

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
APPRAISAL STAGE**

**Report No.:** PIDISDSA17526

**Date Prepared/Updated:** 28-Apr-2016

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Sao Tome and Principe	<b>Project ID:</b>	P157096
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	STP Power Sector Recovery Project (P157096)		
<b>Region:</b>	AFRICA		
<b>Estimated Appraisal Date:</b>	25-Apr-2016	<b>Estimated Board Date:</b>	27-Jun-2016
<b>Practice Area (Lead):</b>	Energy & Extractives	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Hydropower (40%), Transmission and Distribution of Electricity (40%), General energy sector (20%)		
<b>Theme(s):</b>	City-wide Infrastructure and Service Delivery (50%), Rural services and infrastructure (25%), Water resource management (25%)		
<b>Borrower(s):</b>	Ministry of Finance and Public Administration		
<b>Implementing Agency:</b>	Agência Fiduciária de Administração de Projeto (AFAP)		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>	<b>Amount</b>	
	BORROWER/RECIPIENT	0.00	
	IDA Grant	13.00	
	EC European Investment Bank	13.70	
	Financing Gap	0.00	
	Total Project Cost	26.70	
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Appraisal Review Decision (from Decision Note):</b>	The review did authorize the team to appraise and negotiate		
<b>Other Decision:</b>			
<b>Is this a</b>	No		

<b>Repeater project?</b>	
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## B. Introduction and Context

### Country Context

The Democratic Republic of São Tomé and Príncipe (STP) is a small island state comprised of two main volcanic islands, and several islets located off the west coast of central Africa in the Gulf of Guinea. São Tomé, the largest island, covers an area of 859 km<sup>2</sup> with around 180,000 inhabitants. Príncipe Island, situated 150 km to the north, covers about 142 km<sup>2</sup> with around 7,500 inhabitants. The country is divided into six districts (Água Grande, Cantagalo, Caué, Lembá, Lobata, Mé-Zóchi) plus the Autonomous Region of Príncipe (RAP), which has been self-governed since 1995.

#### Social context

While the country achieved independence in 1975, democratic reforms were not instituted until the late 1980s. The country held its first free elections in 1991, but frequent internal wrangling between the various political parties caused repeated changes in leadership and two failed coup attempts in 1995 and 2003. Further instability throughout 2012 led to a vote of no-confidence by major opposition political parties and resulted in the ousting of the minority government.

Parliamentary elections were successfully held in October 2014, yielding an absolute majority for the Acção Democrática Independente party (ADI), led by the former Prime Minister, Patrice Trovoad. Since then, the country has seen a period of relative political stability and there is growing confidence that the government will finish its four year term for the first time.

The country has also made significant strides in terms human development. It ranks 144 out of 186 countries in United Nations Development Programme's (UNDP) Human Development Index (HDI), higher than the average in Sub-Saharan Africa. Primary school enrollment reached 96.7 percent in 2013. The prevalence of HIV and AIDS remains low at 0.4 percent for men and 0.3 percent for women, compared with a national average of 0.9 percent in 2000. Infant mortality, maternal mortality, and child malnutrition also all declined over the 2000-2013 period. The improvement in these indicators is the result of numerous social reforms instituted by the Government, including support to families in extreme poverty, school feeding programs, a nationwide vaccination campaign, and a reproductive health program.

STP nevertheless remains fragile. It is the latest African country to become a signatory of the 'New Deal for Engagement in Fragile States' and join the g7+, a voluntary group of countries affected by fragility in May 2014. The country's heavy dependence on imports of essential goods will leave it vulnerable to bouts of rapid consumer price inflation in the event of supply shocks. Ongoing power cuts, poor provision of basic social services and recurrent allegations of financial irregularities in the public sector all risk undermining support for the government.

The country has a high poverty rate. One third of the population lives on less than US\$ 1.90 per day in Purchase Power Parity (PPP) terms, the new global extreme poverty line; more than two thirds of the population are poor using a poverty line of US\$ 3.0 PPP per day. Poverty particularly affects women (71.3 percent) and is more prevalent in rural areas, resulting in the significant migration of the rural labor force to urban areas. Unemployment stands at 13.6 percent overall and affects young people and women disproportionately, with unemployment rates of 22.6 and 19.6 percent respectively.

