

TERMS OF REFERENCE

**Consulting Services for supporting the Government of Sao Tome e
Principe on private sector participation in operations and
maintenance in the electricity sector
(Lump-Sum)**

1 Background

1.1 Institutional Framework of the Electricity Sector

Until this day, the Electricity Sector in São Tomé e Príncipe has remained highly concentrated in an unbundled operator controlled solely by the Government, EMAE. The public sector, dominates the overall activities of the electricity sector with the state being it's the main institution, carrying out its activity through the government, in particular through the Directorate-General for Natural Resources and Energy (DGRNE) within the Ministry responsible for the sector. In addition to the state, its dependent bodies and public enterprises, local authorities and the RAP play an important role, in particular, the Ministry of Planning and Finance (MPF). Overall, the public institutions in the energy sector are as follows:

- Ministry of Infrastructures and Natural Resources (MIRN);
- Directorate-General for Natural Resources and Energy (DGRNE);
- Ministry of Environment (MoE);
- Autonomous Region of Príncipe (ARP);
- Districts/Local Authorities;
- General Regulatory Authority (AGER);
- Water and Electricity Company (EMAE);
- National Petroleum Agency (ANP);
- Fiduciary Agency for Project Administration (AFAP);

1.2 Electricity Sector Outlook and Financial Constraints

The energy sector has a strong impact on fiscal sustainability and economic growth from two points of view. First, high dependence on expensive diesel for power generation leads to high delivery costs exposed to the volatility of international fuel prices. Second, electricity, while expensive, is also extremely unreliable with several hours of outages which reduces productivity and, consequently, revenue collection. The current installed generation capacity is 37.9 MW of which only around 17.3 MW is currently available, most of which is thermal based.

São Tomé e Príncipe has the third-highest electricity supply cost in Sub-Saharan Africa. Although STP's average electricity tariff of US\$0.22 per kilowatt hour (kWh) is among the highest in the region, it is still insufficient to cover generation costs. Aggregate technical and commercial losses is estimated at 37 percent, of which over 20 percent are non-technical losses. Payment discipline of energy consumers in STP is poor, and the high commercial losses are largely due to theft through illegal connections. On the other hand, tariffs have not been adjusted since 2007 and, with the cost of service estimated at US\$0.34 per kWh against an average tariff of US\$0.22 per kWh (in 2020), EMAE is unable to cover its costs.

The weak financial health of the electricity sector has undermined government efforts to attract investors in order to increase generation capacity. GoSTP attempted to mitigate the current supply shortfall by trying to secure independent power producers (IPPs) for up to 40 MW of solar PV power and 12 MW of

biomass, justified as emergency generation, and proceeded to sign power purchase agreements (PPA) with five developers. However, without payment securities, the projects are yet to mobilize.

1.3 EMAE: Current Outlook and Expected Evolution

EMAE is the company currently generating, transmitting, distributing and supplying electricity. It is also the water utility. In practice, EMAE operates as a vertically integrated monopoly and is in fact the only electricity supplier in the country.

It does so through an exclusive grid, since even independent suppliers are required by law to sell their electricity to EMAE. The EMAE statute was approved by Decree No. 40/2008, of 1 December, and as per its articles of association it is a public corporate entity, i.e., a public company. Like the other public companies, EMAE is subject to the Public Enterprises Regime and the State Business Sector, approved by Decree-Law No. 22/2011, of 30 June, and its managers are subject to the Statute of Public Administrators, approved by Decree-Law No. 23/2011, of 30 June.

The Public Enterprises Regime establishes how state enterprises are to be organized and managed. It also ensures that state supervision over their enterprises is controlled and exercised through the Treasury Department of the Ministry responsible for the Finance sector, in terms of financial management.

In this case, MPFEA is the entity responsible for the economic supervision of EMAE.

Within the scope of the WB/EIB project, all EMAE assets were inventoried and evaluated, including electrical and mechanical material from production units, transmission and distribution lines and substations, as well as buildings, administrative and social equipment and means of transport. The inventory was completed in 2020.

In December 2014, AGER was mandated to regulate the energy sector, including the regulation of rates, licenses and long-term sector planning.

The monitoring and technical supervision component falls to the Ministry responsible for the sector. The ministry in this case MOPIRNA, although it has scarce resources to do so (World Bank, 2016), and it is responsible for coordinating with the company on issues related to investments and projects.

