Financing Agreement

(Supplemental Financing for the Public and Natural Resource Management Development Policy Grant)

between

DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 11, 2009
GRANT NUMBER H517 - STP

FINANCING AGREEMENT

Agreement dated September 11, 2009, entered into between DEMOCRATIC REPUBLIC OF SÃO TOMÉ E PRÍNCIPE (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing in support of the Program in Original Project (as defined in the Appendix to this Agreement). 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 the Original Financing 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, the Original Financing Agreement or in the Appendix to this 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 one million three hundred thousand Special Drawing Rights (SDR 1,300,000) (“Financing”) to assist in financing the program described in Section I of Schedule 1 to the Original Financing Agreement (“Program”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with the Schedule 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 January 15 and July 15 in each year.

2.05. The Payment Currency is Euro.
ARTICLE III — PROGRAM

3.01 The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient 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;

(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 exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which 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 the Original Financing Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01 The Additional Event of Suspension is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01 The Recipient’s Representative is its Minister of Planning and Finance.
6.02. The Recipient’s Address is:

Largo das Alfandegas
Caixa Postal 168
São Tomé
República Democrática de São Tomé e Príncipe

Facsimile: 239-222182
E-mail address: MPFC@CSTOMENET

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

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 /s/ Domingos A. Ferreira
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mary A. Barton-Dock
Authorized Representative
SCHEDULE

Availability of Financing Proceeds

A. General

The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Schedule and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts

The Financing shall be withdrawn in a Single Tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Tranche</td>
<td>1,300,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,300,000</td>
</tr>
</tbody>
</table>

C. Deposits of Financing Amounts

Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

D. Excluded Expenditures

The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
E. **Closing Date.** The Closing Date is December 31, 2009.
APPENDIX

Definitions

1. “Original Financing Agreement” means the financing agreement for a Public and Natural Resource Management Policy Grant between the Recipient and the Association, dated June 18, 2008 (Grant Number: H396 - STP).