Financing Agreement

(Additional Financing for Quality Education for All Project)

between

DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 23, 2014
FINANCING AGREEMENT

AGREEMENT dated \textit{September 23}, 2014, entered into between the DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

\textbf{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, in the Appendix to the Original Financing Agreement 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.

\textbf{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 two million, two hundred and sixty thousand Special Drawing Rights (SDR 2,260,000) ("Financing"), to assist in financing 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 the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consists of the following, namely that the Recipient has adopted the updated Project Implementation Manual in form and substance satisfactory to the Association.

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:  E-mail address:

239-2222182  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:  Telex:  Facsimile:

INDEVAS  248423 (MCI)  1-202-477-6391
Washington, D.C.
AGREED at District of Columbia, United States of America as of the day and year first above written.

DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE

By

[Signature]
Authorized Representative
Name: CARLOS NEVES
Title: AMBASSADOR

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative
Name: Jan Waliser
Title: Director, Strategy and Operations
Africa Region
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 Parts 1 and 2 of the Original Project and the following additional sub-components 1.3 and 1.4 under Part 1:

**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:

1.3. *Setting Up of an In-Service Teacher Training System*, including: (i) development of education training plans and modules and carrying out of related training of additional 267 primary education teachers; (ii) in-service training for approximately 100 pre-school teachers; (iii) training of approximately 100 trainers of trainers; (iv) carrying out curricula review, development of textbooks and pedagogical materials for teachers and students at pre-school level; and (v) provision of equipment and pedagogical materials for teachers’ training schools.

1.4. *Development of a Student Learning Assessment*, including: (i) administration of the Early Grade Reading Assessment and learning assessment for the 6th grade of primary education; and (ii) piloting an early-grade small scale impact evaluation assessment in approximately twenty (20) schools.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements; Project Monitoring, Reporting, and Evaluation; and Procurement

A. 1. Sections I.A (Institutional Arrangements), I.B (Anti-Corruption), I.C (Project Implementation Manual), I.D (Annual Work Plan and Budget), I.E (Training Programs), II.A (Project Reports), II.B (Financial Management, Financial Reports and Audits) and III (Procurement) of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference and shall apply, mutatis mutandis, to this Agreement, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

2. In order to ensure the timely carrying out of the audits referred to under Section II.B.3 of the Original Financing Agreement, which is incorporated herein by reference and is an integral part hereof, 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 Schedule 2 to the Original Financing Agreement which is incorporated herein by reference and is an integral part hereof.

Section II. 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>(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs under the Original Project, excluding Parts 1.3 and 1.4 thereof</td>
<td>775,000</td>
<td>37%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Part 1.3 and 1.4 of the Project</td>
<td>1,485,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,260,000</strong></td>
<td></td>
</tr>
</tbody>
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**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. The definitions of the terms AFAP, Annual Work Plan and Budget, Anti-Corruption Guidelines, Consultant Guidelines, Early Grade Reading Assessment, General Conditions, Ministry of Planning and Finance, Ministry of Education, Operating Costs, Procurement Guidelines, Project Implementation Manual, Procurement Plan, Project Implementing Entity, Project Implementing Entity’s Legislation, and Training and Workshops set forth in the Appendix to the Original Financing Agreement are hereby incorporated by reference, are an integral part hereof and shall apply to this Agreement as if they had been set out in full in this Agreement, and the terms set forth below have the meaning ascribed to them herein.

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

3. “Original Financing Agreement” means the financing agreement for a Quality Education for All Project between the Recipient and the Association, dated February 6, 2014, (Grant H903-ST).

4. “Original Project” means the Project described in the Original Financing Agreement and in the Trust Fund Agreement.