Within the framework of the implementation of Regime Jurídico do Sector Eléctrico (RJSE), EMAE must be converted into a Concessionary Entity of the National Electricity Grid, through a concession contract to be entered into with the state, under the terms of Chapter II of the Regulations. The process was delayed due to the simultaneous execution of the EMAE inventory. The concession contract has already been approved by the government and published in Diário da República No. 108/2019 of 7 November, but since it is not a Decree-Law there is a legal problem in terms of its effectiveness. It has also been submitted to the Presidency of the Republic, pending the follow-up of the process through this channel. After its implementation, and through the grid concession contract, EMAE will have the right to transport and distribute all the electricity produced and delivered to the grid by the independent producers and shall also have the exclusive right to sell that electricity to the final consumer. This approach is clearly from the RJSE's legal provisions, in particular Article 7. However, as is also apparent from Article 125, No. 2, EMAE

shall make the necessary statutory changes to the role it shall assume in the market after the RJSE is fully implemented.

1.4 Assignment objective

The principal objective of the assignment is to support the GoSTP to introduce private sector participation in operations and maintenance in the electricity sector. Three options are to be considered: (a) outsourcing specific activities in commercial operations; (b) operations concession for the electricity retail segment (commercial); and (c) operations concession for the electricity distribution and retail segment (affermage).`

The assignment is divided into two phases. Phase 1 – of the assignment is to provide a full scale analysis of the most suitable institutional arrangement and legal framework (including regulatory aspects and contractual arrangements) for achieving and maintaining the Government’s targets in the power sector, where institutional arrangements include the use of PPPs, including legal framework, financing models (including but not limited to tariffs, capital investment, revenues, cost estimates, payment mechanisms, operation and maintenance expenditure, risk allocation and Value for Money for the Government), environmental and social impact. This phase will also include a market sounding with potential participants and stakeholders for each possible alternative.

The objective shall be congruent with the global objective of the GoSTP:

- a) to reduce commercial losses;
- b) to reduce the cost of power generation;
- c) to expand the power sector and its accessibility; and
- d) to improve the quality of the power supply

This phase of the assignment should provide sufficient information for the Government of São Tomé e Príncipe to decide whether to change and if so, how to change the institutional and legal arrangements in the sector. As a note, assets ownership shall remain always with the GoSTP’s.

The main objective of Phase 2 of transaction support services is to facilitate the bidding/tendering process and assist the Government Authorities until financial close of the project.

2 Scope of Work

2.1 Scope of Work

The activities required under this scope of work shall be carried out in two Phases:

- **Phase 1:** Undertake a comprehensive review of options under consideration;
- **Phase 2:** Based on performance and government needs, provide advisory services for the procurement of the project

The transaction advisor needs to submit a single bid, in the formats prescribed in these terms of reference but clearly separating costs for Phase 1 and Phase 2. A contract will only be signed for Phase 1. The signing of Phase 2 will depend on satisfactory performance of the consultant and the government's need for the services.

Phase 1: REVIEW OF OPTIONS

2.2 Task 1: Needs Analysis

The purpose of the needs analysis is to assess the objectives of GoSTP and other stakeholders to define the project outputs and scope.

2.2.1 Task 1.1: Stakeholder Analysis and Consultation

The consultant will analyze, map, and consult with stakeholders the possibility to implement a PPP in the power sector ("the project"). The consultants will discuss with key stakeholders to understand how best to engage and communicate with them.

2.2.2 Task 1.2: EMAE's Organizational Structure, Staffing, and Commercial Practices

A previous study was developed, that provides an assessment of EMAE's Organizational Structure, Staffing, and Commercial Practices. In addition, an audit of EMAE's input costs is underway and expected to be completed by end of November 2024. These assignments will be made available to the consultant. They highlight the following:

- a. Identify the number of employees and their qualifications, including managers, administrators, and part time employees for each service;
- b. Identify all existing contractual relationships and working arrangements;
- c. Identify broad skills gaps within the existing structure;
- d. Identify internal governance or management problems which need to be resolved; and
- e. Assess commercial and management practices at EMAE, with particular focus on financial management, physical planning, financial planning, maintenance planning and asset management.

Based on the analysis of the existing study, the consultant shall review the proposed organizational structure and staffing of EMAE and assess its alignment with the commercial and management industry's best practices. The consultant shall complement missing information with interviews as necessary.

2.3 Task 2. Legal framework review

A comprehensive legal analysis for the preferred solution option must be undertaken to ensure that all foreseeable legal requirements are met. The consultant will review, at a minimum, the following laws, regulations and contracts:

- i. Constitution of the Democratic Republic of São Tomé e Príncipe
- ii. Law Establishing the Basis for the National Electricity System;
- iii. Electricity Tariff Regulation;
- iv. Review of Tariffs for the Supply of Electricity;
- v. PPP laws;
- vi. Public Procurement Laws;
- vii. Public Contract Laws;
- viii. Organic Laws;
- ix. Labor Laws;
- x. Other relevant and applicable Laws;
- xi. If available, existing and previous contracts agreements between EMAE and private operators; and
- xii. Any other requirements or regulations from the MIRN, EMAE or any other relevant entity.

