**Barbados**

**Deployment of Cleaner Fuels and Renewable Energies in Barbados**

**(BA-L1012)**

**Operations Manual**

1. **Introduction to the Operating Manual**

This is the Operating Manual (OM) for the IDB operation (BA-L1012) DEPLOYMENT OF CLEANER FUELS AND RENEWABLE ENERGIES IN BARBADOS (program). The OM establishes the rules and procedures for executing the program, to ensure that its outputs, outcomes and long term impacts are completed successfully. The OM guides the Inter-American Development Bank (IDB), the National Petroleum Corporation (CDB), Barbados National Oil Company Limited (BNOCL) and other donors providing co-financing, in executing the program.

* 1. **Objective of the Operating Manual**

The objective of the OM is to ensure the successful implementation of each of the program’s components:

More specifically, the OM ensures the successful completion of the SEF by:

* **Establishing operating, institutional, and financial arrangements**.This ensures that all actors clearly understand how the program works.
* **Defining roles and responsibilities**. This ensures that the roles and responsibilities of each actor are fully defined, which helps improve accountability and monitor progress. as well as the terms of reference for each of the PEU’s members
* **Defining environmental and social principles and requirements**. This ensures all actors understand the principles and requirements from the Environmental and Social Management Plan (ESMP)
	1. **Structure of the Operating Manual**

The OM has six sections, which describe the processes, procedures, and institutional and operating arrangements for the SEF. Each section describes a different aspect of the SEF. The sections are organized as follows:

* Section 2 presents an overview of the project. Specifically, it describes its objectives and components, and explains how it is funded
* Section 3 describes the institutional arrangements for the project. This means that it describes the roles and responsibilities of each of the actors involved in management, implementation, and program oversight.
* Section 4 describes the operating arrangements for the project. For each of the program’s components, this section describes its objective, the entities eligible to receive funding from the component, and the process for providing funding.
* Section 5 presents the financial arrangements for the project. Specifically, it describes the conditions under which funding is provided and procurement rules that must be followed.
* Section 6 describes the arrangements for the reporting and oversight of the project.
1. **Overview of the Project**
	1. **Project Objective**

The objective of this project is to enhance Barbados’ energy security and sustainability by diversifying its energy matrix through promoting the use of cleaner fuels for power generation, and increasing the use of Renewable Energy (RE) sources. Specific objectives include: to (i) upgrade existing natural gas infrastructure to ensure NG service continuity; (ii) increase Energy Efficiency (EE) and RE applications within the NPC’s and Barbados National Oil Company Limited (BNOCL)’s operations to reduce Greenhouse Gas (GHG) emissions; (iii) enable implementation of a Public Private Partnership project to import and supply liquefied natural gas for power generation; and (iv) provide technical support to NPC/BNOCL to foster organizational and operational efficiency.

* 1. **Structure**

The project focuses on strengthening NPC’s and BNOCL’s capacity and improve NPC’s infrastructure to better meet local natural gas (NG) demand and to participate in the transition Barbados is undergoing towards cleaner fuels.

Each of the components is described in more detail below, and the operating arrangements are presented in Section 4:

* + 1. **Component 1. NG Infrastructure (US$25.02 million) -** will finance activities to upgrade existing NG infrastructure and information systems under

**Sub-component 1.1 – NG Infrastructure upgrade:** to (i) develop a geographic information system of NPC’s network; (ii) update the Supervisory Control and Data Acquisition of NG processing and distribution; (iii) meter replacement/upgrade plan and automated meter infrastructure; (iv) modernization of on-road NG distribution fleet; and (v) replacement, realignment and installation of NG pipelines for transmission and distribution and upgrade of distribution stations;

**Sub-component 1.2 – Expansion of Micro LNG Facility at Woodbourne:** to (i) LNG unloading facility for iso-container reception (up to 2mmcfpd); (ii) cryogenic LNG storage tank and related equipment; (iii) emergency equipment; and (iv) gas buffering system.

* + 1. **Component 2. Smart Energy Solutions (US$3.35 million) –** will finance solutions to increase EE and the use of RE in NPC-BNOCL facilities including: (i) installation of PV (300kW) and smart systems in NPC-BNOCL operational facilities; (ii) conversion of compressors from NG to solar PV plus plant retrofits; (iii) installation of a 850kW wind turbine; and (iv) installation of EE and/or RE equipment in administrative buildings.
		2. **Component 3. Technical Advisory Services (US$4.05 million)**

**Sub-component 3.1 – Institutional Strengthening (US$2.05 million):** will finance consultancy services: (i) to provide training for NPC/BNOCL in areas including: (a) negotiating and entering into PPP contracts; (b) large infrastructure project design, execution, and management; and (c) quantification of gross and net GHG emissions of projects; and (ii) to develop studies for improving: (a) corporate governance, environmental, legal and regulatory functions; (b) quality management systems; and (c) information technology applications to monitor and control the NG supply chain.

