
- (e) there must be sufficient fund in the category against which the application is being made.

All withdrawal applications shall be sequentially numbered for control purposes with the original and duplicate copies being forwarded to GPOBA/WB for processing along with all supporting documents (where applicable). Details of all Withdrawal Applications shall be entered into the GPOBA Withdrawal Application Register¹ and copies appropriately and accordingly filed by HIF.

Withdrawals from GPOBA grant shall be made through Withdrawal Application Forms (Form 1903) and proceeds of Withdrawal Applications shall be paid directly by the WB into the Designated Account. The Withdrawal Application shall be duly completed and approved by the authorized signatories before submission to the Bank for processing. The initial Withdrawal Application of request for advance to the Designated Account requires no supporting document. However, all subsequent applications for replenishment shall have attached to them, copies of the related bank statement of the Designated Account and a reconciliation Statement for the Account together with all supporting documentation. Upon receipt of a credit advice from the receiving local bank signifying that the proceeds of a Withdrawal Application has been credited, the HIF shall cause the necessary accounting entries to be effected.

In the case of HHMO, on receipt of the Euro funds, HHMO shall obtain applicable exchange rate from the Central Bank or the Commercial Bank and use same to transfer the funds from the Domiciliary Account to the Naira Drawdown Account. Necessary authority will thereafter be obtained through a transfer letter duly signed by the authorized signatories.

Allocation of Funds Proceeds

Project funds are allocated according to categories and disbursement should be in this predetermined manner. The Grant Agreement should be consulted for the applicable amounts for settlement of eligible expenditures under the related disbursement categories.

Funds Disbursement

Payments to HIF

The Grant Agreement stipulates the size of fee payable to HIF for project management throughout the project duration. The expected fee payment is included

¹ This is the register maintained by HIF to track withdrawal applications sent to GPOBA

in the financial projections sent to GPOBA semi-annually by HIF. The advance will be used for payments of expenses incurred by HIF, as specified in advance and replenishment requests. The subsequent IFR will provide reconciliation between actual expenses incurred and the advance provided for that period. Based on project needs HIF can request additional advances, up to the ceiling of the DA of EURO 500,000.

Payments to PAF

The Grant Agreement stipulates the size of fee payable to PAF for Monitoring and Evaluation as well as Medical Due Diligence for the Upgrading Plan. The expected fee payment is included in the financial projections sent to GPOBA semi-annually by HIF and the requests from PAF to HIF. The advance will be used for payments of expenses incurred by PAF, as specified in the advance and replenishment requests. The subsequent IFR will provide reconciliation between actual expenses incurred and the advance provided for that period, as well as a request for an advance for the subsequent months, taking into consideration the reconciliation outcome.

Finally, PAF will be responsible to provide a training component to the two new service providers as part of the upgrading implementation. GPOBA will provide the subsidy for the training component at completion of the upgrading plan.

Payments to HHMO

Disbursement from PAF to HHMO will be based on the verification of agreed upon outcomes. PAF will disburse funds to HHMO based on the following procedure:

1. Enrollment numbers: PAF will audit HHMO's monthly reports on enrollment numbers and co-payments made². Following satisfactory verification, PAF will disburse:
 - a. subsidy of 50% of the GPOBA contribution to the premium cost relating to that enrollment (GPOBA contribution = yearly premium – co-payment from beneficiaries).
 - b. Enrollment of new each beneficiary will trigger a fixed marketing subsidy of US\$8.14. These will be one-time subsidies paid only in the first year in which new beneficiaries enroll and will not be paid for subsequent re-enrollments.
2. Provider Service Quality: PAF will audit service provider quality semi-annually to review progress related to each provider's upgrading plan. Verification of the quality of service standards would trigger the disbursement of the remaining 50% of the premium subsidy relating to that enrollment.

If two or more out of the 15 providers do not meet the quality standards as specified for each provider, an amount of subsidy equal to 20% of premium revenues (HHMO's margin³) will be withheld until the situation is remedied (by either meeting standards or, in the event of a severe and continuing breach, by removing the provider from the network)⁴.

² Beneficiaries pay their annual co-payment dues at time of enrollment.

³ In year 5, when the GPOBA subsidy is 35%, the amount withheld will be 50% of the subsidy (i.e. the maximum that can be withheld).