Gender issues are often given prominence in policy documents but corresponding concrete policy actions are still lacking. Current legislation promotes equal rights for both men and women such

as in property law, judicial recognition, marriage, and access to economic activity and opportunity. In practice however, discriminatory social norms based on gender identity still prevail and more work is required to further reduce gender disparities, especially with regard to women's economic empowerment and access to the labor market. According to the 2012 National Housing and Population Census, women's rate of unemployment is twice that of men's (19.7 and 9.3 percent, respectively), and women usually work in informal and/or precarious sectors. Moreover, single female-headed households, which account for 38 percent of all households, have lower incomes than male-headed households. More promising development is occurring in education and governance as the country is close to achieving gender parity at the primary level, and women's representation in Parliament recently doubled to 10 seats.

#### Economic context

STP is a low-middle income country. Gross National Income per capita is estimated at US\$1,200 in PPP terms; Gross Domestic Product (GDP) per capita is US\$1,692. STP's economy is based on services and the primary sector, with an almost non-existent industrial sector. The main economic activities are tourism, retail, transport, communication, and construction. Agriculture and fishing is a mainstay for the majority of the population despite its modest contribution to GDP.

São Tomé and Príncipe faces the usual hardships associated with small island states with no natural resources. Domestic production is small, with almost all consumer goods being imported. The main agricultural product is cocoa, whose production is largely exported, although exports volumes have declined in the last couple years due to weather related problems. Capital goods and fuels are also imported. Tourism is a relevant economic activity – generating more foreign currency inflow than cocoa – but still far from its potential in terms of exports, GDP contribution and job creation. As a result, STP presents a structural current account deficit that is normally compensated by some foreign direct investment and largely by external aid.

STP records budget deficits regularly and is at risk of debt distress. Due to the lack of relevant economic activity and low administrative capacity, the government resorts to external aid to compensate for budget gaps since expenditure needs both in terms of current and capital expenditures are high. Against this backdrop and factoring in the volatility of aid flows and the developing public financial management framework, the country consistently records budget deficits. STP has benefited from debt relief initiatives and has reduced its indebtedness, however it is still a country at risk of debt distress.

Despite its challenging development and macroeconomic situation, the country has recently made progress on the economic front. After pegging the local currency to the Euro, inflation was brought to an all-time low of four percent in 2015. The country successfully implemented business environment reforms, bringing it to the top among African countries in some dimensions of the Doing Business survey. For 2016, GDP growth is projected to accelerate to 4.4 percent due to timely approval of the budget and elections. Inflation is expected to remain under control (the Central Bank projects three percent rate) and some fiscal consolidation is expected due to the International Monetary Fund (IMF) program, which requires the primary budget to be reduced.

#### **Sectoral and institutional Context**

Electricity coverage in STP extends to only about half the population. Electricity access is more widespread among non-poor families (58.3 percent) than poorer families (47.5 percent). While there is no available data on the quantity or duration of power cuts, service quality is widely acknowledged as unreliable and extensive outages are frequent, especially during periods of peak demand. This limited supply, even to those connected to the grid, leaving only privately owned and operated medium sized diesel or gasoline generators for reliable supply, has resulted in a costly and unsustainable proposition in the long run for household budgets and private sector

growth. Kerosene is a frequent recourse for lighting in both poor households (42.1 percent) and in relatively non-poor households (31.8 percent). The use of other energy sources varies widely, with 73.9 percent of households in rural areas using firewood or charcoal for cooking compared to 34.6 percent in urban areas.

There has been chronic underinvestment in the sector. STP's energy sector is characterized by structural financial and technical difficulties, compounded by poor sector management, which threaten the sustainability of future power supply. Despite having one of the highest tariffs in the region, with an average retail tariff of US\$0.21/kWh, the national utility, Empresa de Água e Electricidade (EMAE), is unable to recover costs due to a generation mix that is overwhelmingly reliant on inefficient thermal capacity and expensive fuel imports. In addition, years of underinvestment have left generating assets and the grid in poor condition and highly vulnerable to failure across the generation, transmission, and distribution segments. In response, the Government has recently begun a series of sector investments financed by other development partners. These, however, remain short-term and partial solutions to the sector's challenges and do not contribute to the Government's long-term goal of an energy mix that is comprised of 40 percent renewables by 2020.