**Sub-component 3.2 (US$2 million)** – establishing a PPP for the construction of a VS LNG Plant: will finance consulting services to facilitate the establishment of a PPP for the construction of facilities to import LNG for power generation including: (i) supporting the procurement and negotiation process to select a private sector partner and enter into a PPP to build and operate the VS LNG Plant; (ii) supporting the procurement and negotiation process to secure at least 18 mmcfpd supply of LNG using a PPP scheme; and (iii) capacity building for structuring and managing the PPP contract.

* 1. **Funding**

1.28 The cost of the project is estimated at US$34,000,000 and will be financed by the Bank´s Ordinary Capital (OC) resources. The following table sets forth the costs of the project by component and source of the financing.

| **Component** | **IDB (OC loan)** |
| --- | --- |
| Component 1. NG Infrastructure  | 25,025,000 |
| Component 2. Smart Energy Solutions  | 3,350,000 |
| Component 3. Technical Advisory Services  | 4,050,000 |
| Program Evaluation  | 75,000 |
| Project Management and Monitoring[[1]](#footnote-1) | 1,500,000 |
| **Total** | **34,000,000** |

1. **Institutional Arrangements**
	1. **Borrower**

The Borrower is the Government of Barbados (GOB). As condition prior to first disbursement of the loan the Executing Agency (EA) will provide evidence that an the execution agreement between the Ministry of Finance and Economic Affairs (MFE) and the EA for the purposes of transferring and executing the resources of the project, pursuant to the terms previously agreed with the Bank, has been signed and has entered into effect.

* 1. **The Executing Agency**

The EA, responsible for the execution of the project, will be NPC. Because efforts to amalgamate NPC/BNOCL are underway, in case the amalgamation between these organizations into one single legal entity takes place, the single entity will be the EA. In case a new legal entity is created as a result of the amalgamation and becomes the EA of the project, a change in the EA will be processed and approved by the Bank, and an amendatory loan agreement signed between the GOB and the Bank as well as an amendatory agreement of the execution agreement between the Ministry of Finance and the NPC, after the Bank conducts an analysis of the institutional capacity of the new entity.

The EA has several responsibilities, including:

* Providing strategic direction, coordination and support for the project
* Approving this OM (with prior non-objection of the IDB), as a condition prior to the first disbursement by the Bank
* Opening and managing the commercial bank account that will be used specifically for the project for the receipt of loan resources which will be transferred by the Treasury Department in accordance with outlined financial arrangements (Section 5)
* Facilitating receipt of funds disbursed by the IDB in accordance with outlined financial arrangements (Section 5)
* Updating this OM as necessary to facilitate a smooth execution of the project
* Establishment of adequate internal controls and effective financial administration of the program according to accepted accounting principles
* Preparing and presenting Audited Financial Statements (AFS) (¶3.10); (iv)·preparation and submission of audited financial statements according the arrangements for the reporting and oversight of the program (Section 6)
* Ensuring the quality and efficacy of procurement processes and their compliance with both the policies of the Bank and those of the GOB
* Ensuring the consistent alignment of expected project results with day-to-day program implementation
* Compiling, storing, and keeping with it all information, indicators, and parameters needed to measure the indicators included in the Results Matrix
* Monitoring progress and following up on execution and results of project implementation including:
	+ Preparing and presenting semi-annual progress reports, the Annual Operation Plan (AOP), the Pluriannual Execution Plan (PEP) and the Procurement Plan according the arrangements for the reporting and oversight of the program (Section 6)
	+ Preparing the midterm and final evaluations, the project completion report, and any other program evaluation that may prove necessary according the arrangements for the reporting and oversight of the program (Section 6)
* Being program liaison with the Bank.

Primary responsibility over program implementation rests with NPC’s General Manager and more specifically with the Program Manager (PM) assigned to the program which can be one and the same.

* 1. **The Project Execution Unit**

A dedicated project team, the project Execution Unit (PEU) will be established to facilitate project execution and ensure the completion of project outputs and outcomes in time and with the required quality. The intent is to facilitate the balancing of the project's timeframe, budget and overall scope as the team works to meet its objectives.

