Financing Agreement

(Quality Education for All Project)

between

DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 06, 2014
GRANT NUMBER H903-ST

FINANCING AGREEMENT

AGREEMENT dated February 06, 2014, entered into between the
DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE ("Recipient") and the
INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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) constitute an integral 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.

1.03. Notwithstanding any provision to the contrary in the General Conditions, the Project Implementing Entity shall be deemed a Project Implementing Entity for purposes of the General Conditions, regardless of whether or not it is party to a Project Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to six hundred thousand Special Drawing Rights (SDR 600,000) ("Financing"), to assist in financing of 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 IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are June 15 and December 15 in each year.

2.05. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under this Agreement.

4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is ninety (90) days from the date of the Co-financing Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Recipient has adopted the updated Project Implementation Manual in form and substance satisfactory to the Association.

(b) The Co-Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. For purposes of Section 8.05(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 date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its minister at the time in charge of planning and finance.

6.02. The Recipient’s Address is:

Ministry of Planning and Finance  
*Largo das Alfandegas*  
*Caixa Postal 168*  
*São Tomé*  
*República Democrática de São Tomé e Príncipe*

Facsimile: 239-2222182  E-mail address: MPFC@CSTOME.NET

6.03. The Association’s Address is:

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

Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391

Washington, D.C.
AGREED at São Tomé, República Democrática de São Tomé e Príncipe, as of the day and year first above written.

DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE

By

[Signature]
Authorized Representative

Name: HELIO SILVA ALMEIDA
Title: MINISTRO PARA PLANEJAMENTO
AND APLICAÇÃO

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: GREGOR RINKERT
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objectives of the Project are to improve the system of in-service teacher training and to strengthen the management of human resources in the education sector in the Recipient’s territory.

The Project consists of the following parts:

Part 1: Improving the System of In-Service Teacher Training in Primary Education

Carrying out of a program to improve in-service teacher training in primary education through:

1.1 Setting Up of an In-Service Teacher Training System, including: (i) the preparation and implementation of a competence-based training framework; (ii) the development of education training plans and modules and carrying out of related training of approximately 400 primary education teachers; (iii) the setting up of a teaching certification process and carrying out of related academic and pedagogical competence evaluations; and (iv) setting up of a proper institutional structure within the MOE to manage teacher’s trainings, including the establishment of a certification body and the provision of equipment, capacity building, management tools and technical assistance to MOE’s staff.

1.2 Development of a Student Learning Assessment, including: (i) development and implementation of a learning assessment road map and related provision of training, management tools and materials to MOE’s staff and teachers for the administration of tests; (ii) administration of the Early Grade Reading Assessment (EGRA) for the 3rd grade of primary education; and (iii) pilot an early-grade small scale impact evaluation assessment in approximately twenty (20) schools.

Part 2: Strengthening Management of Human Resources in the Education Sector

Carrying out of a program to improve management of human resources in the sector for a better quality of teaching through:

2.1 Development of a Management Information System, within the MOE, including: (i) provision of technical assistance, training and equipment at the central and decentralized levels, (ii) strengthening of MOE’s human resources policies and management capacity for the allocation, management and supervision of teachers, including provision of management tools, re-definition of roles and responsibilities of education professionals and re-launching of the pre-existing supervision structure.
2.2 Support to Project Management, including provision of training to the relevant staff, operating costs and audits.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Agência Fiduciária de Administração de Projectos (“AFAP”)

   The Recipient, through MOPF, shall vest the responsibility for Project implementation and supervision in AFAP (“Project Implementing Entity”). The Recipient shall cause AFAP to maintain a Project implementation team, throughout the implementation of the Project, with functions and responsibilities acceptable to the Association and supported by qualified and experienced staff in adequate numbers to ensure prompt and efficient implementation of the Project. In particular, AFAP shall be responsible for: (i) managing day-to-day Project activities under the oversight of MOPF; (ii) preparing Annual Work Plans and Budgets; and (iii) coordinating Project implementation with MOPF and the technical bodies within MOE.

2. Ministry of Education (“MOE”)

   The Recipient, through its MOE, shall participate actively in the Project implementation by contributing its expertise and knowledge to the technical aspects of each part of the Project through its various education directorates and expert bodies, including inter alia, technical coordination in the development of Annual Work Plans, development of terms of reference of consultancy and training activities, implementation and reporting of activities and administration of equipment.