Electricity supply is constrained. In early 2016, EMAE interconnected generation assets on São Tomé island included four diesel thermal power plants (São Tomé, Santo Amaro, and Bobo-Forro 1 and 2) and two hydropower plants (Contador and Guégué). Most of the thermal generators have very low efficiencies, leading to very high fuel consumption. In addition, some old plants, such as São Tomé and Bobo-Forro 1, have low availability factors (43.7 percent for Bobo-Forro 1) and are highly unreliable. Several efforts to bolster supply have been implemented in recent years. At the end of 2010, a new 8.5 MW thermal power plant was built in Santo Amaro. This plant provided some short-term relief to capacity constraints and allowed EMAE to meet increasing demand until December 2014, albeit with serious reliability problems. In September 2015, Bobo-Forro 2 brought a further three MW of capacity online and Santo Amaro 2, a new six MW thermal plant, is currently under construction. Despite this, the power system still has very low capacity margins with 26 MW of installed capacity, of which 17 MW is available, and 14 MW of peak load.

Hydropower production is severely limited. As it concerns hydropower on the island, Guégué has been out of service since 2011 making Contador the country's only current source of utility-scale renewable energy. In 2015, São Tomé relied on Contador hydropower plant for about 6.6 percent of its power. Furthermore, Contador nominally has 1.9 MW of installed capacity, but was generating only about 6.6 MWh in 2015, down from 7.7 MWh in 2014 due to a chronic lack of resources for maintenance. Between December 2015 and February 2016, one of the two turbines also stopped operating due to failure of an electrical component in the control system. The damaged device is no longer manufactured or available on the market, and EMAE does not have a replacement. As a result, the available capacity at Contador is now less than one MW and the remaining turbine could fail at any time.

The country is currently heavily reliant on fuel imports. The country's increasing reliance on thermal power means that the share of thermal production in São Tomé's energy mix now reaches 93.5 percent. This is diametrically opposed to the Government's stated objective of reaching 40 percent renewable energy penetration by 2020. In turn, it also increases the utility's reliance on monthly fuel imports as it lacks storage capacity, further exposing it to oil price volatility. Fuel is purchased from Empresa Nacional de Combustíveis e Óleos (ENCO), the country's only fuel supplier, which is 75 percent owned by the Angolan oil company SONANGOL and 16 percent owned by the Government. EMAE benefits from both an administrative price for the imported fuel set by the Government and an exemption from the fuel import duty. A third form of

government support is through the Government's guarantee of payment for the imported fuel. EMAE has been unable to pay for the vast majority of the imported fuel for the past decade, resulting in the accumulation of an estimated €37 million of debt by 2016, around a seventh of the country's GDP. Despite this large accumulated debt, EMAE is able to continue importing fuel on credit due to an agreement between ENCO and the Government.

The transmission and distribution network on São Tomé is old and poorly maintained. Technical losses are estimated at over 15 percent of power production. In addition, the island lacks a centralized control system, severely limiting the utility's ability to locate problems and leading to lengthy black and brown outs on a daily basis. It can take up to several hours for a fault to be located, and the scarcity of isolation points in the network means many customers can remain cut off from the grid before the power supply is restored. In addition, widespread power theft through illegal connections add unpredictable and highly inefficient load onto the network and can contribute to significantly reducing the reliability of the system. As a result, large clients, such as international hotels, have traditionally relied on their own generators, depriving the utility of the most profitable parts of the customer base.

Despite high technical losses, the vast majority of EMAE's losses are non-technical. With two thirds of the 40 percent total losses in 2015 being commercial, these alone are estimated to increase the overall cost of production of electricity by over a third, independent of the energy source used. Non-technical losses consist primarily of electricity theft, including illegal connection and meter tampering, non-payment by customers, and errors in accounting and record-keeping. At the distribution level, for example, the poor state of the network facilitates electricity theft through illegal connections. Even among those with a legal connection, there exists a pervasive culture of non-payment for electricity. This behavior is common across customer segments, including government offices, tribunals, the airport, and the residential segment. There is evidence, including testimonies from non-governmental and local organizations, that women are highly impacted by lack of energy in STP. Women are usually involved in precarious employment and in labor-intensive productive activities and also spend more time in household management where use of electricity is high. In addition, the transformation of agricultural products that require energy, such as cacao and coffee, is heavily dependent on the seasons. Specifically, the rainy season impacts produce drying and requires the substitution of drying machinery, which in turn requires increased electricity consumption. These dynamics, combined with a high tariff and low service quality, result in higher negative impacts on women's income generating activities and potential. Finally, the shortage of public lighting also has adverse influences on girls and women's security and education: girls and women often do not attend classes held at night out of a concern for their safety traveling to and from education centers in poorly lit streets.