⁴ The contract between HHMO and PAF states that if the targets in the upgrading plans are not met, or if other shortcomings are observed with respect to the upgrading of a healthcare provider, HHMO is obliged to submit a revised upgrading plan to PAF for approval within 30 days after such failure has become known. If the provider fails to meet the target for a second time and/or fails to remedy the shortcomings within the period described by PAF, and such failure continues for 60 days after HHMO has been given notice thereof, PAF may decide to have HHMO remove the provider concerned from the network.

GPOBA will also provide a subsidy to cover the cost of the upgrading of up to two healthcare providers added to the SPN.

3. Upgrading Plans: The finalization of the upgrading plan by PAF and non-objection by GPOBA/WB would trigger the disbursement of the upgrading subsidy to HHMO's designated account by PAF. The subsidy would include funding for Goods and Works as will be determined in the upgrading plan, as well as a 10% management fee HHMO to implement the upgrades for up to two service providers. Reimbursement to HHMO for goods and works will be based on actual cost as provided in the invoices for these goods and works provided by HHMO.

All funds are transferred to Hygeia in Euro. Differences in translation between the Euro amounts sent to Hygeia by PharmAccess for the premium subsidies and the Naira amounts received on the Naira bank account following transfer, will be settled every calendar year based on actual enrolment and premium subsidy levels. Any differences in translation for other expenses are for the account of Hygeia.

Consulting Payments

Each consultancy agreement (including the external audit and operational research) will stipulate the terms of payment for services performed as per Bank guidelines. HIF and PAF will ensure that payments to the consultants are made in accordance with the terms of their respective contracts.

Financial Management actions to be completed:

Finally the action plan below indicates the actions to be taken for the project to strengthen its financial management system and dates they are due to be completed by.

	Action	Date due by	Responsible
1	Open Designated Account and GPOBA advised of details of bank account and the authorized account signatories.	Prior to fund Disbursement.	HIF
2	Agreement of formats of Interim Financial Report (IFR) and Annual Financial Statements.	Prior to Grant Agreement Effectiveness	HIF and GPOBA
3	Open Domiciliary Account and HIF advised of details of bank account and the authorized account signatories.	Prior to fund Disbursement.	PAF
4	Open Euro Domiciliary Account and Current (Draw-down) Account in Naira and PAF advised of details of bank account and the authorized account signatories.	Prior to fund Disbursement.	HHMO

In addition, PAF will engage a Finance Manager to further strengthen the financial management capacity of the Project.

Procurement

This Project procurement will be conducted in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits", May 2004 revised

2006, and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers,” May 2004 and the provisions stipulated in the Grant Agreement.

Under the Project, HIF has engaged an external auditor, PAF is responsible for Monitoring and Evaluation, medical due diligence and training as part of upgrading. HHMO is responsible for infrastructure upgrading and procurement of equipment for up to two additional providers, marketing and providing health care services through a network of up to 15 providers.

HIF, PAF, HHMO and the World Bank have agreed to the Procurement Plan as detailed in Annex D. The Procurement Plan will be updated as required to reflect the Project’s actual implementation needs. Any required alterations must receive a ‘no objection’ from the World Bank.

During the development stage the procurement arrangements for the Project have been assessed. The sole source of PAF by HIF was reviewed and accepted for the Project based on the reasons provided. The single source of HHMO for implementation of the Project was accepted. The process of selecting the 15 service providers for the current HHMO network was reviewed and accepted. Therefore HHMO will contract the required providers as determined from the Medical Due Diligence for service delivery under this Project.

Safeguard Compliance

This Project is classified as a Category “C” undertaking and does not trigger any World Bank safeguard policies. However, as a way to promote best practice, the Project recognizes the importance of addressing medical waste management. To this end, practitioners participating in the health insurance scheme will be encouraged to follow international best practice with regards to medical waste disposal.

By following WHO guidelines and establishing a scoring system by which to monitor a health facility’s performance, PAF will ensure that service providers follow proper waste management procedures.

Output Verification and Monitoring

The outputs of the project upon which GPOBA subsidies will disburse include:

1. Enrollment levels
2. Quality of service standards

Each output will be verified by PAF and approval by HIF will trigger the subsidy disbursement, as per the triggers specified. On a bi-monthly basis PAF verifies enrollment levels and co-payments received from beneficiaries. PAF will send bi-monthly verification report to HIF. These bi-monthly reports will differentiate between people enrolled in that month (to trigger Insurance Premium Subsidy) and the first time enrollees (to trigger Marketing Subsidy). Approval by HIF will trigger payment by PAF to HHMO.

