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**GRANT NUMBER IDA-D757-ST**

# **Financing Agreement**

**(COVID-19 Human and Economic Response, Recovery and Resilience  
Development Policy Financing)**

**between**

**DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER IDA-D757-ST**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 seven million one-hundred thousand Special Drawing Rights (SDR 7,100,000) (“Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are June 15 and December 15 in each year.
- 2.04. The Payment Currency is Euro.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) 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 twenty (20) years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister of Planning, Finance and Blue Economy.

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

(a) the Recipient's address is:

Ministerio de Planeamento, Financas e Economia Azul  
Agua Grande  
Caixa Postal no. 168  
Sao Tome  
Sao Tome and Principe; and

(b) the Recipient's Electronic Address is:

E-mail:

mpf.geral@financas.gov.st

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**

*Oswaldo Tavares dos Santos Vaz*

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**Authorized Representative**

**Name:** Oswaldo Tavares dos Santos Vaz

**Title:** Ministro das Finanças

**Date:** 21-dez-2020

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Jean-Christophe Carret*

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**Authorized Representative**

**Name:** Jean-Christophe Carret

**Title:** Country Director

**Date:** 21-Dec-2020

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

#### **Pillar 1: Mitigating the impact of the COVID-19 crisis on lives and livelihoods and strengthening investment in human capital**

1. To mitigate the spread of COVID-19 and improve the COVID-19-related health care response, the Recipient, has passed legislation authorizing the implementation of the COVID-19 Epidemic Contingency Plan including case detection and management, protective equipment, communication, and water and sanitation services (as evidenced by: (i) Law No. 4/2020 about extraordinary budgetary measures to face the COVID-19 pandemic, passed on April 17, 2020, published in the Diário da República No. 20, Series I, dated April 21, 2020; and (ii) the Contingency Plan of the COVID-19 Epidemic).
2. To promote girls' retention and completion of secondary education, and equity in access to learning, the Recipient, through the Ministry of Education, has amended the Disciplinary Regulation for the Second Cycle of Basic Education, Secondary Education and Professional Education, to ensure that pregnant girls will not be prevented from continuing their studies during the day shifts (as evidenced by Order No. 18/GMEES/2020 of the Ministry of Education dated March 27, 2020).
3. To improve the social protection system's responsiveness to shocks, the Recipient, through the Presidency of the Council of Ministers, created a shock response window under the Vulnerable Families Program to respond to COVID-19 that aims to cover for a limited period of time 20,000 vulnerable households directly or indirectly affected by COVID-19 (as evidenced by Resolution No. 28/2020 of the Presidency of the Council of Ministers dated June 24, 2020).

#### **Pillar 2: Mitigating the impact of the COVID-19 crisis on businesses and jobs, and laying the foundations for higher and sustainable economic growth**

4. To ensure the transparency of COVID-19 response-related spending and public debt, the Recipient, has: (a) passed legislation requiring a monthly report to the National Assembly on measures taken and related spending; and (b) through the Ministry of Planning, Finance and Blue Economy, published an improved debt report extending the coverage of public and publicly-guaranteed debt, by including all loans for which the Recipient has issued comfort letters, and specifying beneficiaries, terms and conditions of such loans (as evidenced by: (a) (i) Law No. 4/2020 about extraordinary budgetary measures to face the COVID-19 pandemic,

passed on April 17, 2020, published in the Diário da República No. 20, Series I, dated April 21, 2020; and (ii) Contingency Plan of the COVID-19 Epidemic; and (b) (i) Quarterly Report on the Management and Monitoring of the Public Debt for the First Semester of 2020, dated September 2020; and (iii) letter from the Minister of Planning, Finance and Blue Economy dated October 27, 2020).