The power sector in STP is small and the institutional actors are commensurately few. Nonetheless, they have varying degrees of capacity and overlapping mandates at times. The Ministry of Finance and Public Administration (MoFPA) oversees EMAE's financial performance and is responsible for approving tariffs. Although EMAE's finances are consolidated and published in EMAE's Annual Report, these accounts are not audited by an independent body and accounting methods are opaque. The Ministry of Natural Resources, Energy and Environment (MRNEA) oversees EMAE's technical performance but has few technical resources of its own. The Autoridade Geral de Regulação (AGER) is the multi-sector regulatory agency with mandates in the telecommunications, water, and electricity sectors. In December 2014, it was mandated with regulating the energy sector, including tariff regulation, permitting, and overseeing long-term sector planning. A planning entity was also recently created under MRNEA. Regulatory and planning capacity is scarce. AGER currently has no capacity to assume its role in

the energy sector, and thus there is no agency monitoring service quality or auditing EMAE's accounts to assess revenue requirements and set tariffs. There is also currently no strategy in place for the development of the energy sector to address the aforementioned problems. This is partly due to a lack of sector data upon which to base a least cost expansion plan. Specifically, the Government lacks credible information about the country's renewable energy potential, both for solar and hydro generation, making it nearly impossible for private investment to come in. Several of the sites with known hydro potential are tied up in concession agreements, which currently make their exploitation by EMAE legally challenging.

Despite being high, tariffs are not likely at cost recovery levels. While EMAE lacks a proper accounting framework, a preliminary assessment suggests that the average electricity tariff in STP of US\$0.21/kWh is set below cost-recovery, despite being one of the highest in Sub-Saharan Africa. In particular, tariffs for the residential segment and EMAE are cross subsidized by other segments, especially government customers. There is no formula for tariff setting, nor has the revenue requirement for the utility been computed to provide the necessary data for analytical tariff setting. Tariffs have not changed since 2007, despite EMAE's demands, which has contributed to worsening the utility's financial situation and its ability to provide quality service. EMAE's accounting system does not allow for monitoring of the evolution of production costs or for the identification of necessary investments or changes. While a new "analytic accounting" methodology is currently being developed with a planned roll out in May 2016, this is unlikely to solve the issue of determining revenue requirements and appropriate cost allocations.

The sector is not currently financially sustainable. Burdened with high technical and non-technical losses, rising generation costs, and decreasing revenue, EMAE is unable to make the necessary investments to maintain the sector's rapidly deteriorating capital assets, and is entirely reliant on external funding to maintain service and expand capacity to keep up with demand. This has in turn led to increasingly unreliable electricity supply, which customers are unwilling to pay for, turning instead to theft and/or non-payment. The costly and unreliable energy mix is heavily reliant on imported fuel, which EMAE is unable to afford as a result of highlighted cash flow issues. Recent investments in further thermal have only worsened this problem. In an effort to facilitate repayment of the debt, the Government has not lowered the administrative price of fuel since 2011 despite the sharp decline in international oil prices. The IMF is also promoting debt repayment through an agreement under which the Government pays its electricity consumption debts to EMAE and these funds are automatically passed on to ENCO to pay off fuel debt.

Strategic investments can and should be made to minimize mounting losses and create the foundation for sector recovery. With such a vast debt load and persistent challenges, the sector's financial situation is unlikely to become sustainable in the near future. Exiting the debt and underinvestment spiral requires investments in lower-cost generation, grid infrastructure to reduce technical and non-technical losses and increase the utility's revenues, and strengthening sector management. Initiating this process is critical as it will put STP on a path to reduce liabilities and improve the sustainability of energy supply.

## **C. Proposed Development Objective(s)**

### **Development Objective(s)**

The project development objective is to increase renewable energy generation and improve reliability of the electricity supply.

### **Key Results**

Progress toward achieving the project development objectives will be measured by the PDO indicators below. Annex 1 provides the full project results framework.