On a semi-annual basis, PAF will monitor quality standards of the SPN, as specified in the upgrading plans for each provider. The semi-annual quality of service M&E by PAF will trigger the remaining subsidy for the insurance premium. PAF will provide six monthly verification reports stating how quality standards of the provider network compare to the goals set in the upgrading plans.

PAF is responsible for determining the upgrading needs and establishing the service quality standards the service providers need to adhere to for the duration of the GPOBA project. PAF will conduct a due diligence to determine the upgrading needs

and draft an upgrading plan for each service provider. The table below lists the eight major criteria on which the providers are evaluated:

Evaluation Category	Description
General and Management	Building, design, lighting, electricity, water, maintenance
Management and Administration	Organizational structure, communications, ICT, finance
Staff and Skills	Capacity, skills, knowledge
Medical Care	Patient intake, diagnostics, radiology, patient care, medical services, equipment, healthcare delivery processes
Laboratory	Quality of lab space, equipment, maintenance, quality control procedures, testing and delivery of results.
Pharmacy	Quality of facilities, equipment, maintenance; Organization, dispensing of medicines, drug stock management
Quality Management	Patient satisfaction, education schemes, registration of facilities and staff, development of guidelines and protocols.
IT	Data management systems

The providers are rated on each category using the scale below and are expected to implement upgrades per the PAF upgrading plan for each clinic.

Score	Description
NA	Not available, but not required
1	Not available, but required
2	Shortage, or no system, or system not up-to-date
3	Available and up-to-date but not structurally maintained
4	Systematically organized, protocols available, structurally maintained and up-to-date
5	Systematically evaluated and continuously improved

HHMO is responsible for implementing the upgrading plan for each provider and as such the risk of the SPN not meeting the quality standards is shifted to HHMO.

IV. Reporting Requirements

HIF will report on Project progress directly to GPOBA. Reporting obligations for GPOBA grant funds include:

Semi-annual Progress Report

HIF will report semi-annually regarding Project progress. The progress report should include outcome verification by PAF (both bi-monthly enrollment verification and semi-annual quality of service verification) as data for Project's Monitoring Indicators (see Annexes A and C for details). This progress report is to be submitted not later than 45 days after the end of the semi-annual period to the World Bank/GPOBA.

Output Verification Reports

On a bi-monthly basis PAF will verify and report on actual enrollment levels and co-payments received from beneficiaries. These bi-monthly reports will differentiate between people enrolled in that period (to trigger Insurance Premium Subsidy) and the first time enrollees (to trigger Marketing Subsidy). On a semi-annual basis, PAF will monitor service provider quality standards, as specified in the upgrading plans for each provider. PAF will prepare Output Verification Reports for HIF's review. PAF will provide bi-monthly output verification reports for enrollment and six monthly verification reports for service quality to HIF. Approval by HIF will trigger disbursement from PAF to HHMO, as per the triggers specified.

PAF's output verification reports should be attached to the semi-annual progress reports to be provided to GPOBA.

Financial Reports

Semi-annual Interim Financial Reports (IFR): HIF will produce semi-annual Interim Financial Reports (IFRs) which summarize project implementation. The IFRs should be prepared in the currency in which the recipient normally keeps their books of account. Where the accounts are maintained in a currency other than the currency of the designated account, the issue of currency translation will arise. As a general rule, the opening and closing balances of the DA should be translated at the rate ruling on the opening and closing dates, respectively. Expenditures made out of the DA should be stated at the rate ruling on the transaction dates. The actual exchange rates should be disclosed in a note to the IFR. These IFRs will be sent to GPOBA within 45 days after the end of each calendar half-year. IFRs will include:

1. Statement of Sources and Uses of Funds and Cash Balances (with expenditures classified by category);
2. Statement of Uses of Funds by components/activities
3. Designated Account Reconciliation Statement
4. Statement of Expenditure

HIF will maintain documentation supporting the information provided in the IFRs and will make such information easily accessible to GPOBA and authorized external auditors.

Project Completion and Post-Completion Reports

HIF will furnish GPOBA with a Project Completion Report including details on service provision to the target community and the overall use of funds no later than six months after the Closing Date. This report will include a summary of Monitoring and Payment Indicators throughout the Project's entire lifecycle.

At the end of the Grant period, HIF will prepare two Post Project Completion Report to be provided to GPOBA no later than one month after the first and the second anniversaries of the Closing Date of the GPOBA Project.

