
**GRANT NUMBER D8180-ST
and
Amendment to GRANT NUMBER D3080-ST**

Financing Agreement

(Additional Financing for Institutional Capacity Building Project)

between

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D8180-ST

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing an additional financing for the additional activities, and the Original Project (as defined in the Appendix to this Agreement). 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 five million Special Drawing Rights (SDR 5,000,000) (“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 Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall:
 - (a) cause the BCSTP to carry out Part 1 of the Project, with the fiduciary support of the AFAP;
 - (b) carry out Parts 2 and 4 of the Project through its Ministry of Finance;

- (c) carry out Part 3.1. of the Project through its Ministry of Justice, with the fiduciary support of the AFAP; and
- (d) cause the INE to carry out Part 3.2. of the Project, with the fiduciary support of the AFAP, all in accordance with the provisions of Article V of the General Conditions, and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. 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 twenty (20) years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its minister of finance.
- 5.02. For purposes of Section 11.01 of the General Conditions:
 - (a) the Recipient's address is:

Ministry of Finance, Trade and Blue Economy
Largo das Alfandegas
Caixa Postal 168
São Tomé,
República Democrática de São Tomé e Príncipe; and
 - (b) the Recipient's Electronic Address is:

E-mail:

mpf.geral@financas.gov.st
- 5.03. 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: 248423 (MCI) Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

By

Oswaldo Tavares dos Santos Vaz

Authorized Representative

Name: Oswaldo Tavares dos Santos Vaz

Title: Ministro das Finanças

Date: 08-jun-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Jean-Christophe Carret

Authorized Representative

Name: Jean-Christophe Carret

Title: Country Director

Date: 08-Jun-2021

SCHEDULE 1

Project Description

The objective of the Project is to contribute to improved capacity of public institutions to: (i) supervise the banking system; (ii) promote access to finance; (iii) manage public finances; and (iv) produce national statistics.

The Project consists of the Original Project as modified below:

Part 1: Financial Soundness and Access

- 1.1 Promoting financial sector soundness and access through, *inter alia*, support to the BCSTP to carry out: (i) an asset quality review; (ii) capacity-building of BCSTP staff responsible for financial sector supervision and IT; (iii) the acquisition and development of software to enable the exercise of BCSTP's supervision functions, including through the development of a supervision application and an online *Central de Balanços*; (iv) the upgrade of the *Central de Riscos de Crédito*; (v) the development of legal framework for secured transactions and a moveable asset electronic collateral registry; and (vi) a market assessment of the financing needs of micro, small and medium-sized enterprises.
- 1.2 Responding to COVID-19 pandemic crisis by enhancing and modernizing the national payment systems infrastructure to enable digital payments, including: (i) the core banking system; (ii) communication and public awareness campaigns on payments products and digital finance services, aligned with the objectives of the Financial Literacy and Consumer Empowerment Pillar of the National Financial Inclusion Strategy.

Part 2: Strengthening Budget Credibility, Tax Base and SOE Governance

- 2.1 Strengthening budget credibility through, *inter alia*, technical assistance, training, capacity building, software and hardware to Ministry of Finance to: (i) improve the methodology and data for macroeconomic forecasting; (ii) use the methodology of revenue forecasting and a revenue forecasting model; (iii) public procurement reform, including by supporting the preparation of amendments to the Procurement Law and secondary regulations to implement the Procurement Law; (iv) strengthen expenditures control and cash management, including by acquiring an electronic interface software tool that enables exchange of information between the Ministry of Finance and the BCSTP; (v) improved debt management; and (vi) prepare consolidated government accounts.