The PEU will be comprised of at least the following professionals who will fulfill requirements and have qualifications acceptable to the Bank:

1. Project Manager
2. Project Accountant
3. Procurement Officer
4. Project Administrator
5. Project Engineer
6. Quality Assurance Officer

***As condition prior to first disbursement of the loan the EA will provide evidence that the PEU has been staffed with the aforementioned professionals in accordance to the terms of reference agreed with the Bank and included as annex to this OM (Annex A).***

NPC will, at all times during project execution, keep the PEU entirely within the NPC general management structure or, in case of the successful completion of a potential amalgamation of NPC and BNOCL into a single legal entity, transfer the PEU entirely under the merged entity’s management structure.

***As condition prior to first disbursement of the loan the EA will provide evidence that the agreement by means of which the EA and the BNOCL agree to maintain the PEU in place and operational throughout any organizational changes, has entered into effect.***

The roles and responsibilities of each of the PEU members are summarized in the table below:

| **Position** | **Roles and responsibilities** |
| --- | --- |
| Project Manager  | * Responsible for the overall management, coordination and execution of all components of the program
* Provide direction and guidance to staff and ensuring that all activities are expedited
* Ensuring that the budget and all contractual obligations, as set out in the loan agreement are met
* Facilitating external evaluations and ensuring that agreed recommendations are implemented
 |
| Project Accountant  | * To ensure the financial integrity of the specifically funded activity of the stated project and to provide consolidated financial plans and reports for the project as needed by the various stakeholders
* Ensure the establishment and maintenance of the PEU’s accounting systems, procedures and controls in accordance with International Accounting Standards and the fiduciary requirements of the Bank.
* To set up each component within the Project Module to collect the associated costs etc.
 |
| Project Engineer | * Provide technical support to the Project Manager for the implementation of all Project components to ensure all activities are expedited and within budget and conform to appropriate technical and engineering standards, including those relating to safety and health. Inclusive of these tasks are design, troubleshooting, supervisory and management of technical installation and operational systems.
 |
| Procurement Officer  | * Ensure the efficient conceptualization and implementation of procurement of all related project activities.
* Engage appropriate sourcing strategies; manage supplier selection and evaluation via established methods.
* Ensuring quality management, ensuring customer relationship management, e-procurement, performance measurement and compliance with the standards and regulations as set out by the Government of Barbados and the IADB.
* Generate all Expressions of Interest
* Prepare and decimate all bid documents - Generate and follow up on all Requests for proposals, and Invitations to Quote
* Conduct all contract negotiations
* Collaborate with the evaluation team on recommendations etc.
* Source and recommend vendors and
* Follow up the procurement of goods and services, communicate with the contractors/vendors and the customs broker, tracking same until delivery
 |
| Project Administrator  | * The Project Officer et al has the responsibility of designing and applying an appropriate project management framework for the project, defining/establishing critical project timelines/milestones, defining, planning, controlling and leading the project to a successful completion. They also have the responsibility of submitting status reports to the project owner, coordinating the various aspects of the project, managing project risks, including the development of contingency plans, stage sign-offs and preparing a full report including a lessons learned report.
* Assist with the overall management, coordination and execution of all components of the program, while ensuring the implementation of all Project Components.
* Generate all requisitions for the procurement of goods. Document the acquisition process.
 |
| Quality Assurance Officer  | * The Quality Assurance Officer is responsible for the identification of international and local codes, standards and best practices that are applicable to the project.
* Preparation of the project location selection matrix (using transportation, environmental, safety, social and site availability criteria).
* Preparation of the Request for Proposals document for the Environmental Impact Assessment/Scoping Studies for the selected locations.
* Ensuring the preparation of the selected site and installation of the equipment is conducted in keeping with industry best practice and relevant environmental and health and safety regulations are observed.
 |
| Project Officer |  |

* 1. **The Strategic and Coordination Committee (SCC)**

The SCC will be composed by a representative of the MFE through its Public Investment Unit, the BNOCL Manager or its representative, the NPC Manager or its representative (or manager or representative of the merged institution), and it will be chaired by the MOE or its representative. The SCC will discuss and provide guidance on strategic and coordination issues of the project that would then be implemented by the PEU. The SCC will meet on a semiannual basis. The minutes of the SCC meetings will be included in the semiannual reports from the PEU to the IDB.