Annual Audited Financial statements

On an *annual basis*, HIF will prepare audited financial statements. HIF will retain the services of a World Bank approved firm to audit these statements and attest to their validity. These annual statements will include cumulative figures, for the year and as of the end of that year, of the financial statements cited in the previous paragraph. The external auditor will express an opinion on the Annual Financial Statements in compliance with International Standards on Auditing. In addition to the audit report, the external auditor will be expected to prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the grant agreement. The audited financial statements should be submitted not later than 6 months following the end of the fiscal year of the grant recipient. The Terms of Reference for the auditor should specify that the audit includes the substance of payments made and reported by PAF.

V. Project Supervision

The Project will be subject to World Bank supervision. Including but not limited to post procurement review semi-annual during the Project's 5-year life, financial management supervision activities to review of semi-annual IFRs, annual audited financial statements and management letters, annual SOE, participation in Project supervision missions as appropriate, and updating the financial management rating. Please see Annex D for an Overview of Conditions for GA effectiveness and subsequent action plans.

Annex A: Results and Monitoring Indicators

Monitoring Indicators: The Monitoring Indicators (MIs) in Tables 1, 3 and 4 will be included in the semi-annual progress reports to further gauge Project effectiveness and quantify results. GPOBA will use these figures for ex-post monitoring and assessment.

Table 1: Monitoring Indicators

Year		20..		20..		20..	
		P5 ¹	P2, ...	P1	P2, ...	P1	P2, ...
Total number of people enrolled in pre-paid health insurance scheme	planned						
	actual						
Number of enrollments for whom marketing subsidy will be paid	planned						
	actual						
Number of service providers in compliance with the service quality standards specified by PAF	Actual (#)						
Number of service providers NOT in compliance with the service quality standards specified by PAF	Actual (#)						
Number of service providers removed from the network	Actual (#)						
Premium subsidy per enrollment	planned						
	actual						
Marketing subsidy per new enrollment	planned						
	actual						
Upgrading subsidy	planned						
	actual						
Project Management subsidy	planned						
	actual						
Total GPOBA subsidy	planned						
	actual						
GPOBA disbursements	planned						
	actual						

⁵ Please adjust so that each reporting period corresponds to one column.

Table 2: Static data (to be provided at the beginning of the project and updated when necessary)

Outputs	Definition of outputs	1) Number of people enrolled in pre-paid health insurance scheme 2) Compliance with quality standards specified by PAF
	Disbursement milestones	50% of premium subsidy disbursed on actual enrollment and the remaining 50% on compliance with quality standards, payable after six months of enrollment
Access	Number of people per hh in project area	4 (commitment document).
Targeting	Average household expenditure per year on alternative service provision prior to GPOBA project	
Aid efficiency	Average unit subsidy both with and without implementation and administration costs (over the five year period)	
	Efficiency gains	Cost savings from replication of the HIF scheme estimated at US\$1.4 million.
Service Provider	Description of service provider	To be determined by medical due diligence
	Type of contract/certification	Describe the contract between the service provider and HHMO
Dev. impacts	Development impacts recorded by the project	Expected impacts – increased utilization of health facilities, improved health status, improved economic status
	Gender impact	Project will include health services for women and girls such as antenatal care

Table 3: Average service quality scores for all in network providers (semi annual)

Evaluation category	2008	2009		2010		2011	
	SA 2	SA 1	SA 2	SA 1	SA 2	SA 1	SA 2
General and Management							
Management and Administration							
Staff and Skills							
Medical Care							
Laboratory							
Pharmacy							
Quality Management							
IT							

Table 4: Project funding sources (per period)

Year		Unit	Unit cost	Total
GPOBA subsidy	planned	Specify currency		
	actual			
User contribution/co-payment	planned	Specify currency		
	actual			
Total	planned	Specify currency		
	actual			

Annex B: Project Schedule

The following table gives an estimated implementation schedule for the Project's key activities and milestones.

Implementation Schedule

<i>Activities and Milestones</i>	2007	2008				2009				2010				2011				2012				
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
GPOBA provides panel endorsement	■																					
IFC Subsidy Funding Available	■																					
GPOBA provides TA commitment		■																				
Focus Group Study conducted			■																			
GPOBA provides subsidy commitment				■																		
Project design finalized					■																	
GPOBA Grant Agreement signed					■																	
Open designated accounts by HIF, PAF and HHMO, and Current (Draw-down) account HHMO						■																
Withdrawal application HIF to GPOBA						■																
Initial request for withdrawal HIF to GPOBA						■																
Baseline report						■																
Due diligence by PAF						■																
Upgrading plan						■																
Service provision						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
GPOBA disbursement						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Start Implementation Upgrading						■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Replenishment request, IFR and Progress report							■			■		■		■		■		■		■		■
Upgrading complete									■													
GPOBA disbursement ends																						■

Annex C: Semi-annual Progress Report Format

The semi-annual progress report presents an opportunity for HIF to document the status of the Project and provides GPOBA with important information to monitor the Project.