Furthermore, as part of this Legal Review, the Consultant shall develop a comprehensive Legal Due Diligence Report. The Report shall include, without limitation, the following:

- a. Identification of key legal and regulatory aspects acceptable to investors for the development of this project, taking into account licensing, permits and approvals required for the ownership, financing, and operation of EMAE, including, without limitation, for (i) the execution, authorization and enforceability of the relevant Contractual Agreements by the parties, (ii) land rights, if applicable, and (iii) corporate registrations and approvals;
- b. Identify the main legal and regulatory aspects acceptable to investors, taking into account the distribution of contractual risks between the Government and investors and according to the desired results of the call for tenders;
- c. Identify all legal obstacles that prevent the relevant Project participants from obtaining all necessary licenses, permits and approvals as identified above;

- d. Identification of material obligations and responsibilities of the relevant stakeholders, including, but not limited to, MIRN, AGER, EMAE and other project stakeholders (e.g. investors, lenders, etc.) in relation to the tender;

At the end of this task, the consultant is expected to develop a detailed legal framework (including regulatory, institutional and contractual arrangements) adequate to implement the preferred option or options, by reviewing the existing laws, policies and any other legal documents. Furthermore, the consultant shall identify all aspects that can be improved or need to be changed (including drafting new legislation). The consultant shall present and submit a legal report with the adequate legal framework to implement the preferred option.

2.4 Task 3. Reform Options Analysis

The consultant shall evaluate options for reforming EMAE, which may include PPP, Concession arrangements or any other model deemed viable and identify the preferred option or options comparing them also with a Public Sector option. The options being considered are: (a) outsourcing specific activities in commercial operations; (b) operations concession for the electricity retail segment (commercial); and (c) operations concession for the electricity distribution and retail segment (*affermage*).

Whichever option proposed by the consultant shall minimize loss of jobs and clearly outline transition measures for current employees in the sector where necessary. Where necessary, the consultant shall recommend follow on activities to address issues of employment including reskilling of current staff.

The work consists of the subtasks described below:

2.4.1 Task 3.1: Identify Objectives and Constraints

The consultant shall work with the priority stakeholders identified in Task 1.1 to:

- a. Build consensus on objectives and constraints. The consultants should work with MIRN and EMAE to build consensus on the principal objectives and constraints for the project and the relative importance of each. The output of the workshop should be a statement of objectives and constraints, their relative importance and the stakeholders that were consulted to reach consensus on these; and
- b. Identify and assess the constraints of the actual operation and maintenance contracts and propose improvements.

2.4.2 Task 3.2 Options for design and implementation

The Consultant will identify and describe options for the design and implementation of the process to award an operations concession for the electricity distribution and retail segment in the country. Based on an analysis of best practices in international experience relevant to Sao Tome and Principe, the Consultant will:

- a. recommend which segments of the electricity supply chain (distribution and/or retail) should be included in a possible PPP or PPPs in the electricity sector. The recommendation should consider, at a minimum, evidence of economies of scale and scope, the transaction costs, and interest of the private sector in different structures;
- b. identify and describe in detail options to carry out the process to award the operations concession contract and tentative timeline to implement each of them;
- c. conduct a comparative analysis of the identified options, clearly indicating pros and cons of each of them;
- d. propose one or two recommended options. If requested by Client counterpart team appointed by GoSTP, the Consultant will present in a workshop outcome of activities carried out in this task;
- e. develop a detailed financial model (or one for each sector if the activities are separated) to evaluate the potential Value for Money (VfM) that could be achieved through the preferred option or options. The base case of the financial model should reflect a “business as usual” or “public sector counterfactual” option under which EMAE remains under MIRN. Sensitivity cases should then be produced for the preferred option or options identified. The sensitivity cases should reflect differences in:
 - i. Capital expenditure under each option;
 - ii. Different costs of financing under each option (in other words, the capital structures and cost of debt and equity);
 - iii. Operating expenses under each option, including itemized assumptions about expenditure on staffing and fuel;
 - iv. Maintenance expenses under each option;
 - v. Technical and non-technical losses under each options;
 - vi. Government revenues;
 - vii. Collection efficiency under each option;
 - viii. The number of customers under each option (because some options may be more likely to expand the customer base more quickly than others);
 - ix. The duration of each option (given that different contract types are likely to have different terms);
 - x. Different levels of government subsidy under each option;
 - xi. Differences in the costs of goods or services under each option (for example, procurement of goods or services may be different under different options).

