



08-May-2022, 2022

H. E. Mr. Engracio do Sacramento Soares da Graça  
Minister of Planning and Finance and Blue Economy  
Minister of Planning and Finance and Blue Economy  
Sao Tome,  
Democratic Republic of Sao Tome and Principe

**Re: Democratic Republic of Sao Tome and Principe:  
Grant Number D1260-ST  
(Power Sector Recovery Project)  
Second Amendment to the Financing Agreement**

Your Excellency:

We refer to the Financing Agreement for the above-captioned Project between the Democratic Republic of Sao Tome and Principe (the Recipient) and the International Development Association (the Association), dated August 22, 2016, as amended (the Financing Agreement).

Please note that capitalized terms used in this letter (the Amendment Letter) and not defined herein have the meaning ascribed to them in the Financing Agreement.

We also refer to the ministerial order (“Despacho”) No. 03/2022 issued by the Ministry of Infrastructure and Natural Resources (MIRN), establishing the Technical Implementing Unit; and your letter No. 371/MPFEA – GM/2022 dated February 7, 2022, requesting the Association to restructure the Project, including: (a) modifying the description of the Project; (b) modifying existing implementation arrangements; and (c) extending the closing Date. We are pleased to inform you that the Association concurs with your request and, therefore, proposes to amend the following provisions of the Financing Agreement:

1. Article 3.1 of the Financing Agreement is deleted and replaced in its entirety to read as follows:  
  
“3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MIRN, 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.”
2. Schedule 1 to the Financing Agreement is deleted and replaced to read in its entirety as set forth in the Annex to this Amendment Letter.
3. Section I. A.3. of Schedule 2 is deleted and replaced in its entirety to read as follows:  
  
“3. For purposes of facilitating the implementation of the Project, the Recipient shall maintain the TIU with staff in numbers and with responsibilities acceptable to the Association, as set forth in the Operational Manual.”

4. Section I. B. of Schedule 2 is deleted and replaced in its entirety to read as follows:

**“B. Operational Manual**

1. The Recipient shall maintain throughout Project implementation the Operational Manual in form and substance 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 TIU, the Steering Committee and the Working Group;
  - (f) the functions and responsibilities of AFAP, and
  - (g) the ESMFs.
2. The Recipient shall carry out the Project in accordance with the Operational Manual. Except as the Association 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.”

5. Section I. D. (Safeguards) of Schedule 2 is deleted and replaced in its entirety to read as follows:

**“D. Safeguards**

1. The Recipient shall implement the Project in accordance with the ESMF.
2. The Recipient shall, prior to carrying out works under Part 3 of the Project:
  - (i) carry out site-specific environmental impact assessments, under terms of reference acceptable to the Association, for the relevant works;
  - (ii) prepare, consult and disclose respective site-specific EMPs in a manner acceptable to the Association and as set forth in the ESMF;
  - (iii) before issuing bidding documents for any works contract, prepare and submit to the Association for its approval:

- (A) the proposed design and site for the works and the relevant EMPs in form and substance satisfactory to the Association; and
  - (B) the draft contract for such works to ensure that the provisions of the relevant EMPs are adequately included in the related contract; and
  - (iv) carry out the works in accordance with the relevant EMPs.
3. The Recipient shall ensure that:
- (a) the terms of reference for any consultancy required under Part 1.2 of the Project shall be satisfactory to the Association following its review thereof; and
  - (b) to that end, such terms of reference shall duly incorporate the requirements of the Association'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."
6. A new Section I.E.(Subsidiary Agreement) is added to Schedule 2 to read as follows:

**"E. Subsidiary Agreement**

- 1. To facilitate the carrying out of the Project, the Recipient shall make part of the proceeds of the Financing available to AFAP to be responsible for the financial management of the Project, under a subsidiary agreement between the Recipient and AFAP, under terms and conditions approved by the Association ("Subsidiary Agreement").
  - 2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions."
7. The table under Section IV.A.2 of Schedule 2 is deleted and replaced in its entirety to read as follows:

“

<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, consulting services, Training and Operating Costs for Parts 1, 2.1, 2.2, 2.6, 3.1, 3.2, 3.5 and 4 of the Project	11,181,860	100 %
(2) Refund of Preparation Advance	118,140	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	11,300,000	

”

8. Section IV.B.2 of Schedule 2 is deleted and replaced in its entirety to read as follows:

“2. The Closing Date is October 31, 2025.”

9. The following definitions are added to the Appendix in alphabetical order, and subsequent paragraphs are renumbered accordingly:

“Technical Implementation Unit” or “TIU” is the technical implementation unit responsible for the procurement, safeguards and implementation of the Project, other than financial management, established by ministerial order No. 03/2022 issued on January 31, 2022 by MIRN.

“MIRN” means “Ministério das Infra-estruturas e Recursos Naturais” the Recipient’s Ministry of Infrastructure established by Decree 13/2021 published in *Diario da República* No. 33, the Recipient’s Official Gazette, on April 9, 2021, as the successor of MOPIRNA.”

Consequently, all references to “MOPIRNA” in the Financing Agreement are hereby amended *mutatis mutandis* to read “MIRN”.

10. The following definitions are deleted and replaced in their entirety in the Appendix to read as follows:

“AFAP Legislation” means the Recipient’s Decree-Law No. 10/2018, dated July 4, 2018, published in the Recipient’s official Gazette (*Diário da República*) No. 100, dated July 19, 2018.”

“Operational Manual” means the Recipient’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.”

Please confirm your agreement with the foregoing amendment by signing and dating this Amendment Letter in the space provided below. Thenceforward, all the provisions of the Financing Agreement except as amended through this Amendment Letter shall remain in full force and effect. This Amendment Letter shall be executed in two counterparts each of which shall be an original.

The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon receipt by the Association of one fully executed original of this Amendment Letter.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Jean-Christophe Carré

Jean-Christophe Carré

Country Director for Sao Tome and Principe

AGREED:

DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

By:   
\_\_\_\_\_

Authorized Representative

Name: \_\_\_\_\_  
Engracio do Sacramento Soares da Graça

Title: \_\_\_\_\_  
Ministro do Planeamento, Finanças e Economia Azul

Date: \_\_\_\_\_  
10-mai-2022

## 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 MIRN, 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 MIRN 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. 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.
2. Replacing existing meters or installing new meters to accurately record and monitor the electricity consumption of large users.
3. Installing statistical meters to identify losses in different sections of the network.
4.
  - (a) Installing or replacing meters to accurately record the electricity consumption of customers in their premises.
  - (b) Installing new meters to accurately record and monitor the electricity consumption of currently unmetered large users.

5. 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 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.
  - (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.
4.
  - (a) Developing and launching the implementation of an incandescent lamp phaseout policy, including elaboration of relevant regulations, and carrying out consultations with stakeholders and consumer awareness campaigns.
  - (b) Implementing a demand-side management plan to reduce peak electricity demand, including: (i) the acquisition and distribution of high-efficiency LED light bulbs and fluorescent tube light bulbs to residential and public EMAE customers to replace low efficient light bulbs; and (ii) the acquisition of equipment for the safe disposal of low efficient light bulbs.
  - (c) Providing capacity building on entrepreneurship to selected women STEM graduates.
5. Providing emergency support for electric generators including, *inter alia*, maintenance support for existing generators through purchase of generator parts, and hiring a consultant to assist with the preparation of procurement documents and the structuring of a maintenance contract”

#### **Part 4. Project Implementation Support**

Providing project implementation support including, *inter alia*:

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