- 2.2 Broadening the tax base by reforming of tax policy and tax administration focusing on the introduction of VAT through, *inter alia*, support for: (i) consultants and training on all aspects of VAT, including on VAT registration, filing, payment, refunds, compliance verification; (ii) establishing four regional customer centers; (iii) awareness raising of VAT, including a communications strategy and related materials; (iv) training and development materials on risk based tax audits; and (v) supporting the independent competency-based recruitment of new personnel in the tax department.
- 2.3 Strengthening SOE governance through, *inter alia*, support for: (i) the development of a policy on SOE ownership; (ii) the review of the existing legal framework including associated implementing regulations; (iii) the development of a SOE database and monitoring system and preparation of a comprehensive annual report of the entire SOE portfolio of the Recipient; (iv) the preparation of performance contracts for select SOEs, which shall include financial and operational targets; (v) the recruitment of a non-resident technical advisor to strengthen the capacity of the newly established SOE unit within the Ministry of Finance; and (vi) annual external audits for all SOEs with full public ownership.
- 2.4 Strengthening Accounting and Auditing Standards through, *inter alia*, support for: (i) the update of national accounting and auditing standards; (ii) the development of guidelines for the implementation of the new accounting standards; (iii) training in accounting and auditing standards; and (iv) the development and implementation of a licensing and registration system to certify financial accountants and auditors.

Part 3: Property Registration and Statistical Development

- 3.1 Reforming and modernizing property and land registries through, *inter alia*, equipment, software, technical assistance, training, and capacity building to support the Ministry of Justice to carry out: (i) the design and implementation of SIGIRA, including but not limited support for the digitization and classification of land titles and concessions, and mortgages; (ii) the training of civil servants from the Directorate for Registry and Notary on the implementation of the proposed land registry code and notary code; (iii) increase the number of public and private parcels record at the cadaster, notary and registry public systems, and the maintenance of such data, aiming to increase effectiveness at securing land tenure; and (iv) the promotion of women's land tenure rights through awareness raising campaigns to socialize and disseminate the gender aspects of land rights.

- 3.2 Strengthening the capacity of the INE to produce and disseminate national statistics through, *inter alia*, support for: (i) the improvement of ICT and statistical infrastructure, including acquisition of statistical software; (ii) capacity building for statistics; (iii) development of the 2020 household budget survey; (iv) carrying out an enterprise census; (v) technical assistance to prepare a roadmap for updating national accounts; and (vi) financing of INE office equipment and goods.

Part 4: Project Implementation Support

Capacity building and technical assistance to AFAP for the implementation of the Project, namely for the coordination, procurement and financial management of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

AFAP

1. The Recipient, through the Minister of Finance shall: (a) maintain, throughout Project implementation, within AFAP, a team of technical and fiduciary specialists as may be agreed with the Association, all under terms of reference, and with qualifications and experience satisfactory to the Association; and (b) ensure that throughout Project implementation, the AFAP has adequate resources and staffing to carry out its responsibilities under the Project, all as further detailed in the POM.
2. The AFAP shall be responsible for the day-to-day management and implementation of the disbursement, financial management, procurement, and monitoring and evaluation aspects of the Project.

BCSTP

3. The Recipient shall cause the BCSTP to ensure that, throughout Project implementation, the BCSTP has adequate resources and staffing, with qualifications and experience acceptable to the Association, to carry out its responsibilities under Part 1 of the Project, as further detailed in the POM.
4. The Recipient shall cause the BCSTP to be responsible for the implementation of the technical aspects of Part 1 of the Project.

Ministry of Finance

5. For purposes of carrying out Part 1 and 3.2 of the Project, the Recipient shall, through its Ministry of Finance, ensure close coordination and collaboration, throughout Project implementation, with BCSTP and INE, in a manner satisfactory to the Association.
6. The Recipient shall ensure that, throughout Project implementation, the Ministry of Finance has adequate resources and staffing, with qualifications and experience acceptable to the Association, to carry out its responsibilities under Part 2 of the Project.
7. The Recipient, through its Ministry of Finance, shall be responsible for the implementation of the technical aspects of Part 2 of the Project.

Ministry of Justice

8. The Recipient shall ensure that, throughout Project implementation, the Ministry of Justice has adequate resources and staffing, with qualifications and experience acceptable to the Association, to carry out its responsibilities under Part 3.1 of the Project, as further detailed in the POM.
9. The Recipient, through its Ministry of Justice, shall be responsible for the implementation of the technical aspects of Part 3.1 of the Project.