2.4.3 Task 3.3: Allocate Functions and Risks

The consultant shall present options for allocating functions and risks between the public and private partners, and advice on the best option, given the objectives and constraints identified in Task 2.1. More specifically, the consultant shall recommend:

- a. How to allocate responsibilities for operations and maintenance, CAPEX financing, and (if applicable) design and construction between public and private partners. The recommendation should be based on criteria developed in conjunction with MIRN, EMAE, and other priority stakeholders. Such criteria should include, at a minimum:
 - i. Likely effectiveness of the options in reducing technical and non-technical losses;
 - ii. Likely effectiveness of the options in reducing EMAE's operating costs and delivery of Government's goal at lower cost;
 - iii. Effectiveness of the options in maintaining EMAE's assets in good condition;
 - iv. Likelihood of the options achieving other output specifications identified in Task 1.2;
 - v. Potential of the options for building local capacity;
 - vi. Consistency with good international practice;
 - vii. Cost of procurement, contract management and regulation;
 - viii. Legal and organizational feasibility;
 - ix. Likely response from customers;
 - x. Likely response from potential private sector partners; and
 - xi. Timeframe for achievement of Government's goal.
- b. How to allocate key project related and non-project related risks between the public and private partners at all of the project phases (bid phase, negotiation with preferred bidder, construction phase, operational phase and transfer of assets phase).
- c. recommend any conditions precedent to be required of government, for example, institutional and organizational restructuring preparatory actions: separation of water and electricity services currently provided by EMAE, creation of entities needed to implement an operations concession arrangement, etc.
- d. Conduct a Fiscal Risk Assessment (FRA). This FRA is intended to be a descriptive assessment of the PPP Contract and the extent to which it creates fiscal risks for the Government. The output of this FRA will be a comprehensive list of all liabilities that may arise through the Government taking on the project, a categorization by size and the extent to which they create fiscal risks, then a prioritization of risks into Lower Priority Risks and Higher Priority Risks.

2.4.4 Task 3.4: Determine Remuneration Method

The consultant shall analyze the alternatives for remunerating a private partner through different PPP and/or Concession arrangements and recommend a preferred option. The work should include an analysis of, and recommendations on:

- a. The extent to which the private partner will receive its remuneration through customer tariffs and connection fees;
- b. The extent to which viability gap funding will be required from the GoSTP;
- c. The mix of fixed-fee and variable fee remuneration; and
- d. Other payment method.

The options analyzed should be consistent from the options for allocating risk identified in Task 2.2.

2.5 Task 4. Market Sounding

Once a preferred option or options have been identified, the consultant will conduct market sounding to assess potential interest from qualified private sector firms, both domestic and foreign. As part of this work, the consultant will:

- a. Identify prospective private partners;
- b. Draft a “teaser” or “prospectus” document, summarizing the opportunity; and
- c. Gather feedback on the opportunity (in person, over the telephone or through email or a survey instrument), based on the teaser document.

The market sounding will inform the assumptions to be used in the financial analysis in Task 5.

2.6 Task 5. Revisiting Options with Stakeholder and Finalizing Recommendation

The Market Sounding (Task 4) will provide additional information important to the selection of the preferred reform option. The consultant shall present the results of the market sounding to the priority stakeholders, by preparing and developing a workshop in São Tomé e Príncipe to discuss how the results affect the preferred option.

The consultant shall then revise the options analysis and recommendations in Task 2 to incorporate the findings of the market study and stakeholders’ reactions to those findings.

The consultant shall also identify what will be the role of EMAE for the preferred option and develop the institutional arrangements needed, including but not be limited to: propose an organization chart and staff needed, define/describe the future tasks of the institution, funding options, and any other relevant information needed for the future role.

2.7 Phase 1 Reports

The table below lists the reports or milestones required of the consultant under each task, as well as the proposed project schedule and terms of payment. The consultant shall **allow 5 business days for approval** of reports.

