

CONFORMED COPY

CREDIT NUMBER 182 5 STP

Development Credit Agreement

(Structural Adjustment Credit)

between

DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 2, 1987

CREDIT NUMBER 182 5 STP

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 2, 1987, between DEMOCRATIC REPUBLIC OF SAOTOME AND PRINCIPE (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 15, 1987 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution;

(B) the Borrower has also requested the Association, acting as Administrator of a Special Facility for Sub-Saharan Africa (the African Facility) established by its Executive Directors by Resolution No. IDA 85-1 of May 21, 1985, to provide additional assistance in support of the Program, and by an agreement of even date herewith between the Borrower and the Association as Administrator of the African Facility (the African Facility Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to two million three hundred thousand Special Drawing Rights (SDR 2,300,000);

(C) the Borrower intends to contract from African Development Fund (ADF) a loan (the ADF Loan) in an amount equivalent to seven million Fund Units of Accounts (FUA 7,000,000) to provide additional assistance in support of the Program, on the terms and conditions set forth in an agreement (the ADF Loan Agreement) to be entered into between the Borrower and ADF; and

(D) on the basis inter alia of the foregoing, the Association has

decided in support of the Program to provide such assistance to the Borrower by making the Credit in two tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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

(a) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev.2 (1981);

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

(c) "BNSTP" means National Bank of Sao Tome and Principe, the Borrower's Central Bank; and

(d) "ECOMEX" means the Borrower's Empresa de Comercio Externo, a state enterprise entrusted with the import and export of goods in the Borrower's territory.

#### 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 three million one hundred thousand Special Drawing Rights (SDR 3,100,000).

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.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special account in a commercial bank on terms and conditions satisfactory to the Association. 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 March 31, 1989 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 1997 and ending May 1, 2037. Each installment to and including the installment payable on May 1, 2007 shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half per cent (1-1/2%) of such principal amount.

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.

Section 2.09. (a) The Director de Finanzas of the Borrower's Ministerio das Finanzas (the Director de Finanzas) is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts Director de Finanzas with responsibility for the preparation of withdrawal applications under the Credit and for the collection of the documents and other evidence to be furnished to the Association in support of such applications.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower 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.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(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 four 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 and 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 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.

#### ARTICLE IV

##### Remedies

Section 4.01. Pursuant to Section 6.02 (h) of the General, Conditions, the following additional events are specified:

(a) an event has occurred which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) (i) Subject to subparagraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of the African Facility Credit or the ADF Loan made to the Borrower in support of the Program shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of agreement, providing therefor; or
- (B) the African Facility Credit or the ADF Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:



DEMOCRATIC REPUBLIC OF SAO TOME  
AND PRINCIPE

By /s/ Joaquim Rafael Branco  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /a/ Caio K. Koch-Weser  
Acting Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured
667	-	Pearls, precious and semi-precious stones, unworked or worked
688	-	Uranium depleted in U235 and thorium, and their alloys, unwrought or wrought, and articles therefor, n.e.s.; waste and scrap of uranium depleted in U235 and of thorium
718	718.7	Nuclear reactors, and parts thereof, n.e.s.
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
-	971.0	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals out of the proceeds of the Credit and the African Facility Credit in an aggregate amount not exceeding the equivalent of SDR 700,000 may be made on account of payments made for such expenditures before that date but after January 1, 1987;

(d) expenditures for goods procured under contracts costing less than \$10,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption; and

(g) expenditures out of the proceeds of the Credit and the African Facility Credit in excess of an aggregate amount equivalent to SDR 1,775,000 for foodstuffs.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit and the African Facility Credit withdrawn from the Credit Account and the African Facility Credit Account and the total amount of such commitments shall have reached the equivalent of SDR 1,500,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement:

(a) with the progress achieved by the Borrower in the carrying out of the Program; and

(b) that the actions described in Schedule 3 to this Agreement have been taken and are satisfactory to the Association.

4. If, after such exchange of views, the Association is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Association, then the Association may, by notice to the Borrower, cancel the amount of the Credit unwithdrawn from the Credit Account or any part thereof.

## SCHEDULE 2

### Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$250,000 or more each shall be awarded through international competitive bidding 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), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for goods estimated to cost the equivalent of less than \$250,000 each shall be awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 therefor).

3. Goods to be procured under contracts estimated to cost the equivalent of less than \$50,000 (but not exceeding an aggregate amount of \$1,000,000) may be purchased directly from suppliers eligible under the Guidelines, when a demonstrated urgency so requires.

4. Goods which are proprietary items may be purchased directly from suppliers eligible under the Guidelines.

5. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

6. With respect to each contract referred to in paragraphs 2, 3 and 4 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

7. Notwithstanding the provisions of paragraphs 5 and 6 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 5 or paragraph 6 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

8. The provisions of the preceding paragraphs 5, 6 and 7 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

### SCHEDULE 3

#### Actions Referred to in Paragraph 3 (b) of Schedule 1 to this Agreement

1. The Borrower shall have achieved progress in the following are as:

- (a) the implementation of its exchange rate reform;
- (b) the implementation of its action plan to reduce the size of the civil service;
- (c) the settlement of debt owed by the public sector enterprises to BNSTP and the Borrower; and
- (d) the implementation of a gradual increase of the price of rice, beans, milk, sugar, wheat flour and cooking oil;

2. The Borrower shall have approved:

- (a) a fiscal program and credit targets, including a public investment program, for 1988;



(b) an action plan to restructure, privatize and close public sector enterprises;

(c) an action plan for setting up a new tariff structure for fuels, electricity and water in order to achieve full cost recovery;

(d) an action plan to restructure ECOMEX accounts in order to settle past debt; and

(e) an action plan for the reform of the cocoa export tax system.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

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

2. Except as the Association shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account in the respective equivalent amounts, as shall have been Justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals can 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

(ii) the total unwithdrawn amount of the Credit, minus 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 Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, 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. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Credit Account.