INE

10. The Recipient shall cause INE to ensure that, throughout Project implementation, the INE has adequate resources and staffing, with qualifications and experience acceptable to the Association, to carry out its responsibilities under Part 3.2 of the Project, as further detailed in the POM.
11. The Recipient shall cause INE to be responsible for the implementation of the technical aspects of Part 3.2 of the Project.

Project Steering Committee (PSC)

12. The Recipient shall maintain throughout Project implementation, the PSC, which shall be headed by a high-level representative of the Ministry of Finance and shall include high level representatives of Ministry of Justice, the BCSTP, INE, and AFAP, and shall be responsible for providing overall oversight and strategic guidance on the implementation of the Project, as further detailed in the POM.

External Auditors

13. The Recipient shall, through AFAP maintain, throughout Project implementation, external auditors, under terms of reference and with qualifications and experience satisfactory to the Association.

B. Project Operations Manual (POM)

1. The Recipient: (A) shall update and adopt the project operations manual (“POM”) in form and substance acceptable to the Association, not later than one (1) month after the Effective Date, or such later date as agreed by the Association and; (B) shall, and shall cause the BCSTP and INE to carry out the Project in accordance with the POM, which shall contain detailed work flow, methods and procedures for the implementation of the Project, including but not limited to: (i) administration and coordination arrangements, including placement of necessary human resources for Project implementation; (ii) performance indicators of the Project; (iii) monitoring and evaluation; (iv) financial management guidelines and procedures; (v) procurement arrangements; (vi) funds flow and disbursement

arrangements; (vii) environmental and social management, including environmental and social risk mitigation measures; (viii) corruption and fraud measures; (ix) implementation modalities for each Part of the Project; and (x) roles and responsibilities of various agencies and stakeholders in the implementation of the Project; and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the POM.

2. In case of conflict between the provisions of the POM and this Agreement, those of this Agreement shall prevail.

C. Annual Work Plan and Budget

1. The Recipient shall, and shall cause the BCSTP and INE to, not later than October 31 of each year, prepare and furnish to the Association, an annual work plan and budget, in form and substance satisfactory to the Association, informed by the POM and containing activities proposed for implementation under the Project and milestones to be achieved during the following Fiscal Year, together with a proposed budget for the purpose.
2. The Recipient shall exchange views with the Association on each such proposed Annual Work Plan and Budget, and shall thereafter adopt, and cause to be adopted, and carry out, and cause to be carried, such program of activities for such following Fiscal Year as shall have been agreed with the Association, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs for the Project	5,000,000	100%
TOTAL AMOUNT	5,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date December 31, 2024.

APPENDIX

Section I. Definitions

1. “Accounting and Auditing Standards” means the national accountancy standards and the chart of accounts of the BCSTP.
2. “AFAP” or “*Agencia Fiduciária de Administracao de Projectos*” means the unit within the Ministry of Finance, established and operating pursuant to the Recipient’s *Decree No. 12/03* and referred to in Section I.A.1. of Schedule 2 to this Agreement.
3. “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.
4. “BCSTP” means the Recipient’s central bank, established and operating pursuant to the Recipient’s Law No. 8/92, published in the Recipient’s Official Gazette, Serie I, No 16, of August 3, 1992.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “*Central de Balancos*” means the Recipient’s electronic database for collection and processing of economic and financial data of non-financial corporations.
7. “*Central de Riscos de Crédito*” means the credit registry database established and administered by the BCSTP.
8. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
9. “Directorate for Registry and Notary” means the department within the Recipient’s Ministry of Justice responsible for registries and notary matters.
10. “Financial Literacy and Consumer Empowerment Pillar” refers to the pillar in the Recipient’s National Financial Inclusion Strategy which defines the objectives and priority activities to promote financial literacy and financial consumer protection.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).