Task	Reports or Milestones	Schedule	Terms of Payment
Inception report	<ul style="list-style-type: none"> Submit for approval the Inception Report with revised methodological approach, work plan, work schedules and staff responsibilities for all tasks 	Upon contract signature	10%
Consultation workshops	<ul style="list-style-type: none"> Workshops with highest priority stakeholders to determine output specifications and with broad array of stakeholders to assess interest and influence 	Within 15 days after contract signature	-
Tasks 1.1 and 1.2	<ul style="list-style-type: none"> Report describing: the results of the technical assessment; and assessing EMAE's organizational structure, staffing and commercial practices 	Within 15 days after contract signature	-
Task 1	<ul style="list-style-type: none"> Task 1 Report approved 	20 days after contract signature	10%
Task 2	<ul style="list-style-type: none"> Report on legal framework analysis approved 	30 days after contract signature	10%
Task 3	<ul style="list-style-type: none"> Draft Report submitted summarizing the results of the due diligence on the preferred reform option or options 	45 days after contract signature	30%

Task 4	<ul style="list-style-type: none"> • Teaser/prospectus document for potential private partners interview questionnaires or survey forms (e.g. stakeholder identification, perception survey, potential private partners, etc.) • Report summarizing the results of market sounding approved 	30 days after government approval of reform options	20%
Task 5	<ul style="list-style-type: none"> • Workshop presentations to priority stakeholders on findings of market sounding • Revisions to analysis of options and recommendation (Task 2.2 and 2.3 report), based on stakeholder feedback • Final report approved 	45 days after government approval of reform options	20%

All final reports shall be submitted in two languages (in English and Portuguese). For each language shall be delivered: One (1) Original, five (5) hardcopies and three (3) softcopy shall be delivered to the MIRN, EMAE and AFAP Team for review and consideration.

2.8 Phase 1 – Time for Completion

The estimated effort level for Phase 1 of these consultancy services is 75 man-days over a period of 95 to 110 days

2.9 Phase 1 – Budget

The amount of consulting services cost is a lump-sum fixed cost of the current value. The price shall include but not limited to all labour (national and expatriate staff), travels, daily plus accommodation, · social security, insurance, medical insurance, taxes, prints and all other activities necessary to complete the works. Upon signing of contract, there will not be any additional cost unless requested by the GoSTP.

2.10 Phase 1 – Work Program

The consultants should arrange a work program that at minimum should cover the following:

- a. Work Schedule in detail;

- b. Manpower Schedule including the allocation of experts and their discipline and expertise. The curriculum vitae and a letter of Availability to Work of the proposed experts should be attached; and
- c. Concept Feasibility Study and working methodology.

The work program needs to be approved by the GoSTP after the contract is awarded, and inputs provided, discussed and approved by both parts.

Phase 2: PROCUREMENT ASSISTANCE (Optional – To be developed based on satisfactory performance under Phase 1 and clearance from government to advance)

Based on the outcomes of Phase 1, the transaction advisor is required to work with the Government Authorities to manage the procurement process for securing contracts with a private party. All this needs to be in accordance with the systems and standards set out for PPPs in relevant laws and regulations.

The transaction advisor must prepare a complete set of procurement documents, complying with procurement law, policies and guidelines, and in accordance with the tendering systems of the GoSTP. The documentation must be consistent with the results of the assessment under Phase 1 and enable the GoSTP to obtain relevant approvals.

The transaction advisor must also give the Government Authorities all the necessary drafting, bidder communication and administrative support necessary for the entire procurement process to be conducted in accordance with law and policy, and to the highest standards of efficiency, quality and integrity.

The transaction advisor will then have to deliver the following:

2.11 Task 1: Detailed Procurement Plan

The transaction adviser will design a complete procurement plan and process, based on applicable procurement requirements, including:

- Advice on mechanisms to maximize competition while avoiding unrealistic bids and project vulnerability from overly aggressive bidding.
- Reviewing information to be provided by the Government to bidders to manage liabilities.
- All advice compliant with applicable law and considering any constraints or opportunities associated with applicable law.
- A 2 day ‘workshop’ with Government Authorities to discuss policy decisions and risk transfer issues, followed by 1 furthermore extensive ‘workshop’ to agree final project design.

2.11.1 Information Memorandum

The Information Memorandum should contain at a minimum the following information:

- General information of São Tomé e Príncipe;
- Geography and demography;
- Political and macro-economic perspectives;
- Banking context and relations with international financial institutions;
- Foreign investment treatment;
- Taxation policy;
- Technical and Financial information of the utility to be privatized;

- General information on utility sectors;
- Tariff information;
- Asset valuation estimate;
- Process of Sale or private sector participation;
- Time Schedule for the privatization program.
- Criteria for the Proposal evaluation and assessment; and
- Enforced Electricity Law;

2.11.2 Data Room Preparation

Computerize Catalog of all Documents in the Data Room.

2.12 Task 2: Pre-Qualification

The transaction advisor must design and administer a pre-qualification (request for expression of interest (REOI)) process with the intention of:

- ensuring that the Government Authorities' exact interest is communicated clearly to the market
- determining the extent and nature of interest in the private sector
- pre-qualifying a competitive number of competent consortia in an equitable and transparent way.

