

CONFORMED COPY

CREDIT NUMBER 2343 STP

(Health and Education Project)

between

DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 6, 1992

CREDIT NUMBER 2343 STP

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 6, 1992, between DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MOSA" means the Borrower's Ministry of Social Affairs;

(b) "PCC" means the project coordination committee established by the Borrower to manage the Project;

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(d) "UPIG" means the Unidade de Planificacao e Informacoes para Gestao within the MOSA's health planning directorate.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eight million two hundred thousand Special Drawing Rights (SDR 8,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1998, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing April 1, 2002 and ending October 1, 2031. Each installment to and including the installment payable on October 1, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall carry out the Project through MOSA, with due diligence and efficiency and in conformity with appropriate administrative, financial, public health and public education practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall operate the PCC and otherwise assure implementation and supervision of the Project through MOSA under terms of reference acceptable to the Association.

(b) The Borrower shall employ not later than June 30, 1993, and thereafter maintain through Project completion within MOSA's health planning directorate two senior officials responsible for health sector planning and management, each with qualifications and experience and under terms of reference acceptable to the Association.

Section 3.04. The Borrower shall obtain, beginning not later than December 31, 1992, technical assistance for the implementation of Part E of the Project under terms and conditions and under terms of reference acceptable to the Association.

Section 3.05. The Borrower shall: (a) establish within three months of the Effective Date a project account to be managed by the PCC, (b) deposit into such account, on a quarterly basis, sufficient funds to pay for the counterpart financing obligation of the Borrower for expenditures under the Project estimated by the Borrower, after consultation with the Association, to be required for the subsequent quarter, and (c) shall, through the PCC, only withdraw funds therefrom to pay for expenditures under the Project.

Section 3.06. (a) The Borrower shall provide to the Association, not later than August 31, 1992, a report identifying: (i) its budgetary allocations to the health and education sectors for fiscal years 1987 through 1992; and (ii) its actual expenditures for such sectors for fiscal years 1987 through 1991 and the first quarter of 1992. Such reports shall distinguish between recurrent and investment expenditures and identify sources of funds.

(b) If the Association shall so request, the Borrower shall, not later than October 30 of each year ending prior to the Closing Date, communicate to the Association its proposed budgetary allocations to the health and education sectors for the subsequent fiscal year, and promptly thereafter discuss with the Association the adequacy of such allocations in the context of the overall budget.

Section 3.07. The Borrower shall carry out, jointly with the Association not earlier than 18 months and not later than 24 months after the Effective Date, a review of the progress made in carrying out the Project covering, inter alia, the implementation of the environmental sanitation and source reduction schemes under Part A of the Project, progress of studies and the operation of the cost recovery mechanisms under Parts B and D of the Project. Based on such review, the Borrower shall promptly prepare an action program, acceptable to the Association, for the further implementation of the Project, and shall implement such program.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified

copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations of the essential drugs revolving fund established pursuant to Part B.2 of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event is specified as an

additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have entered into a project management support contract with the Fundo Social e de Infraestruturas, under terms and conditions acceptable to the Association.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio dos Assuntos Economicos  
e Financeiros  
C.P. 47  
Sao Tome  
Democratic Republic of Sao Tome and Principe

Telex:

225 MIPLANO STP

For the Association:

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

Cable address:

Telex:

|                  |                |
|------------------|----------------|
| INDEVAS          | 248423 (RCA)   |
| Washington, D.C. | 82987 (FTCC)   |
|                  | 64145 (WUI) or |
|                  | 197688 (TRT)   |

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

By /s/ Aderito Ramos

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin R. Lim

Acting Regional Vice President



withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) Categories (1) and (2) until the Borrower shall have employed a program management consultant for Part A of the Project, with qualifications and experience and under terms of reference acceptable to the Association and such consultant shall be in place;

(c) Category (3) until the Borrower shall have: (i) established under Part B of the Project an essential drugs cost recovery mechanism and a revolving fund to finance purchases of essential drugs acceptable to the Association; (ii) adopted an essential drug policy acceptable to the Association; and (iii) obtained confirmation from the United Nations Children's Fund or other organization acceptable to the Association regarding provision of technical assistance for the management of the essential drugs cost recovery mechanism under terms of reference acceptable to the Association; and

(d) Category (5) until the Borrower shall have: (i) established under Part D.1 of the Project a textbook distribution program and a textbook cost recovery mechanism acceptable to the Association; (ii) established under Part D.2 of the Project a procurement list and cost recovery mechanism for basic education materials acceptable to the Association; and (iii) obtained technical assistance for the implementation of Part D of the Project under terms and conditions, and under terms of reference, acceptable to the Association.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower to improve the health and education of its population.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Malaria Control

1. Strengthening of vector control through: (a) environmental sanitation and source reduction schemes, including draining of swamps and extension of drainage networks; (b) ultra low volume insecticide spraying in hyper-endemic areas; (c) promotion of the use of individual and collective prevention measures; (d) larviciding of mosquito breeding sites; and (e) entomological surveillance and other measures.

2. Strengthening of epidemiological operations through increased access of population to malaria diagnosis and treatment services, increased epidemiological surveillance and other measures.

3. Conduct of information, education and communications campaigns regarding malaria, its causes, symptoms, treatment and prevention.

4. Strengthening the institutional capacity of the Malaria Eradication Program office within MOSA.

#### Part B: Essential Drugs

1. Adoption and implementation of an essential drugs policy to ensure the availability to the population of essential drugs.

2. Acquisition of essential drugs, and reform of the related procurement, storage and distribution systems, including estab-



lishment of a cost-recovery mechanism and a revolving fund to finance purchases.

3. Training of health workers in managing drug stocks, prescriptions and dispensing, and other related areas.

Part C: Health Planning and Policy Coordination

1. Strengthening MOSA's health sector planning and management capabilities and its coordination of external assistance through an improved management information system, acquisition of equipment, training of staff and other measures.

2. Preparation of studies regarding: (a) enhancing nutrition; (b) improving family planning; and (c) other health areas.

Part D: School Textbooks

1. Printing, storage and distribution of about 400,000 textbooks covering about 50 titles for the primary and secondary school levels, including: (a) expansion of the warehouse facilities, and (b) establishment of a cost recovery mechanism and a funds management system.

2. Acquisition and distribution of basic education supplies (such as notebooks and pencils), and establishment of a cost recovery mechanism.

Part E: Education Inspection

Strengthening the basic education inspection capabilities of the Directorate of General Inspection within the MOSA, including the training of at least seven and the appointment of at least five inspectors and acquisition of related equipment.

Part F: Education Planning

1. Strengthening MOSA's education sector planning and management capabilities and its coordination of external assistance through an improved management information system, acquisition of equipment, training of staff and other measures.

2. Preparation of studies regarding education financing, resource mobilization at the community level, and other education areas.

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The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Works estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$750,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Printing of textbooks may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.
3. Contracts for goods, up to an aggregate amount equivalent to \$2,000,000, may be procured through the United Nations Children's Fund (UNICEF).
4. Contracts for goods of a proprietary nature, up to an aggregate amount equivalent to \$200,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.
5. Contracts for essential drugs and insecticides, up to an aggregate amount equivalent to \$1,100,000, may be procured from UNICEF or the International Dispensary Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) each contract estimated to cost the equivalent of \$150,000 or more, and (ii) the first contract for works to be procured under paragraph C.1 above, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing

Agency" published by the Bank in August 1981.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