1. Introduction

This section will describe:

- Details of the reporting period
- Summary highlights

2. Status of Project Activities

This section will describe the implementation status of key activities across all participating *Implementers* using milestones such as the following, but not limited to:

- i. Technical Assistance for Market Study
- ii. Upgrading of Service Providers
- iii. Service provision
- iv. Submission of Outputs Verification Report by PAF (Output Verification Reports should be attached to semi-annual progress report)
- v. Release of OBA subsidy

3. Status of Project Outputs

Status of Project outputs for:

- Enrollment numbers and co-payment
- Quality of service
- Change in coverage level in comparison to the baseline condition and previous reporting period.
- Change in quality of service level compared with baseline condition and previous reporting period.

4. Summary of Financial Status

This section provides a brief overview of the financial status of the Project (to be explained and justified in detail in the IFRs). The following details will be provided from HIF and PAF's designated accounts:

- Subsidy made available by GPOBA for reporting period
- Disbursements by category
- Account reconciliation

5. Constraints and Recommendations

- Summary of constraints faced by Project
- Actions recommended for the next reporting period to handle any constraints raised

Annex D: Procurement

A procurement assessment resulted favorable to HIF proposed arrangement to have PAF and HHMO implement the Project using the current network, and recommended the following measures to be in place by Grant effectiveness:

A procurement plan has been prepared by HIF, PAF and HHMO, outlining the procurement activities to be carried out as agreed with the World Bank. HIF/PAF/HHMO will forward the procurement packages to the World Bank for prior review and no objection when necessary. This will include specifically: (i) prior review and no objection of Terms of Reference for consultancy services, and (ii) procurement of equipment using NCB ONLY if the cost estimate exceed the Shopping threshold after the Medical due diligence has been conducted.

The key issues and risks concerning procurement for implementation of the project have been identified. The corrective measures that will be put in place to address the issues and risks at appraisal are reflected in the table below

	Action	Respons- ibility	Due Date
1	Procurement Plan for the Project is prepared and agreed with the Bank	HIF/PAF/ HHMO	By signing of Grant Agreement
2	Preparation of Project GPOBA Operations Manual.	GPOBA	Before signing of Grant Agreement
3	Use of National Shopping for upgrading and procurement of equipment	HHMO	After Medical due diligence report
4	Basic procurement clinic for project staff	PAF/HHMO	Before upgrading and procurement of equipment

With these measures in place, the overall project risk for procurement is average.

Procurement Plan

The procurement has been agreed upon between HIF/PAF/HHMO and the World Bank in the Procurement Plan (see table below). This plan is for the entire project life and was prepared during project appraisal by implementing agencies (HIF/PAF/HHMO). The Procurement Plan will be updated in agreement with the World Bank as required to reflect the actual project implementation needs.

THRESHOLDS FOR PROCUREMENT METHODS AND PRIOR REVIEW¹

HIF PROCUREMENT PLAN CONSULTANT SERVICES

S/N	DESCRIPTION	ESTIMATED COST (\$)	PROCUREMENT METHOD	REVIEW BY BANK PRIOR/POST	PERIOD
1.	External Audit	108,000	SSS/CQ	Prior	2008-2013
2.	Research	50,000		Post	2008-2013
	Sub Total	158,000			

PAF PROCUREMENT PLAN

A. MEDICAL DUE DILIGENCE AND TRAINING

S/N	DESCRIPTION	ESTIMATED COST (\$)	By Whom	REVIEW BY BANK PRIOR/POST	PERIOD OF EXECUTIO N
1	Medical Due diligence	31,000	PAF in house staff	Prior	2008-2009
2	Training of staff of 2 providers	58,000	PAF in house staff	Prior	2008-2013

	Sub Total	89,000			
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B. CONSULTANT SERVICES

S/N	DESCRIPTION	ESTIMATED COST (\$)	PROCUREMENT METHOD	REVIEW BY BANK PRIOR/POST	PERIOD
3.	Financial reporting and Monitoring & evaluation	953,000	PAF staff	Prior	2008-2013
	Sub Total	953,000			

