

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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GRANT NUMBER D1260-ST

## Financing Agreement

(Power Sector Recovery Project)

between

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 22, 2016

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**GRANT NUMBER D1260-ST**

**FINANCING AGREEMENT**

AGREEMENT dated August 22, 2016, entered into between DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE (“Recipient”) and 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.

**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 eleven million three hundred thousand Special Drawing Rights (SDR 11,300,000) (“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 May 15 and November 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 carry out the Project through AFAP, and with the assistance of EMAE for Parts 2 and 3 of the Project, all 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 Co-financing Deadline for the effectiveness of the Co-financing Agreement is March 31, 2017.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

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

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its Minister of Finance and Public Administration.

- 6.02. The Recipient's Address is:

Ministry of Finance and Public Administration  
Largo Customs  
P.B. 168  
São Tomé  
São Tomé and Príncipe

Facsimile:

+239-2222182

- 6.03. The Association's Address is:

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

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at SÃO TOMÉ, SÃO TOMÉ and PRÍNCIPA as of  
the day and year first above written.

DEMOCRATIC REPUBLIC OF SÃO TOMÉ AND PRÍNCIPE

By



Authorized Representative

Name: Americo d'Oliveira dos Ramos

Title: Minister of Finance and Public  
Administration

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: CLARA A. C. DE SOUSA

Title: COUNTRY MANAGER

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (a) increase renewable energy generation; and (b) improve the reliability of the electricity supply.

The Project consists of the following parts:

#### **Part 1. Support for Electricity Institutional Reform and Sector Planning**

1. Providing technical assistance to AGER to:
  - (a) organize its regulation function;
  - (b) train the Recipient's staff working on energy sector regulation; and
  - (c) develop procedures for the interaction between MINRA, AGER, EMAE and potential private investors.
2. Developing an integrated least cost power development plan for the Recipient through, *inter alia*:
  - (a) the provision of technical assistance to AFAP to define the investments needed in all segments of the electricity supply chain; and
  - (b) the carrying out of studies related to the power sector, including, *inter alia*:
    - (i) a demand forecast study; and
    - (ii) a tariff study.

#### **Part 2. Strengthening the Operational Performance and Governance of EMAE**

1. (a) Acquiring and installing a management information system for EMAE comprising:
  - (i) a commercial management system;
  - (ii) an integrated distribution management system;
  - (iii) an enterprise resource planning system; and
  - (iv) the capability of collecting gender-disaggregated customer profile information; and

- (b) providing training to selected EMAE staff on the use of the management information system referred to above.
2. Developing and implementing a management improvement plan for EMAE, including measures to improve efficiency, transparency, and accountability of EMAE's performance in electricity supply, commercial functions, and management of corporate resources, all in a sustainable matter and with a focus on better quality of service and non-technical loss reduction.
  3. Replacing existing meters or installing new meters to accurately record and monitor the electricity consumption of large users.
  4. Installing statistical meters to identify losses in different sections of the network.
  5.
    - (a) Installing or replacing meters to accurately record the electricity consumption of customers in their premises; and
    - (b) installing new meters to accurately record and monitor the electricity consumption of currently unmetered large users.
  6. Developing a gender-sensitive community engagement and outreach campaign to increase bill collection and avoid commercial losses to, *inter alia*:
    - (a) promote the benefits of safe and legal connections raise public awareness on illegal connections;
    - (b) inform the community about ongoing EMAE activities and their progress;
    - (c) gather feedback from the community on consumer satisfaction and perceptions;
    - (d) provide qualitative monitoring of behaviors with respect to illegal connections; and
    - (e) promote a culture of transparency and trust among EMAE's electricity customers.

**Part 3. Investing in Enhanced Reliability of Electricity Generation, Transmission and Distribution**

1. Designing and carrying out the rehabilitation and potential expansion of the Contador Hydropower Plant, including the preparation and implementation of a site-specific environmental management plan.
2.
  - (a) Designing and carrying out priority investments in the electricity network to ensure the increased reliability of the MV Network for the evacuation

line from the Contador Hydropower Plant, including the preparation and implementation of a site-specific environmental management plan; and

- (b) improving the electricity network protection system through the provision of technical assistance for, *inter alia*:
  - (i) the carrying out of an electricity network protection study; and
  - (ii) the implementation of network protection measures resulting from the network protection study.
- 3. Rehabilitating the LV Network through, *inter alia*, the replacement of existing infrastructure.

**Part 4.      Project Implementation Support**

Providing project implementation support including, *inter alia*:

- (a) training on procurement, financial management and safeguards for selected AFAP staff; and
- (b) training on operation and maintenance issues to selected EMAE staff.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. For purposes of providing general Project oversight and coordination, the Recipient shall operate and maintain throughout the implementation of the Project, a Steering Committee, with functions, responsibilities and composition including representatives of MOFPA, MINRA, MOEIC, EMAE and AFAP, all acceptable to the Association and as set forth in the Operational Manual.
2. For purposes of facilitating the implementation of the Project, the Recipient shall operate and maintain throughout the implementation of the Project, a Working Group, with functions, responsibilities and composition including representatives of MINRA, EMAE, AGER and AFAP, all acceptable to the Association and as set forth in the Operational Manual.
3. For purposes of facilitating the implementation of the Project, the Recipient shall maintain AFAP with staff in numbers and with responsibilities acceptable to the Association, as set forth in the Operational Manual.
4. For purposes of ensuring technical coordination with EMAE for the implementation of Parts 2 and 3 of the Project, the Recipient shall maintain the EMAE Ministerial Order.