1. **Operating Arrangements**
	1. **Component 1. NG Infrastructure:** will finance activities to upgrade existing NG infrastructure and information systems (Sub-component 1.1) and to develop new NG infrastructure (Sub-component 1.2)
		1. Sub-component 1.1 – NG Infrastructure upgrade: will finance activities to upgrade existing NG infrastructure and information systems including:
2. Develop a geographic information system of NPC’s network;
3. Update the Supervisory Control and Data Acquisition of NG processing and distribution;
4. Meter replacement/upgrade plan and automated meter infrastructure;
5. Modernization of on-road NG distribution fleet;
6. Replacement, realignment and installation of NG pipelines for transmission and distribution and upgrade of distribution stations
	* 1. Sub-component 1.2 – Expansion of Micro LNG Facility at Woodbourne: will finance activities to develop new infrastructure including:
7. LNG unloading facility for iso-container reception (up to 2mmcfpd);
8. Cryogenic LNG storage tank and related equipment;
9. Emergency equipment;
10. Gas buffering system.
	* 1. **Intended beneficiary population**: Component 1 will benefit approximately 2,018 households, 7 businesses and 2 industrial customers that will be able to connect to the NG grid and start using a cleaner and more affordable fuel that is also a continuous and reliable source of energy.
		2. **As special condition of execution** prior to the beginning of works under Component 1 (and also under Component 2), the EA shall provide evidence that the final engineering designs of the infrastructure to be financed have been finalized as previously agreed with the Bank.
	1. **Component 2. Smart Energy Solutions**: will finance solutions to increase EE and the use of RE in NPC-BNOCL facilities including:
11. Installation of PV (300kW) and smart systems in NPC-BNOCL operational facilities;
12. Conversion of compressors from NG to solar PV plus plant retrofits;
13. Installation of a 850kW wind turbine;
14. Installation of EE and/or RE equipment in administrative buildings.
	* 1. **Intended beneficiary population**: Component 2 will benefit NPC/BNOCL by increasing their uptake of EE/RE thus improving their operational efficiency while contributing to the country’s goal to increase overall RE penetration and reduce carbon emissions.
	1. **Component 3. Technical Advisory Services:** will finance consultancy services to strengthen NPC/BNOCL’s capacity to implement this project.
		1. Sub-component 3.1 – Institutional Strengthening: will finance consultancy services:
15. To provide training for NPC/BNOCL in areas including:

(a) Negotiating and entering into PPP contracts;

(b) Large infrastructure project design, execution, and management;

(c) Quantification of gross and net GHG emissions of projects;

1. To develop studies for improving managerial and operational functions including:

(a) Corporate governance, environmental, legal and regulatory functions;

(b) Quality management systems;

(c) Information technology applications to monitor and control the NG supply chain.

* + 1. Sub-component 3.2 – establishing a PPP for the construction of a VS LNG Plant: will finance consulting services to facilitate the establishment of a PPP for the construction of facilities to import LNG for power generation including:
1. Supporting the procurement and negotiation process to select a private sector partner and enter into a PPP to build and operate the VS LNG Plant;
2. Supporting the procurement and negotiation process to secure at least 18 mmcfpd supply of LNG using a PPP scheme; and (iii) capacity building for structuring and managing the PPP contract.
	* 1. **Intended beneficiary population.** Sub-component 3.1 will benefit NPC/BNOCL by providing technical advisory services required improving operational efficiency, and Sub-component 3.2 will benefit all electricity users in Barbados, which amount to 125,991, by supporting efforts to diversify the energy matrix.
		2. Expenses incurred under Component 3 are not eligible for retroactive financing (¶5.5.6).

1. **Fiduciary (Financing and Procurement) Arrangements**

The project includes Ordinary Capital (OC) financing by the IDB. There will be no local counterpart.

