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**GRANT NUMBER E360-ST**

# **Financing Agreement**

**(Safeguarding Access to Fiscal and Educational Resources Project)**

**between**

**DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to eighteen million three hundred thousand Special Drawing Rights (SDR 18,300,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollar

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MPF in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, the Recipient has taken or permitted to be taken any action which would prevent or interfere with AFAP's performance of its obligations under the Subsidiary Agreement.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) The Subsidiary Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of AFAP to make withdrawals under it have been fulfilled.
  - (b) The Project Operations Manual has been adopted by the Recipient, in accordance with Section I.C of Schedule 2 to this Agreement, in a form and substance satisfactory to the Association.
  - (c) The Labor Management Procedures have been adopted by the Recipient, in accordance with the ESCP, in a form and substance satisfactory to the Association.
  - (d) The Gender-Based Violence, Sexual Exploitation and Abuse, and Sexual Harassment Action Plan has been adopted by the Recipient, in accordance with the ESCP, in a form and substance satisfactory to the Association.
  - (e) The Stakeholder Engagement Plan has been adopted and disclosed by the Recipient, in accordance with the ESCP, in a form and substance satisfactory to the Association.
  - (f) The Grievance Mechanism has been established by the Recipient, in accordance with the ESCP, in a form and manner satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date sixty (60) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is fifteen (15) years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is Minister of Planning and Finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Agua Grande  
Caixa Postal No. 168  
Sao Tome,  
Democratic Republic of Sao Tome and Principe; and

(b) the Recipient's Electronic Address is:

Facsimile:  
  
+239-2222182

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association's address is:

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

(b) the Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

**DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE**

**By**



\_\_\_\_\_  
**Authorized Representative**

**Name:** H.E. Ginésio Valentim Afonso da Mata

**Title:** Ministro das Finanças

**Date:** 09-Aug-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



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**Authorized Representative**

**Name:** Kofi Nouve

**Title:** Operations Manager & Acting Country Director

**Date:** 08-Aug-2024

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to support continued access to education and contribute to addressing sources of fiscal pressure emanating from the energy sector in Sao Tome and Principe.

The Project consists of the following parts:

#### **1. Emergency financing to ensure continued access to quality education**

Support the capacity of teachers and schools to undertake their duties through:

- (a) payment of salaries of primary and secondary school teachers, adult education teachers, and school administrators across all levels of education; and
- (b) provision of: (i) safe transport for students, including *inter alia* through carrying out critical repairs and maintenance of existing school buses and vans; (ii) school supplies kits to all basic and secondary schools; and (iii) educational materials to students through the printing and distribution of story books for early childhood learning.

#### **2. Technical assistance to support the Recipient's fiscal stabilization program**

Support the Recipient's commitment to improve the energy sector's sustainability and limit its negative impact on the Recipient's fiscal and macro-economic program through the provision of the following technical assistance:

- (a) developing a decarbonization plan, including an investment prospectus;
- (b) carrying out a technical audit of EMAE's production input, including *inter alia*, fuel use, spare parts, payroll, transport fleet; and
- (c) outsourcing commercial operations of EMAE.

**3. Project management**

Support Project implementation through *inter alia*: (a) monitoring and evaluation, audits, review of teacher payroll, management of environmental and social risks, financial management and procurement functions; and (b) developing and implementing a sensitization and engagement campaign on addressing risks of SEA/SH at schools, including the adoption and application of codes of conduct among all school personnel and establishment and operation of an SEA/SH-sensitive grievance mechanism in all schools.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall designate the MPF at all times during Project implementation to be responsible for the overall implementation of the Project and shall take all actions, including the provision of funding, personnel and other resources, necessary to enable the MPF to perform this function.
2. The Recipient shall cause AFAP to maintain at all times during the implementation of the Project, a Project Implementation Unit within AFAP, with mandate, composition, and resources acceptable to the Association, to be responsible for day-to-day Project operations and to oversee the fiduciary, environmental and social aspects of the Project.
3. The Recipient shall, through the Energy Crisis Committee, provide strategic oversight of the Project, including in relation with the electricity sector.
4. For purposes of Project implementation, the Recipient, through the MPF, shall ensure coordination among the MECC, the MIRN, EMAE, the Office of the Prime Minister, AFAP and any other stakeholders involved in Project implementation.