The desired result is that every pre-qualified bidder is capable of providing the facilities and services required by the Government Authorities. The transaction advisor must:

- prepare all the necessary REOI documentation, including advertising material;
- set up and administer the process by which the Government Authorities can pre-qualify the parties, including responding to questions and interfacing with bidders; and
- help the Government Authorities evaluate and pre-qualify bidders.

As part of this process, the transaction advisor shall develop a tightly focused promotional campaign for the Project, including short press briefings, advertisement inserts to be published in international trade publications and business newspapers, followed up by the targeted marketing of the selected generation and distribution companies through organizing Road Shows and Seminars for potential investors as well as initiating direct communications with them.

The Consultant shall support the government to carry out the Evaluation of Expressions of Interest (EOIs) received and preparation of list of prequalified groups. The consultant shall provide clarifications during the bidding process.

2.13 Task 3: Evaluation Criteria and Bid Process Design

The transaction advisor is to provide all necessary administrative support to the Government Authorities for the efficient and professional management of the bidding process. This includes managing a data room and other dissemination of project data to bidders, facilitating structured engagement between the

Government Authorities and bidders, helping the Government Authorities communicate effectively with bidders, including responding to bidder queries, managing bidder conferences and responding to communications with bidders to manage Government liabilities, and receiving bids.

The transaction advisor must:

- set up a bid evaluation system and criteria;
- design a suitable bid process that will ensure comparable bids;
- devise effective systems for communicating with bidders; and
- inspire market confidence.

2.14 Task 4: Request for Proposals (RfP)

The transaction advisor must prepare an RfP document in accordance with World Bank procurement standards, best industry practice and applicable laws and regulations, consistent with the results of the feasibility study. The consultant shall provide clarifications during the bidding process.

2.15 Task 5: Evaluation of Bids

The authorized staff of the Government Authorities, helped by the transaction advisor, must evaluate bids.

2.16 Task 6: A draft PPP agreement

The transaction advisor must prepare a draft PPP agreement, in close liaison with the Government Authorities management, implementing the risk allocation regime and using best practice to maximize competition and keep pricing low, while protecting the Government Authorities' interests with a view to project implementation and manageability over the term of the project. The agreement will include all necessary annexes and subsidiary documentation, e.g. performance specification, project scope, client's requirements, technical specification, Project performance monitoring regime, code of construction practice, requirements for network integration, etc.

2.17 Task 7: Approval

The transaction advisor must compile all the documentation necessary for the Government Authorities to obtain necessary approvals to enable the procurement process to begin.

2.18 Task 8: PPP Negotiations

The transaction advisor must assist the Government Authorities in final negotiations with the preferred bidder. This will involve:

- preparing suitable negotiations teams,
- categorizing issues appropriately, developing timelines for completion,
- planning negotiation tactics,

- reviewing proposed sub-contracts, in particular with the construction contractor and operator, to the extent forms of these contracts have not been included in the PPP contract or the tender documents,
- advising on proposed changes to the agreed form sub-contracts,
- review of preferred bidder satisfaction of the conditions precedent to the PPP contract, often including the validity of licenses and permissions obtained by the preferred bidder, formation of corporate vehicles in the form required, financial close of the project financing, and implementation of the commercial requirements for performance of the project,
- relationship with second and third place bidders, including managing bid bonds and on-going discussions to prepare for the eventual withdrawal of the preferred bidder,
- processes for reaching agreement,
- the above will normally involve a second set of negotiations with the lenders arguing similar points as those raised by the preferred bidder during the tender process and new issues often focused on financial covenants and protections. This may involve extended discussions of Government financial participation to protect the lenders from specific risks. The legal service providers should be involved in these discussions,
- review and negotiation of the financial documentation which will often have a direct effect on the rights and obligations of the Government,
- legal opinion that transaction is binding on its terms,
- legal opinion on security and financial management structure, and
- legal opinion on revenue structure and current regulatory mechanism.

The transaction advisor must ensure that all agreements reached are incorporated into all the financial, commercial and legal documentation, and must assist with drafting the necessary and related correspondence.

The final terms of the agreement, each as negotiated with the preferred bidder, must be submitted by the Government Authorities, along with the PPP agreement management plan for the Project, for approval. The transaction advisor is responsible for compiling the necessary submissions for the Government Authorities to obtain this approval, including a comprehensive legal due diligence of the accounting officer/authority has been completed. This will relate to legal compliance, competence and capacity to enter into the PPP agreement.