5. To enable digital payments, the Recipient, through the BCSTP, has passed regulations on electronic money and electronic money providers (as evidenced by Permanent Application Standard No. 10/2020 that regulates the issuance and reimbursable character of electronic currency, dated July 31, 2020, published in the Diário da República No. 120, Series II, dated October 23, 2020).
6. To improve the management of EMAE, increase payment discipline and promote cost-efficient generation, the Recipient has: (a) in line with the principles of the Least Cost Development Plan, passed a decree that requires a standard competitive process for the granting of licenses for the production of energy; and (b) passed a decree listing essential, non-disconnectable electricity consumers and requiring adequate annual budget allocations covering their projected electricity consumption (as evidenced by: (a) Decree No. 27/2020 that determines the competitive process for granting a license for energy production, approved on October 2, 2020, and published in the Diário da República No. 73, Series I, dated November 17, 2020; and (b) Decree Law No. 18/2020 that approves the special regulation for the extraordinary and transitory exception to consumers and counting points, rectification published in the Diário da República No. 70, Series I, dated October 21, 2020).

## **Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>
(1) Single Withdrawal Tranche	7,100,000
<b>TOTAL AMOUNT</b>	<b>7,100,000</b>

**C. Withdrawal Tranche Release Conditions**

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

**D. Deposit of Financing Amounts**

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:

(a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two dedicated accounts on terms and conditions satisfactory to the Association: (i) a dedicated account in Euros ("Foreign Currency Dedicated Account"); (ii) a dedicated account in the Recipient's currency ("Local Currency Dedicated Account"); and

(b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Local Currency Dedicated Account.

2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the Recipient's currency equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

**E. Audit.** Upon the Association's request, the Recipient shall:

1. have the Dedicated Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and



3. furnish to the Association such other information concerning the Dedicated Accounts and their audit as the Association shall reasonably request.

**F. Closing Date.** The Closing Date is December 31, 2021.

## **APPENDIX**

### **Definitions**

1. “BCSTP” means the Recipient’s central bank (Banco Central de São Tomé e Príncipe), established and operating pursuant to Organic Law 8/92, published in the Diário da República No. 16, of August 3, 1992, or any successor thereto acceptable to the Association.
2. “COVID-19” means coronavirus disease.
3. “Contingency Plan of the COVID-19 Epidemic” means the Recipient’s plan dated March 6, 2020.
4. “Dedicated Accounts” means both the Foreign Currency Dedicated Account and the Local Currency Dedicated Account.
5. “Diário da República” means the Recipient’s official gazette.
6. “Disciplinary Regulation for the Second Cycle of Basic Education, Secondary Education and Professional Education” means the regulation issued by the Recipient’s Ministry of Education and Culture on July 2006, to define the rights and duties of the disciplinary regime of public education agents and students.
7. “EMAE” means Empresa de Água e Electricidade, the Recipient’s water and electricity utility, established and operating pursuant to Law Decree 34/79 of June 21, 1979, and Decree No. 59/91, of November 19, 1991, or any successor thereto acceptable to the Association.
8. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
9. “Least Cost Development Plan” means the Recipient’s plan approved by Resolution No. 9/2019 of the Council of Ministers, dated February 13, 2019.
10. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020).
11. “Local Currency Dedicated Account” means the account referred to in Part D.1(b) of Section II of Schedule 1 to this Agreement.
12. “Ministry of Education” means the Recipient’s Ministry of Education, or any successor thereto acceptable to the Association.

13. “Ministry of Planning, Finance and Blue Economy” means the Recipient’s Ministry of Finance and Blue Economy, or any successor thereto acceptable to the Association.
14. “National Assembly” means the Recipient’s parliament, or any successor thereto acceptable to the Association.
15. “Presidency of the Council of Ministers” means the Recipient’s Presidency of the Council of Ministers, or any successor thereto acceptable to the Association.
16. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 6, 2020, from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
17. “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.
18. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
19. “Vulnerable Families Program” means the Recipient’s Vulnerable Families Program created through the Recipient’s National Social Protection Policy and Strategy dated February September 8, 2015.