##### B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing available to AFAP under a subsidiary agreement between the Recipient, through the MPF, and AFAP (“Subsidiary Agreement”), under terms and conditions approved by the Association, which shall include *inter alia*, AFAP’s responsibility to:
  - (a) carry out the Project;
  - (b) maintain throughout Project implementation, a Project Implementation Unit with a structure, functions, adequate staff and resources as further detailed in the Project Operations Manual, acceptable to the Association, to be responsible for day-to-day Project operations, including:
    - (i) providing logistical support and guidance;
    - (ii) compiling works plans, budgets and procurement plans;



- (iii) monitoring project implementation and preparation of progress reports;
  - (iv) maintaining Project accounts, managing designated accounts and preparing Project financial statements;
  - (v) submitting withdrawal applications to the Association;
  - (vi) providing advice on the implementation of the Project agreed work plan; and
  - (vii) identifying, managing and supervising environmental and social risks and impacts, including those related to GBV/SEA/SH; and
- (c) carry out capacity building on financial management systems and disbursement procedures.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Project Operations Manual**

1. The Recipient shall cause AFAP to prepare an operations manual (“Project Operations Manual”), in form and substance satisfactory to the Association, which shall contain detailed workflow, methods, and procedures for the implementation of the Project, including but not limited to: (i) administration and coordination arrangements; (ii) performance indicators of the Project; (iii) monitoring and evaluation methods; (iv) financial management guidelines and procedures; (v) corruption and fraud measures; (vi) implementation modalities for each Part of the Project; (vii) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; (viii) Personal Data collection and processing in accordance with applicable national law and good international practice; (ix) Verification Protocols for Performance Based Conditions (“PBCs”); and (x) Project disbursement-related internal controls.
2. The Recipient shall adopt the Operations Manual, and shall cause AFAP to, carry out the Project in accordance with the Project Operations Manual.
3. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive any provision of the Project Operations Manual.

4. In the event of any conflict between the provisions of the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

**D. Environmental and Social Standards**

1. The Recipient shall, and shall cause AFAP to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause AFAP to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause AFAP to, ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, and shall cause AFAP to, ensure that:
  - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall, and shall cause AFAP to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

**E. Annual Work Plan and Budget**

1. The Recipient shall cause AFAP to prepare and furnish to the Association not later than October 31 of each fiscal year (or one month after the Effective Date for the first year of Project implementation), a work plan and budget containing *inter alia*: (a) all activities proposed to be implemented under the Project during the following fiscal year; (b) a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing to be made available in that year and disbursement schedule; and (c) the training plan for such period.
2. The Recipient shall cause AFAP to afford the Association a reasonable opportunity to exchange views with AFAP on each such proposed annual work plan and budget and shall thereafter cause AFAP to ensure that the Project is implemented with due diligence during the applicable fiscal year in accordance with such work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget”).
3. The Recipient shall cause AFAP to not make, or allow to be made, any changes to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consulting services, Training and Operating Costs for Parts 1(b), 2 and 3 of the Project	915,000	100%
(2) (a) Goods, non-consulting services, consulting services, Training and Operating Costs for Part 1(a) of the Project	6,100,000	100%
(2) (b) Goods, non-consulting services, consulting services, Training and Operating Costs for Part 1(a) of the Project.	11,285,000	100% up to the amount allocated for each PBC achieved as set forth in the table in Schedule 3
<b>TOTAL AMOUNT</b>	<b>18,300,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR2,300,000 may be made for payments made prior to this date but on or after May 1, 2024, for Eligible Expenditures under Category (2)(a); or

- (b) under Category (2)(b) unless and until the Recipient has furnished to the Bank: (i) evidence, in form and substance satisfactory to the Bank, that the respective PBCs specified in the table in Schedule 3 have been met and verified in accordance with the Project Operations Manual; (ii) evidence of actual expenditures to which the PBCs are attributed to and evidence that the expenditures have been verified in accordance with the Project Operations Manual; and (iii) an Eligible Expenditure withdrawal application for said PBCs, in form and substance satisfactory to the Bank.
- 2. Notwithstanding the provisions of part B.1(b) of this Section if, at any time, the Bank determines that any portion of the amounts disbursed by the Recipient under Category (2)(b) was made: (i) for expenditures which are not eligible; or (ii) not in compliance with the provisions of Part B.1(b) of this Section, the Recipient shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Recipient.
- 3. The Closing Date is January 31, 2026.

**Schedule 3**

**Performance-Based Conditions**

<b>Performance Based Condition (“PBC”)</b>	<b>Action to be Completed</b>	<b>Amount of the Financing for PBC Allocated (expressed in SDR)</b>
(1) <b>PBC #1</b> Strategic decarbonization plan for the electricity sector adopted	<b>PBC#1</b> Strategic decarbonization plan for the electricity sector is approved by the Recipient’s Council of Ministers and published on websites of MIRN and AGER	3,812,500
(2) <b>PBC #2</b> Structure for concession of EMAE commercial operations adopted	<b>PBC#2</b> Report on structure for concession of EMAE commercial operations approved by the Recipient’s Council of Ministers	3,812,500
(3) <b>PBC #3</b> Audit of production input costs for the electricity sector published	<b>PBC#3</b> Audit report of production input costs for the electricity sector published on websites of MIRN and AGER	3,660,000
<b>TOTAL AMOUNT of Grant allocated to Category 2(b)</b>		11,285,000