HHMO PROCUREMENT PLAN**A. GOODS**

S/N	DESCRIPTION	ESTIMATED COST (\$)	PROCUREMENT METHOD	REVIEW BY BANK PRIOR/POST	PERIOD
1	Hospital equipment for 2 providers	34,000	National Shopping	Post	2008 – 2009
2	Hospital furniture for 2 providers	20,000	National Shopping	Post	
3	Office equipment for 2 providers	25,000	National Shopping	Post	
4	Office furniture for 2 providers	25,000	National Shopping	Post	
5	Office equipment for CAPDAN	10,000	National Shopping	Post	
	Sub Total	114,000			

NOTE: It has been stated that the goods will be procured using NS on the assumption that the cost after the Medical Due Diligence has been conducted will be within the shopping threshold. Should it be above, National Competitive Bidding (NCB) method shall be used.

B. WORKS

S/N	DESCRIPTION	ESTIMATED COST (\$)	PROCUREMENT METHOD	REVIEW BY BANK PRIOR/POST	PERIOD
1	Upgrading of – infrastructure	26,000	National Shopping	Post	2008 – 2010
2	Upgrading of CAPDAN infrastructure	5,000	National Shopping	Post	2008 - 2010
	Sub Total	31,000			

C. CONSULTANT SERVICES

S/N	DESCRIPTION	ESTIMATED COST (\$)	PROCUREMENT METHOD	REVIEW BY BANK PRIOR/POST	PERIOD
1.	HHMO & HealthCare Service Providers	4.1million	Single source	Prior	2008-2013
2.	Marketing	197,000	HHMO in-house staff	Prior	2008-2013
	Sub Total	4.3 million			

Review by the World Bank of Procurement Decisions.

Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods estimated to cost the equivalent of US \$50,000 or more; (b) each contract for works estimated to cost the equivalent of US \$50,000 or more, (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of US \$100,000 or more; (c) each contract for consultants' services provided by individuals estimated to cost the equivalent of US \$50,000 or more; (d) each contract for consultants' services

procured in accordance with Sole Source Procedures; and (e) all terms of reference for contracts for consultants' services and training programs.

Annex E: Plan Benefits and Exclusions

The insurance plan will cover primary care, selected secondary care such as maternal care and treatment for chronic high-risk diseases such as HIV/AIDS. The table below summarizes the main features of the product:

Benefits:	Exclusions:
• Primary and Out-patient Care	• High Technology Services (CT Scan, MRIs)
• Specialist Consultation	• Drug abuse / addiction
• Hospital care and admission (up to 5 days)	• Injuries from natural disasters, wars, riots, etc.
• Prescription drugs	• Epidemics (affecting >10% of the population)
• Laboratory Tests (Hematology, Microbiology, Serology, Clinical Chemistry)	• Family Planning (provided by other organizations)
• X-ray, Ultrasound	• Cancer (chemotherapy, radiation therapy)
• Minor Surgery	• Major/Complex Surgery
• Intermediate Surgery (including Cataracts)	• Provision of spectacles, contact lens
• Pre and post natal care and delivery (including caesarians)	• Ear-Nose-Throat (hearing aids, etc.)
• HIV/AIDS: counseling, testing, treatment, monitoring, provision of anti-retroviral drugs	• Dental
• Eye examination and care	• Intensive Care, Dialysis
• Immunizations (BCG, Measles, DPT, Oral Polio, Hepatitis B)	• Pediatrics (congenital abnormalities)
• Preventative education (HIV, Hypertension, Diabetes, TB)	

*Inpatient care is limited to 15 days, but exceptions may be made on a case by case basis HHMO's approval.

Annex F: Service Provider Network (SPN)

The provider network for the current Lagos Community Health Program:

Primary Care Providers

1. Crystal Specialist Hospital, Akowonjo, Agege
2. Heals Specialist Hospital, Ire Akari Estate, Isolo
3. Lagoon Clinic, Idejo Street, Victoria Island
4. May Clinics, Sadiku Street, Ilasamaja
5. Orile Agege General Hospital, Agege
6. Osuntuyi Medical Centre, Iju Ishaga, Agege
7. R-Jolad Hospital, Akinyele Street, New Garage, Bariga
8. Salvation Army Clinic, Odunlami Street, Lagos
9. Surulere General Hospital, Randle Street, Surulere
10. Topaz Clinics and Maternity, Adeniji Street, Surulere

Referral Providers

11. Lagoon Hospital, Apapa
12. Lagoon Hospital, Ikeja
13. Lagos State University Teaching Hospital (LASUTH), Ikeja