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**GRANT NUMBER D948-ST**

# **Financing Agreement**

**(Second COVID-19 Recovery and Resilience Development Policy Financing)**

**between**

**DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER D948-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 eight million and five hundred thousand Special Drawing Rights (SDR 8,500,000) (“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.
- 4.02. The Additional Event of Acceleration consists, namely, that the event specified in Section 4.01 of this Agreement occurs.

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

- 5.01. The Additional Condition of Effectiveness consists, 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, Finanças e Economia Azul  
Água Grande  
Caixa Postal no. 168  
São Tomé  
São Tomé and Príncipe; 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:                      E-mail:  
  
248423 (MCI)              1-202-477-6391              jcarret@worldbank.org

AGREED as of the Signature Date.

**DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE**

**By**



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

**Name:** \_\_\_\_\_  
Engrácio do Sacramento Soares da Graça

**Title:** \_\_\_\_\_  
Ministro do Planeamento, Finanças e Economia Azul

**Date:** \_\_\_\_\_  
20-dez-2021

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



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

**Name:** \_\_\_\_\_  
Jean-Christophe Carret

**Title:** \_\_\_\_\_  
Country Director

**Date:** \_\_\_\_\_  
20-Dec-2021

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions Taken 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 strengthen the resilience of water, sanitation and hygiene services and prevent the spread of diseases, the Recipient has adopted a regulation to improve water services, particularly the quality of the water supplied and increasing the numbers of regular tests; as evidenced by *Despacho Conjunto* No. 10/2021 of the Ministry of Infrastructures and National Resources and the Ministry of Planning, Finance and Blue Economy (*Aprova o Plano de Melhoria de Serviços de Água da EMAE em 100 dias*) dated November 3, 2021, as published in the *Diário da República* (No. 169 – *II Série*, dated November 5, 2021).
2. To strengthen prevention of sexual exploitation and abuse and sexual harassment, and promote sexual and reproductive health of adolescents, the Recipient has adopted regulations aimed at: (i) detecting and preventing sexual exploitation and abuse and sexual harassment in schools; and (ii) authorizing the revision of the Sexual and Reproductive Health and Family Life Learning curriculum; as evidenced by: (a) *Despacho* No. 122/GMEES/2021 of the Ministry of Education, dated October 3, 2021, as published in the *Diário da República* (No. 169 – *II Série*, dated November 5, 2021); and (b) *Despacho* No. 88/GMEES/2021 of the Ministry of Education, dated September 20, 2021 as published in the *Diário da República* (No. 169 – *II Série*, dated November 5, 2021).
3. To strengthen social protection for poverty reduction, the Recipient has approved: (i) an extension through December 31, 2022, of the COVID-19 Response Program, a socio-economic resilience program that aims to ensure food consumption to families affected by the crisis; and (ii) the expansion of the Vulnerable Families Program to cover a total of 4,500 families; as evidenced by: (a) Resolution No. 68/2021 (*que prorroga o prazo do PRESS*) of the Presidency of the Council of Ministers, dated October 20, 2021, as published in the *Diário da República* (No. 85 - *I Série*, dated November 8, 2021); and (b) Resolution No. 54/2021 (*que autoriza o aumento de beneficiários do Programa Famílias Vulneráveis*) of the Presidency of the Council of Ministers, dated August 25, 2021, as published in the *Diário da República* (No. 71 - *I Série*, dated September 14, 2021).