2.19 Task 9: PPP Close-Out Report and Financial Closure

The transaction advisor must help the Government Authorities with all functions related to signing the final agreement through to financial close. The transaction advisor must also compile a comprehensive close-out report and case study with lessons learned and must incorporate any additional factors that may be required by the Government Authorities. The close-out report will be a confidential document of

the Government Authorities. The case study will become a public document, made available on various government websites.

The transaction advisor must, in close liaison with the Government Authorities, draft a comprehensive PPP management plan for the Government Authorities, in accordance with the provisions of the PPP agreement, to help the Government Authorities in the management of the Project and its risks, rights and obligations after financial close. The management plan will be delivered no later than 20 days before financial close. This will be followed by a 5 day 'workshop', to be developed in São Tomé, with Government Authorities project team to discuss project implementation and management of Government Authorities rights and obligations over the term of the Project, followed by 1 further 'workshop' as follow-up.

Financial closure signifies that all the procurement deliverables have been successfully completed, and that the transaction advisor's work is finished, if applicable.

2.20 Phase 2 – Time for Completion

Considering that many activities will be undertaken concurrently, it is estimated that the Phase 2 services would require a period of about 7 months from the date of commencement of the services to the submission of the Final Close-out Report, after achieving financial close. The estimated level of effort is 80 man days.

2.21 Phase 2 – Reports, Time Schedule and Terms of Payment

The reports of the project and corresponding date of submission are presented in the table below. The Consultant shall submit a Monthly Progress Report by the 5th of each month summarizing the achievements in the previous month and established Data Room, where all pertinent documents will be properly cataloged and titled for the prequalified bidders review.

The Consultant will be paid on a lump sum basis. The payment shall be based on various milestones achieved, paid/released by the Government Authorities based on the acceptance/approval of the reports, after ensuring that outputs of the Consultants conform to the requirements of the government.

The details the key associated tasks, percentage payments and timeframe for submission of reports are indicated below:

Tasks	Timeline from the commencement date	Terms of Payment
Task 1: Detailed Procurement Plan	0,5 month	10% Acceptance of Detailed Procurement Plan
Task 2: Advertisements and Prequalification Document Preparation	1,0 month	10% Acceptance of Prequalification related documents
Task 3: Prequalification Evaluation Report and	2,0 months	10% Accept of Prequalification Evaluation Report

Assistance in the Selection of Bidders		
Task 4: Draft RFP, including draft Concession Agreement	3,0 months	30% Acceptance of RfP, and concession agreement
Task 5: Proposal Evaluation	5,0 months	10% Acceptance of Proposal Evaluation Report
Task 6: Assistance in negotiation with the Selected Bidders	6,0 months	20% completion of successful Contract Negotiation
Task 7: Closing Report	7,0 months	10% Acceptance of the Closing Report

2.22 Personnel Required

The transaction advisor will comprise a single team for both Phase 1 and 2 and will be managed by a single Team Leader. The members of the team will have the skill and experience necessary to undertake the range of tasks set out in these terms of reference. Each individual on the team must be personally available to do the work as and when required. The lead advisor will be held accountable, in terms of the transaction advisor contract, for ensuring project deliverables and for the professional conduct and integrity of the team.

The consultants should provide at least the minimum personnel required to meet the requirements to implement this program, considering both the scope of works or the timeline or the level of complexity of the works.

The proposed team should collectively have the following qualifications:

- Senior level international expertise (at least 10 years) of Energy PPP project implementation across the sector
- Senior level expertise (at least 10 years) in public investment management
- Financial modeling of PPP transactions
- Local knowledge of GoSTP operations and processes, knowledge of relevant local data
- Fluency in Portuguese and English is mandatory
- Working experience in Sub-Saharan Africa and Developing Countries will be an added advantage

These services would require the following professional expertise and experience in the team at a minimum:

Position	Person Months Phase 1/Phase 2	Required Experience and Qualifications of Personnel
Power Sector Reform Specialist – Co-Team Leader	1/1	<p>Master's degree in energy and environmental policy, or economics, or engineering.</p> <p>At least ten (10) years of experience leading and managing power sector reform or transaction advisory in various segments of the power sector (generation, transmission and distribution) programs, preferably in Sub-Saharan Africa.</p> <p>He/ She have worked as a sector expert at least three (3) similar assignments.</p> <p>5 years of demonstrated experience as team leader, deputy team leader, project manager or project director. Acted as team leader or project manager/director for three (3) projects.</p>
Electricity Transmission and Distribution Engineer	0,5/0,2	<p>Minimum master's degree in electrical engineering with professional registration.</p> <p>At least 10 years' experience in the management, design and supervision of electrical power projects in both transmission and distribution and minimum experience of three (3) similar projects.</p> <p>Working Experience of working in international transmission and distribution sector including feasibility studies, concept design, detailed design and modeling. International experience working in several countries.</p>
Local legal expert	0,5/0,2	<p>Masters or equivalent in Law.</p> <p>At least 10 years of relevant experience in Sao Tome. Detailed knowledge of STP legislations. Experience in contract negotiations.</p> <p>Experience working in other countries is highly desirable.</p>
Financial and Economic Modeling Specialist	0,2/0,2	<p>Degree in Finance or Economics</p> <p>At least 5 years' experience developing discounted cash-flow models for PPP or privatization transactions</p>