- Direct project beneficiaries (number), of which female beneficiaries (percentage);
- Generation Capacity of Hydropower rehabilitated under the project (MW); and
- Electricity losses per year in the project area (percentage).

## **D. Project Description**

The project is the first World Bank lending operation in the energy sector in STP in over a decade and is thus a first step for the Bank to support the Government in improving and expanding affordable, reliable, and sustainable energy services. The project represents an initial intervention to support sector recovery by financing the most critical infrastructure investments and providing technical assistance for capacity building and sector reforms. The project is complemented by financing from the European Investment Bank (EIB).

Investments to be carried out under the project center on the island of São Tomé, where the vast majority of the population lives. The proposed project aims to reduce the consumption of imported fossil fuels for power generation by increasing hydropower generation capacity and reduce losses in the network. This will be done by rehabilitating an existing hydropower plant, upgrading the distribution network, and installing smart meters for consumers. This will contribute to improving the financial situation of EMAE and allow the Government to reduce reliance on thermal generation, thereby reducing subsidies to purchase expensive fuel that disproportionately benefits higher-income groups.

### **Component Name**

Component 1: Support to institutional reform and sector planning (US\$ 0.7 million).

### **Comments (optional)**

This component will finance a combination of capacity building, action plans, roadmaps, and studies that will: (i) strengthen in a sustainable manner the capacity of the regulatory agency and (ii) ensure planning of the optimum investments needed to develop the power sector in STP, from electricity generation to the effective connection of end users; This component will build up on the results of the Bank executed Technical Assistance “Improving the energy mix and reducing generation costs in STP – P155621” being implemented in parallel under AFREA funding.

### **Component Name**

Component 2: Strengthening operational performance and governance of EMAE (US\$ 6.9 million)

### **Comments (optional)**

This component will comprise the preparation of a Management Improvement Plan (MIP) for EMAE for a three-year period, focused on improving efficiency, transparency, and accountability of EMAE’s performance in the key operations areas of electricity supply, commercial functions, and management of corporate resources in a sustainable manner, with specific emphasis on better service quality and non-technical loss reduction through the installation of meters.

### **Component Name**

Component 3: Investing in enhanced reliability of electricity generation, transport and distribution (US\$ 23.4 million).

### **Comments (optional)**

This component will finance priority investments regarding the rehabilitation and potential expansion of Contador small hydropower plant, the rehabilitation of Contador evacuation line and medium voltage (MV) network and the upgrading of existing low voltage (LV) network in selected districts of the country.

#### **Component Name**

Component 4: Project Implementation Support (US \$2.6 million). This component will finance project implementation support including training for proposed implementing agency

#### **Comments (optional)**

This component will finance project implementation support including training for proposed implementing agency, the Agência Fiduciária de Administração de Projeto (AFAP) on procurement and fiduciary duties. Technical training, in particular on O&M issues will be provided to EMAE technical staff supervising project implementation. This component will also cover the engineering (design and supervision of works) and preparation of safeguards documents for all components of the project.

### **E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The safeguard category recommended for the Project is “B” as the type of interventions foreseen would not have major impacts on the population or the environment. Potential negative impacts likely to be caused by the Projects are site-specific, limited and thus manageable.

### **F. Environmental and Social Safeguards Specialists**

Nuno Maria Brilha Vilela (GENDR)

Paivi Koskinen-Lewis (GSU01)

## **II. Implementation**

### **Institutional and Implementation Arrangements**

The proposed implementing agency is the Agência Fiduciária de Administração de Projeto (AFAP), Fiduciary Agency for Project Administration. AFAP has a track record in the implementation of Bank financed education, telecommunications, and social protection projects.

A project-specific Steering Committee is being established to provide guidance and direction during implementation. It will be chaired by the Minister of Finance and Public Administration and include representatives of MNREA, the Ministry of Economy and International Cooperation, the Ministry of Public Works and Natural Resources (MoPWR), EMAE, and AFAP. The Steering Committee will meet at least once every quarter. AFAP’s Coordinator shall serve as the Steering Committee Secretary.