12. “INE” or “Instituto Nacional de Estadísticas” means an autonomous entity, established and operating pursuant to Law 5/98 of the National Statistics System, published in the Recipient’s Official Gazette of December 3, 1998.
13. “IT” means information technology.
14. “Ministry of Finance” means the Recipient’s ministry in charge of finance; or any successor thereto.
15. “Ministry of Justice” means the Recipient’s ministry in charge of justice matters; or any successor thereto.
16. “National Financial Inclusion Strategy” means the Recipient’s Strategy which aims to improve financial inclusion, financial literacy, and financial consumer protection.
17. “Operating Costs” means the reasonable incremental costs, as specified in the Annual Work Plan and Budget approved by the Association pursuant to Section I.C. of Schedule 2 to this Agreement, incurred by the Ministry of Finance (AFAP), on account of Project administration, implementation, monitoring and supervision consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, office rental expenses, freight charges, office (and office equipment) maintenance, utilities, printing, non-durable goods, travel cost and *per diem* for Project staff for travel linked to the implementation, monitoring and supervision of the Project (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).
18. “Original Financing Agreement” means the Agreement between the Recipient and the Associated dated June 12, 2018 (Grant D3080-ST) for the Institutional Capacity Building Project, as said Financing Agreement is amended in Section II of this Appendix.
19. “Original Project” means the Project set forth in Schedule 1 to the Original Financing Agreement.
20. “POM” means the manual to be prepared by the Recipient referred to in Section 1.B. of Schedule 2 to this Agreement, as said manual shall be amended from time to time with the consent of the Association.
21. “Procurement Law” means the Recipient’s Law 8/2009, published in the Recipient’s Official Gazette No. 54 of August 26, 2009.
22. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.

23. “PSC” or “Project Steering Committee” means a committee established pursuant to Section I.A.12 of Schedule 2 of this Agreement.
24. “SIGIRA” means *Sistema de Gestão de Imóveis e de Registo de Automóveis* or the Recipient’s Real Estate and Vehicle Registration Information Management System) established under the Ministry of Justice’s Directorate for Registry and Notary.
25. “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.
26. “SOE” means state-owned enterprise.
27. “Training” means the Recipient’s costs associated with the training of personnel involved in Project activities, as specified in the Annual Work Plan and Budget approved by the Association pursuant to Section I.C. of Schedule 2 to this Agreement, for reasonable expenditures (other than expenditures for consultants’ services), including travel and subsistence costs for training costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training course preparation and implementation.
28. “VAT” means value added tax.

Section II. Amendment to the Original Financing Agreement (Grant Number D3080-ST)

The Original Financing Agreement is amended as set forth in this Section II of the Appendix to this Agreement.

1. **Amendment to the Project Description:** The description of the Project set forth in Schedule 1 to the Original Financing Agreement is amended as set forth in Schedule 1 to this Agreement.
2. **Project Operations Manual (POM):** Section I.B.1 of Schedule 2 to the Original Financing Agreement is amended as set forth in Section I.B.1 of Schedule 2 to this Agreement.
3. The Closing Date set forth in Section IV.B.2 of the Original Financing Agreement shall be the date December 31, 2024.

4. **Amendment to Section I of the Appendix:** Section I of the Appendix is amended:

(a) by inserting a new definition on COVID-19 as set forth below and renumbering the current definitions accordingly:

““COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).”;

(b) by inserting a new definition on Financial Literacy and Consumer Empowerment Pillar as set forth below and renumbering the current definitions accordingly:

““Financial Literacy and Consumer Empowerment Pillar” refers to the pillar in the Recipient’s National Financial Inclusion Strategy which defines the objectives and priority activities to promote financial literacy and financial consumer protection.”;

(c) by inserting a new definition on National Financial Inclusion Strategy as set forth below and renumbering the current definitions accordingly:

““National Financial Inclusion Strategy” means the Recipient’s Strategy which aims to improve financial inclusion, financial literacy, and financial consumer protection.”;

(d) by revising the definition on General Conditions to read as follows:

““General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).”; and

(e) by revising the definition on Procurement Regulations to read as follows:

““Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.”

Except, as specifically set forth in this Section II of this Appendix, all the other provisions of the Original Financing Agreement shall remain in force and effect.