**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 strengthen domestic revenue mobilization, the Recipient has adopted: (i) a decree-law approving the excise tax (*Código do Imposto Especial Sobre Consumo*); and (ii) a regulations on VAT refunds (*Regulamento de Reembolso do Imposto Sobre Valor Acrescentado-Iva*); as evidenced by: (a) Decree-Law No. 27/2021, dated November 9, 2021, as published in the *Diário da República* (No. 87 – I Série, dated November 11, 2021); and (b) Decree No. 14/2021, dated November 9, 2021, as published in the *Diário da República* (No. 87 – I Série, dated November 11, 2021).
5. To improve banking sector stability, the Recipient, through the BCSTP, has adopted regulations on capital adequacy and asset classification and provisioning, as evidenced by: (a) *Norma de Aplicação Permanente* No. 12/2021 (*Adequação dos Fundos Próprios e Rácio de Solvabilidade das Instituições Financeiras*) dated October 29, 2021, of the BCSTP as published in the *Diário da República* (No. 169 – II Série, 1o Suplemento - dated November 5, 2021); and (b) *Norma de Aplicação Permanente* No. 13/2021 (*Classificação de Activos de Provisões*) dated October 29, 2021, of the BCSTP; as published in the *Diário da República* (No. 169 – II Série, 1o Suplemento - dated November 5, 2021).
6. To promote access to finance, the Recipient has submitted a draft bill (*Proposta de Lei No. 21/XI/5.a/2020 – Lei de Garantias Mobiliárias*) on moveable guarantees to its National Assembly for approval, as evidenced by: (a) the Declaration dated November 1, 2021, by the Head of the Department of Support to the Plenary and the Commissions of the National Assembly confirming the “general” approval of said draft bill on January 7, 2021 and the advanced phase of discussions for the pending “special” approval; and (b) the publication of said draft bill in the official gazette of the National Assembly (*Diário da Assembleia Nacional* No. 10 – II Série - dated December 10, 2020).
7. To support the sustainable recovery of the tourism sector and improve airport and air cargo security, the Recipient has: (i) introduced comprehensive COVID-19 protocols and certification process for tourism operators; and (ii) ordered a revision of airport security regulations to align them with requirements for cargo exports to the European Union, as evidenced by: (a) *Despacho* No. 33/2021 of the Ministry of Tourism and Culture, dated November 4, 2021, as published in the *Diário da República* (No. 169 – II Série, dated November 5, 2021); and (b) *Despacho* No. 09/2021 of the Ministry of Infrastructure and Natural Resources, dated October 28, 2021, as published in the *Diário da República* (No. 169 – II Série, dated November 5, 2021).

8. To improve the governance and efficiency of the power sector, the Recipient has: (i) required a competitive external selection of EMAE senior management; (ii) systematized least cost electricity planning, which supports clean transition by increasing renewable energy sources; and (iii) adopted principles and procedures for establishing and periodically adjusting electricity tariffs in line with the revenue requirements of the electricity sector; as evidenced by: (a) Resolution No. 74/2021 (*que aprova as recomendações do referido relatório, no que toca à necessidade de substituição de alguns Directores e Chefes de Departamento da EMAE - Empresa de Água e Electricidade, por terem obtido resultados não satisfatórios na avaliação*) of the Presidency of the Council of Ministers, dated October 28, 2021, as published in the *Diário da República* (No. 84 - I Série, dated November 5, 2021); (b) Decree No. 15/2021 (*Determina o plano de expansão da produção e transmissão de electricidade a menor custo*), as published in the *Diário da República* (No. 88 - I Série, dated November 16, 2021); and (c) Decree-Law No. 28/2021 (*Regulamento tarifário do sector eléctrico*), as published in the *Diário da República* (No. 88 - I Série, dated November 16, 2021).

**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	8,500,000
TOTAL AMOUNT	8,500,000

**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”); and (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 Dobra 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, 2022.

## APPENDIX

### Definitions

1. “BCSTP” means the Recipients central bank (Banco Central de São Tomé e Príncipe), or any successor thereto acceptable to the Association.
2. “COVID-19” means coronavirus disease.
3. “COVID-19 Response Program” means *Programa Excepcional de Emergência para Resposta ao Choque Covid-19*, the Recipient’s program established through Resolution No. 28/2020 of the Recipient’s Council of Ministers dated June 24, 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. “Dobra” means the Recipient’s lawful currency.
7. “EMAE” means the Recipient’s water and electricity utility (*Empresa de Água e Electricidade*), 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. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
10. “Local Currency Dedicated Account” means the account referred to in Part D.1(b) of Section II of Schedule 1 to this Agreement.
11. “Ministry of Education” means the Recipient’s Ministry of Education, or any successor thereto acceptable to the Association.
12. “Ministry of Infrastructure and Natural Resources” means the Recipient’s Ministry of Infrastructure and National Resources, 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. “Ministry of Tourism and Culture” means the Recipient’s Ministry of Tourism and Culture, or any successor thereto acceptable to the Association.
15. “National Assembly” means the Recipient’s legislative branch (*Assembleia Nacional*), or any successor thereto acceptable to the Association.
16. “Presidency of the Council of Ministers” means the Recipient’s Presidency of the Council of Ministers, or any successor thereto acceptable to the Association.
17. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated November 11, 2021, 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.
18. “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.
19. “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.
20. “VAT” means value added tax.
21. “Vulnerable Families Program” means *Programa Famílias Vulneráveis*, the Recipient’s Vulnerable Families Program created through the Recipient’s National Social Protection Policy and Strategy dated February 2014.