3. Steering Committee

   The Recipient shall maintain, throughout Project implementation, a Project steering committee under terms of reference satisfactory to the Association vested with responsibility for providing overall technical guidance and oversight of Part 1 of the Project, with composition and mandate in accordance with the PIM.

B. Anti-Corruption

   The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Project Implementation Manual

The Recipient, through AFAP, shall: (i) take all action required to carry out the Project in accordance with the provisions and requirements set forth or referred to in the Project Implementation Manual ("PIM"); (ii) submit recommendations to the Association for its consideration for changes and updates of the Project Implementation Manual as they may become necessary or advisable during Project implementation in order to achieve the objectives of the Project; and (iii) not assign, amend, abrogate or waive the Project Implementation Manual or any of its provisions without the Association’s prior agreement. Notwithstanding the foregoing, if any of the provisions of the Project Implementation Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail and govern.

D. Annual Work Plan and Budget

The Recipient, together with AFAP, shall:

(a) Prepare and furnish to the Association for its approval, not later than November 30 in each year during the implementation of the Project, an annual work plan covering all activities proposed to be carried out in the following calendar year, together with a budget.

(b) Afford the Association a reasonable opportunity to exchange views with it on such proposed plan and budget and implement or cause to be implemented the Project during such following calendar year in accordance with such annual work plan, and on the basis of such budget, as shall have been approved by the Association.

E. Training Programs

(a) The Recipient shall, prior to conducting any Training and Workshop under the Project, furnish to the Association for its review, the following information relating to such Training and Workshop: (i) the objective and content of the Training and Workshop envisaged; (ii) the selection method of institutions or individuals conducting such Training and Workshop, and said institutions if already known; (iii) the expected duration and an estimate of the cost of said Training and Workshops; and (iv) the personnel selected to attend the Training and Workshop.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. In order to ensure the timely carrying out of the audits referred to in this Section II.B, the Recipient shall, not later than six (6) months after the Effective Date, cause AFAP to recruit external auditors for the purpose, in accordance with the provisions of Section III of this Schedule.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient.
(including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Operating Costs for the Project</td>
<td>600,000</td>
<td>45%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>600,000</td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2017.
APPENDIX

Section I. Definitions

1. “AFAP” means Agência Fiduciária de Administração de Projectos, the Project’s Fiduciary and Administrative Agency established pursuant to the Project Implementing Entity’s Legislation, to perform administrative and fiduciary tasks for the Project and any successors thereto.

2. “Annual Work Plan” means each annual work plan for the Project, together with the budget and financing arrangements therefore, as approved by the Association pursuant to Section I.E of Schedule 2 to this Agreement.


4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of one million one hundred thousand Dollars ($1,100,000), to be provided by the Co-financier to assist in financing the Project.

7. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.


9. “Early Grade Reading Assessment” or “EGRA” each means the standard assessment of literacy skills of 3rd grade students.


11. “Ministry of Planning and Finance” and “MOPF” each means the Recipient’s Ministry of Planning and Finance, or any successor thereto.
12. “Ministry of Education” and “MOE” each means the Recipient’s Ministry of Education, or any successor thereto.

13. “Operating Costs” means the expenditures incurred by AFAP to finance: (i) the salaries of the staff of AFAP (excluding civil servants); (ii) per diem and travel expenses of the said staff to perform their responsibilities under the Project; (iii) fuel and vehicle maintenance and insurance; (iv) communication technology (including, without limitation, internet and telephone); (v) building security and maintenance; (vi) translation services, photocopies and publications; (vii) bank commissions; and (viii) utilities and office supplies.


15. “Project Implementation Manual” and “PIM” each means the Recipient’s existing manual for the implementation (“Manual de Procedimentos”) to be updated by the Recipient for this Project in form and substance satisfactory to the Association.

16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 31, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Project Implementing Entity” means AFAP as per Section I.A.1 of Schedule 2 to this Agreement.

18. “Project Implementing Entity’s Legislation” means the Recipient’s Decree No. 12/03.

19. “Training and Workshops” means the expenses, approved by the Association in each Annual Work Plan and Budget, for training provided under the Project, for seminars, workshops, conference and study tours, consisting of travel and subsistence costs for training participants, costs of securing the services of trainers, rental of training facilities, preparation and reproduction of training materials and other costs directly related to course preparation and implementation.