## APPENDIX

### Definitions

1. “Annual Work Plan and Budget” or “AWP&B” means the work plan and budget prepared annually by the Recipient in accordance with the provisions of Section I.E. of Schedule 2 to this Agreement.
2. “AFAP” means Agência Fiduciária Administração Projectos, the Recipient’s Fiduciary and Administrative Agency for Projects, established pursuant to the Recipient’s Decree-Law No. 10/2018, dated July 4, 2018, published in the Recipient’s official Gazette (Diário da República) No. 100, dated July 19, 2018, or any successor thereto acceptable to the Association.
3. “AGER” means *Autoridade Geral de Regulação*, the Recipient’s electricity sector regulator or any successor thereto acceptable to the Association.
4. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Council of Ministers” means the Recipient’s Council of Ministers or any successor thereto acceptable to the Association.
7. “Eligible Expenditure under Category 2” means a set of selected eligible expenditures (including, *inter alia*, goods, non-consulting services, consulting services, Training, Operating Costs and salaries of the Recipient’s civil service, and other allowances to said staff) for activities under the Recipient’s budget codes, incurred by the Recipient under the Project (and thus said set of expenditures constitute a subset of the Eligible Expenditures defined in the General Conditions).
8. “EMAE” means the Recipient’s water and electricity company (Empresa de Água e Electricidade), or any successor thereto acceptable to the Association.
9. “Energy Crisis Committee” means the Recipient’s Energy Crisis Committee under the Office of Prime Minister.

10. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated July 8, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
11. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
12. “Gender-Based Violence, Sexual Exploitation and Abuse, and Sexual Harassment Action Plan” means the roadmap capturing the approach to assess, mitigate, and monitor project SEA/SH risks, to be implemented by the Recipient under the Project and referred to in the ESCP, as such plan may be updated from time to time by prior written agreement between the Recipient and the Association.
13. “GBV” means gender-based violence.
14. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
15. “Grievance Mechanism” means a SEA/SH sensitive system established and to be implemented by the Recipient under the Project, referred to in the ESCP, designed to track complaints regarding the Project, guide resolution of such complaints, and track resolution of such complaints, as such system may be updated from time to time by prior written agreement between the Recipient and the Association.



16. “Labor Management Procedures” means a systematic approach to the management of labor issues, to be implemented by the Recipient under the Project and referred to in the ESCP, which reflect the requirements of national law, applicable collective agreements, and requirements of ESS2 as such plan may be updated from time to time by prior written agreement between the Recipient and the Association.
17. “MECC” means *Ministério da Educação, Cultura e Ciências*, the Recipient’s Ministry of Education Culture and Science or any successor thereto acceptable to the Association.
18. “MIRN” means *Ministério d Infraestruturas Recursos Naturais*, the Recipient’s Ministry of Infrastructure and Natural Resources or any successor thereto acceptable to the Association.
19. “MPF” means *Ministério do Planeamento e Finanças* the Recipient’s Minister of Planning and Finance or any successor thereto acceptable to the Association.
20. “Office of the Prime Minister” means the Recipient’s Office of the Prime Minister.
21. “Operating Costs” means the reasonable costs, as shall have been approved by the Association, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, salaries for non-contractual staff of the PIU (including stipend for an internship on Project management, and salaries of contractual staff for the Project (but excluding consulting services and salaries of officials of the Recipient’s civil service). “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
22. “Performance-Based Condition” and “PBC” mean an indicator whose achievement is a condition for disbursement of the Grant proceeds, pursuant to Section III.B.1 (b) of Schedule to the Agreement.
23. “PIU” means the unit established within AFAP referred to under Section I.A.2 of Schedule 2 to this Agreement.

24. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
25. “Project Operations Manual” means the manual referred to under Section I.C of Schedule 2 to this Agreement.
26. “Sao Tome and Principe” means the Recipient’s territory.
27. “SEA/SH” means sexual exploitation and abuse and sexual harassment.
28. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
29. “Stakeholder Engagement Plan” means a plan describing the timing and methods of engagement with stakeholders throughout the life cycle of the Project as agreed between Association and Recipient, as such plan may be updated from time to time by prior written agreement between the Recipient and the Association.
30. “Subsidiary Agreement” means the agreement referred to under Section I.B of Schedule 2 to this Agreement.
31. “Training” means the reasonable costs, as shall have been approved by the Association, for training conducted under the Project, including tuition, travel and subsistence costs for training participants, costs associated with securing the services of trainers and speakers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training course preparation and implementation (but excluding goods and consulting services).
32. “Verification Protocols” means the Recipient’s protocols, which forms part of the Operation Manual, setting forth the basis and methodology for verification of the achievement of Performance Based Conditions, as the same may be modified from time to time with the prior written agreement of the Association.