##### B Operational Manual

1. No later than ninety (90) days after the Effectiveness Date, the Recipient, through AFAP shall update, and thereafter maintain and carry out the Project, in accordance with the provisions of a manual (the Operational Manual) acceptable to the Association, which shall include, *inter alia*:
  - (a) a detailed description of Project activities and institutional arrangements for the Project;
  - (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures;
  - (c) the monitoring indicators for the Project;
  - (d) the institutional and administrative mechanisms established to ensure inter-institutional coordination;



- (e) the functions, responsibilities and composition of AFAP, the Steering Committee and the Working Group; and
  - (f) the ESMFs.
2. Except as the Bank may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.
  3. In case of any conflict between the terms of the Operational Manual, and this Agreement, the provisions of this Agreement shall prevail.

**C. Anti-Corruption**

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

**D. Safeguards**

- 1 The Recipient shall, through AFAP, implement the Project in accordance with the ESMF.
2. The Recipient shall, prior to carrying out works under Part 3 of the Project:
  - (a) carry out site-specific environmental impact assessments, under terms of reference acceptable to the Bank, for the relevant works;
  - (b) prepare, consult and disclose respective site-specific EMPs in a manner acceptable to the Bank and as set forth in the ESMF;
  - (c) before issuing bidding documents for any works contract, prepare and submit to the Bank for its approval:
    - (i) the proposed design and site for the works and the relevant EMPs in form and substance satisfactory to the Bank; and
    - (ii) the draft contract for such works to ensure that the provisions of the relevant EMPs are adequately included in the related contract; and
  - (d) carry out the works in accordance with the relevant EMPs.
2. The Recipient shall, through AFAP, ensure that:
  - (a) the terms of reference for any consultancy required under Part 1.2 of the Project shall be satisfactory to the Bank following its review thereof; and

- (b) to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance, including the public disclosure and consultation of the resulting environmental and social impact assessments in accordance with the Bank's Safeguards Policies.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

- 1. 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 and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

- 1. **Goods, Works and Non-Consulting Services.** All goods, works 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, Works and Non-Consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-Consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

- (a) National Competitive Bidding;
- (b) Shopping; and
- (c) 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) Selection under a Fixed Budget;

- (d) Single-source Selection of consulting firms;
- (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and
- (f) 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 Grant ("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:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, Training and Operating Costs for Parts 1, 2.1, 2.2, 2.6, 3.1, 3.2 and 4 of the Project	10,800,000	100 %

(2) Refund of Preparation Advance	500,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	11,300,000	

**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, 2021.

## APPENDIX

### Definitions

1. “AFAP” means “*Agência Fiduciária de Administração de Projectos*”, the Recipient’s Fiduciary and Administrative Agency for Projects, established pursuant to the Recipient’s Decree No. 12/03, or any successors thereto acceptable to the Bank.
2. “AGER” means “*Autoridade Geral de Regulação*”, the Recipient’s General Regulation Authority, created pursuant to the Recipient’s Law-Decree No 14/2005, published on August 24, 2005.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
4. “Bank’s Safeguards Policies” means the Bank’s operational safeguards policies and procedures, set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, or such policies and procedures then in force.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Co-financier” means the European Investment Bank.
7. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of thirteen million Dollars (\$13,000,000), to be provided by the Co-financier to assist in financing the Project.
8. “Co-financing Agreement” means the agreements to be entered into between the Recipient and the Co-financier providing for the Co-financing.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
10. “Contador Hydropower Plant” means the hydropower plant located on the watershed of the Contador River, in São Tomé.
11. “EMAE” means “*Empresa de Água e Electricidade*”, the Recipient’s Water and Electricity Company, created pursuant to Decree No.40/2008 published on December 1, 2008.

12. “EMAE Ministerial Order” means MINRA’s Resolution No. 0012/2016, dated April 25, 2016, or its successor thereof acceptable to the Association, assigning EMAE officials as technical representatives to support the implementation of the Project.
13. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework acceptable to the Bank, as published and available to the public on April 25, 2016, which contains the environmental and social protection measures in respect of the Project, including: (a) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental assessments and the preparation of site-specific environmental management plans, when applicable; (c) the recommendation of mitigation measures for each negative impact identified; and (d) measures for enhancing each identified positive impacts.
14. “Environmental Management Plan” or “EMP” means any site-specific environmental management plan to be prepared by the Recipient and approved by the Bank, for activities under the Project, as set forth in the ESMF, collectively referred to as “Environmental Management Plans or EMPs”.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
16. “LV Network” means the low voltage network.
17. “MINRA” means “*Ministério das Infraestruturas, Recursos Naturais e Ambiente*”, the Recipient’s Ministry of Infrastructure, Natural Resources and Environment.
18. “MOEIC” means “*Ministério da Economia e da Cooperação Internacional*”, the Recipient’s Ministry of Economy and International Cooperation.
19. “MOFPA” means “*Ministério das Finanças e Administração Pública*”, the Recipient’s Ministry of Finance and Public Administration.
20. “MV Network” means the medium voltage network.
21. “Operational Manual” means AFAP’s manual dated April 23, 2014, and referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association.
22. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on December 23, 2015, and on behalf of the Recipient on January 22, 2016.

23. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 4, 2016, 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.
25. "Steering Committee" means the Recipient's committee set forth in Section I.A.1 of Schedule 2 to this Agreement and created pursuant to the Recipient's Prime Minister's Resolution No. 05/16 dated May 4, 2016.
26. "Working Group" means the Recipient's working group set forth in Section I.A.2 of Schedule 2 to this Agreement and created pursuant to MINRA's Resolution No. 0011/2016 dated April 25, 2016.