		<p>and experience with at least one transaction involving electricity distribution.</p> <p>Experience in overseeing studies into financial modeling of major power developments and assessment of various financing and project development options, including IPPs, BOOT and similar approaches.</p> <p>Cost-benefit analysis, business plan – infrastructure projects;</p> <p>Studies of tariffs and statistics and socio-economic studies for projects;</p> <p>Competency in computer skills with adequate knowledge of Microsoft Office. International experience working in several countries,</p>
International Legal Specialist	0,5/1,0	<p>Masters or equivalent in Law.</p> <p>At least 5 years of relevant international experience in structuring government transactions, privatizations and Public Private Partnerships and drafting PPP agreements. PPP policy and institutional assessment, and resolving all legal issues until contract award.</p> <p>Prepared three (3) PPP infrastructure projects.</p> <p>Experience working in emerging/frontier markets and experience working in Less Developed Countries is highly desirable.</p>

2.23 Phase 2 – Budget

The amount of consulting services cost is a lump-sum fixed cost of the current value. The price shall include but not limited to all labour (national and expatriate staff), travels, daily plus accommodation, social security, insurance, medical insurance, taxes, prints and all other activities necessary to complete the works.

2.24 Phase 2 – Work Program

Consultant should arrange a work program that at minimum should cover the following:

- Work Schedule in detail;
- Manpower Schedule including the allocation of experts and their discipline and expertise

- Details of bidding process, Preparation of bidding documents and draft contracts and Management of the PPP bidding process including assistance to obtain financial close

The detailed work plan submitted as part of the technical proposal for this assignment shall be discussed and agreed with the Government Authorities before signing the Phase 2 contract.

3 Other Requirements

3.1 Ownership of the documents produced during the Consultancy

The Government of São Tomé e Príncipe is the owner of all the documents, models (consumption demand, financial, economic or any other) or any other report produced during the feasibility study and therefore all documents shall be submitted to the PPP Project Evaluation Team in softcopy as required in PDF version and editable version (Microsoft Excel, Microsoft Word, AutoCAD, etc.)

3.2 Confidentiality

Some aspects of the above financial modeling and evaluation may contain information regarding estimated PPP costs, to be used during the RFP process for evaluating the appropriateness of proposals. Therefore, the general release of this information may compromise the proposal process. The Consultant shall meet with the PPP Project Evaluation Team and discuss confidentiality issues and establish a procedure for keeping this data confidential and for distribution only to select individuals.

3.3 Data and Information

The GoSTP will provide data and information regarding existing assets, personnel, regulations, organization development and any other requested information. The Consultants should check the validity and accuracy of the information and collect any additional data and information required, apart from the one provided by the GoSTP, for the implementation of their tasks.

3.4 Firm's Qualification

The consultants must have the required skill, expertise and experience needed to perform the services to a high professional standard and must have no less than 10 years corporate experience performing these types of service in the electricity production, transmission and distribution systems in similar middle income or developing countries.

The Entity must have undertaken a similar PPP feasibility study and provided transaction advisory services similar to the proposed assignment within the last ten (10) years.

3.5 Management of Transaction Advisor

The Ministry of Infrastructures and Natural Resources (MIRN), Ministry of Planning and Finance (MPF) and PIU (Project Implementation Unit) will establish a project team to engage regularly with the transaction advisor for efficiently completing the various delivery items. The project team will meet at least monthly and the transaction advisor will report progress at these meetings.

Project team will confirm that the transaction advisor has satisfactorily completed each deliverable before invoices can be submitted to the Government Authorities for payment.

The major activities will be carried out in São Tomé. It is anticipated that the team-leader and co-team leader of the Consultant's team will be located in São Tomé for the vast majority of the duration of the contract.

The Consultant shall be responsible for providing all accommodation, computing, survey and drafting equipment and software etc. The Consultant will be responsible for all transportation arrangements, international and local, during the project.