AFAP will have responsibility for the day-to-day management of the project and coordination of project-related activities and report to the Steering Committee to ensure clear communication with all relevant ministries and obtain decisions on issues pertaining to multiple government stakeholders. In particular, for all technical issues related to project implementation, a project focal point at EMAE will be appointed, technical EMAE staff will lead implementation of certain activities, and an ad-hoc technical Working Group will follow-up on implementation of the project. The Working Group will report to MRNEA and submit regular reports on progress of the project developments. This group will be chaired by a representative of MRNEA and will have representatives from AFAP, the



Project's Technical Advisor from AFAP permanent team, the project focal point from EMAE, a representative from AGER, a representative from the Directorate of Environment from MoPWNR, and a representative from the Directorate of Natural Resources and Energy from MoPWNR. The group will meet quarterly or more frequently as needed.

### III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The environmental Assessment OP/BP 4.01 will be triggered. Because the exact magnitude and location of the works is not yet known, an ESMF was prepared, consulted upon, and disclosed prior to appraisal. When the engineering feasibility and optimization studies will be available and the physical footprint and magnitude of the rehabilitation works precisely defined, an Environmental and Social Impact Assessment (ESIA) and Environmental Management Plan will be prepared to manage and mitigate the construction and operational environmental and social impacts of the project.
Natural Habitats OP/BP 4.04	Yes	Part of the existing project infrastructures are placed inside Ôbo National Park, such as the intakes and part of water channel, although an area of secondary forest with cocoa plantations under canopy and though not of high ecological value. The ecological impacts on biodiversity are expected to be minor and of low significance according to the N.P. of Ôbo staff
Forests OP/BP 4.36	No	This policy is not triggered as the project will not involve any change in the management of the forest resource. Localized Impacts on forest (if any) will be covered under the Natural Habitats policy.
Pest Management OP 4.09	No	The project does not involve the use of pesticides or have any impact on pest management practices.
Physical Cultural Resources OP/BP 4.11	No	The project will not entail large excavations and is not located in an area of known significance from this policy's perspective. However chance finds procedure is included in the ESMF in case any cultural value is found.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the project area.
Involuntary Resettlement OP/BP 4.12	No	OP 4.12 is not triggered for the project. Component 3.1. regarding the rehabilitation and expansion of the Contador power plant does not trigger the policy because the works will be on land owned by the utility where there are no squatters and therefore will not lead to physical or economic displacement.

		<p>Additionally, the works will be designed in such a way that any works that lead to economic and physical displacement are not eligible. This will be particularly true when choosing the site for potential additional water storage with the construction of water tanks. Given the likely scale of works and accessibility from the capital, construction of specific workers' camp sites is not anticipated either. The Client has confirmed that the lands covered by the footprint of the project were the property of EMAE and therefore no land acquisition is required.</p> <p>The inspection survey along the 8km canal indicated that critical structures of the scheme are accessible by roads already cut (paved up to the powerhouse and then earth roads to the different intakes). It is expected that the works will not create new access points but will mainly comprise reinforcement and stabilization of existing roads to carry materials and equipment. No houses were encountered in the direct vicinity of the project footprint during the site visit and there is no evidence of squatters.</p>
Safety of Dams OP/BP 4.37	No	The Project activities are not related nor dependent on dams, therefore OP 4.37 is not triggered for the project.
Projects on International Waterways OP/BP 7.50	No	This project will not take place on any international waterways, and will not support activities that will impact international waterways.
Projects in Disputed Areas OP/BP 7.60	No	This project will not take place in any disputed areas as defined under OP 7.60, and will not support any activities that will impact disputed areas.

#### IV. Key Safeguard Policy Issues and Their Management

##### A. Summary of Key Safeguard Issues

###### 1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The potential negative impacts likely to be caused by the project are site-specific, minor/limited and thus easily manageable and the proposed environmental category is B. The project triggers two safeguards policies: OP 4.01 on Environmental Assessment , and OP 4.04 on Natural Habitats. The potential negative impacts likely to be caused by the project are site-specific, minor/limited and thus easily manageable and the proposed environmental category is B. The project triggers two safeguards policies: OP 4.01 on Environmental Assessment , and OP 4.04 on Natural Habitats. The technical staff of the N. P. of Ôbo during the field visit to the Zico and Angolar intakes and to the channel towards them confirmed that no protected species of fauna, flora and habitats are expected to be found near or surrounding the project infrastructures inside de N.P. of Ôbo. One or two endemic species were found but these were common ones, as those areas are not significant

from the nature conservation point of view, representing common habitats along the island. Although the project is located in a forest, it is a secondary forest, and inside the National Park Ôbo; the fact that the potential expansion civil works will be quite limited to a minimum where no environmental significant impacts will occur. Impacts to the surrounding forest cover will be minimal and localized. The rehabilitation of Angolar intake is an exception as there will be a reformulation of its design in order to better cope with the debris that gets into this very small intake system; however, the environmental impacts can be small and of low significance (there is an existing intake system already) if properly managed, although Angolar intake is inside the Ôbo N. P. and subject of a visited waterfall.

Cumulative impacts is an aspect that seems irrelevant on the environmental and social analysis as the dominant investment of this project is the rehabilitation of an existing hydropower plant and other existing infrastructures. Physical displacement is not anticipated because the rehabilitation and expansion works are likely to take place in existing location owned by the utility and there are no people living in the area and no evidence of squatters. To address any adverse environmental impacts, the Client is preparing an Environmental and Social Management Framework (ESMF) to address any negative impacts that may arise during implementation. The ESMF will be consulted upon and disclosed in-country and at InfoShop prior to appraisal.

The Environmental and Social Impact Assessment (ESIA) at project feasibility and design level will better assess the environmental and social impacts of the project once the technical studies confirm the design and location.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

Given that the nature of the project activities is mostly rehabilitation, indirect or long term impacts are not anticipated.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

The majority of the project interventions have very limited environmental and social impacts as they focus on the rehabilitation of an existing power plant on governmental land.

**4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.**

The project will benefit from the fact that the fiduciary agency that would lead the PIU (AFAP) is under the Ministry of Finance and Public Administration (MFPA) and has long experience in implementing WB financed projects on education and telecommunications, among others. One of the reference projects recently implemented by AFAP is the Central African Backbone (CAB) Project, which is a category B project that triggered two safeguards policies (OP/BP 4.01 and OP/BO 4.12). AFAP is composed of 6 permanent staff members, including the director, procurement and financial manager.

The project implementation strategy includes hiring a specialized technical adviser. The technical adviser will ensure the coordination with the project beneficiary and other relevant government institutions. For the CAB project, the implementation of safeguards instruments was done through the Environmental Department of the Ministry of Public Works and Natural Resources (MoPWNR) which was part of Steering Committee established to follow-up and monitoring the project. The model used for CAB project may be replicated to implement safeguards in the proposed project. The inclusion of an environmental and social safeguards specialist in the PIU team may be necessary depending on the scope of the interventions, which will be determined in the feasibility studies.

The model to be applicable to implement safeguards will benefit from the contribution of the

Directorate of Environment, particularly its Environmental Impact Assessment Department, from Ministry of Natural Resources and Environment to assess and review safeguard documents. At ESMP supervision level the PIU and the Directorate of Environment team will follow the same approach. The Directorate of Environment team of the Ministry of Natural Resources and Environment has accumulated experience on dealing with environmental and social safeguard requirements from different donors, including the World Bank Group. However there is also a need on capacity building for the PIU staff for future safeguards monitoring and there might be a need to hire a part-time person for that in the future.
<b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>
Government entities, NGOs, and local communities amongst others were consulted on a public session and bi-lateral meetings. The outcomes of the consultations are part of the ESMF which has been disclosed through the InfoShop and in-country.

### ***B. Disclosure Requirements***

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	10-Apr-2016
Date of submission to InfoShop	25-Apr-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Sao Tome and Principe	25-Apr-2016
<i>Comments:</i> www.afap.st and www.telanon.info	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

### ***C. Compliance Monitoring Indicators at the Corporate Level***

<b>OP/BP/GP 4.01 - Environment Assessment</b>	
Does the project require a stand-alone EA (including EMP) report?	Yes [ ] No [ × ] NA [ ]
<b>OP/BP 4.04 - Natural Habitats</b>	
Would the project result in any significant conversion or degradation of critical natural habitats?	Yes [ ] No [ × ] NA [ ]
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [ ] No [ ] NA [ × ]
<b>The World Bank Policy on Disclosure of Information</b>	
Have relevant safeguard policies documents been sent to the World Bank's InfoShop?	Yes [ × ] No [ ] NA [ ]

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

**V. Contact point****World Bank**

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Task Team Leader(s):	Name: Christopher Saunders, Nicolas Jean Marie Sans
<b>Approved By</b>	

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