* 1. **Programming and budget**
		1. Each year, the Ministry of Finance and Economic Affairs publishes a budget circular requesting the submission of estimates of income and expenditure from ministries and other agencies for inclusion in the national budget for the following fiscal year, April to March.
		2. The PEU will prepare annual estimates in the required format for the review of the Board of NPC through its Finance Committee. Final approval will be done by the Permanent Secretary in the Office of the Prime Minister, Energy Division and the Telecommunications Unit and included in the OPM’s overall budget estimates. The estimates will consider the total cost of financing required for execution of the program. The budget (appropriation bill) is presented to Parliament before the close of the fiscal year. Once the budget is approved, amendments are made through the submission of supplementary appropriation bills by the Minister of Finance.
		3. It is anticipated that the Borrower will commit to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project.
	2. **Accounting and information systems.**
		1. Project accounting will be performed using Innoprise Enterprise Resource Planning system, specifically the project module in accordance with the corporation’s financial management and accounting rules & procedures, IDB financial management requirements and the International Financial Reporting Standards, when applicable. It is expected that the accounting system will facilitate the recording and classification of all financial transactions of the project, provide information related to: planned versus actual financial execution of the project.
	3. **Disbursements and cash flow.**
		1. A Treasury authorized bank account with the Central Bank of Barbados will be used for the receipt of loan resources. Funds from this account will later be transferred, by the Treasury Department, to a commercial bank account which will be opened specifically for the project and managed by NPC.
		2. The Bank will disburse the project resources according to the true liquidity needs of the project, as evidenced by the current and anticipated commitments and obligations of the project. The following disbursement methodologies will be used for the project: (a) advance of funds (it is anticipated that this methodology will be mainly used); (b) direct payment to supplier; and (c) reimbursement of payments made.
		3. Advance of funds, when used, will be based on the liquidity needs of the project for a period not exceeding six months. Subsequent advances may be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank.
		4. Disbursements will be processed using the ex post methodology.
		5. It is expected that the Bank’s eDisbursements system, which will facilitate the electronic submission of disbursement requests to the Bank, will be used for the project. Final determination of its use will be determined based on the readiness of the PEU and a cost-benefit analysis to be conducted.
		6. **Disbursement Restrictions.** Pursuant to Document AB-2990, Bank disbursement of loan proceeds will be subject to maximum limits: (i) up to 15% in the first 12 months; (ii) up to 30% in the first 24 months; and (iii) up to 50% in the first 36 months. All of these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable if the requirements set forth in the Bank’s policy regarding said limitations have been fulfilled, provided that the Borrower has been notified of the same in writing.
	4. **Supervision, control and audit.**
		1. **Internal control and internal audit.** The EA will establish and maintain adequate internal control procedures and systems for the project. These procedures should provide a reasonable level of assurance that, at a minimum, project funds are used for their intended purposes; project transactions, decisions and activities are properly authorized and documented; and, project transactions are executed in accordance with the policies and procedures established in the relevant legal agreements.
		2. **External control and reports.** The external audit of the program will be done by independent public accountants acceptable to the Bank and will follow the guidelines set forth in the Bank’s Financial Management Guidelines OP-273-6 and Financial Reports and External Audits Handbook for Bank financed operations. The EA will be required to submit (i) audited financial statements which will be submitted to the Bank within 120 days following the end of each fiscal year of the EA, and (ii) a final AFS of the program which will be submitted within 120 days following the date of the last disbursement of the loan. The financial statements will be audited by a firm of independent public accountants acceptable to the Bank. The selection of the firm should be done through a competitive process and in accordance with the Bank’s procurement procedures for audit (Document AF-200). The costs for the audits will be financed from resources of the loan as indicated in the procurement plan.
		3. **Financial supervision plan.** The initial financial supervision plan of the project will focus on: (i) activities related to the implementation and follow-up of arrangements and systems being implemented for the fiduciary management of the project; (ii) follow-up on the implementation status of risk mitigating measures (¶5.4.4); and (iii) capacity building of PEU personnel in the Bank’s procedures and requirements.
		4. **Fiduciary Risks and Mitigation Measures:** Below is a list of risks and the corresponding mitigating measure which could have an impact on the project:

|  |  |  |
| --- | --- | --- |
| Risk | Risk rating | Mitigation measures |
| Limited availability of reliable and timely financial information for decision making | Medium | Implement and customize the current financial management information system of the entity, Innoprise, so that it is able to facilitate project accounting and reporting**Responsibility for implementation:** PEU/Borrower**Timeline for implementation**: Prior to 1st disbursement of the loan |
| Lack of awareness of IDB procurement, disbursements and financial reporting procedures | Medium | Create capacity within the PEU through training on IDB’s procurement, financial management procedures and requirements**Responsibility for implementation:** IDB**Timeline for implementation**: During project design and throughout project execution  |
| Delays in the establishment and implementation of fiduciary arrangements of the project due to activities related to the amalgamation of NPC and BNOCL. | Medium | Establish and document the fiduciary structure (including roles and responsibilities), internal controls, and procedures for the project. These should be formally agreed, given the context of the amalgamation process of the entity (NPC and BNOCL).Continuously monitoring of the amalgamation process between NPC and BNOCL with emphasis on internal controls, financial reporting, and general organizational roles of the fiduciary area.**Responsibility for implementation:** PEU/Borrower**Timeline for implementation**: During project design |
| Limited capacity in documentation management | Medium | Establish guidelines for document management (including roles and responsibilities), **Responsibility for implementation:** PEU/Borrower**Timeline for implementation**: During project design and throughout project execution |

* 1. **Rules for Procurement of Goods, Works, and Consulting Services**
		1. Procurement for the proposed project will be carried out in accordance with the provisions set out in the Loan Agreement as well as in the Policies for the Procurement of Goods and Works financed by the IDB (GN-2349-9) and the Policies for Selecting and Contracting Consultants financed by the IDB (GN-2350-9), and with these fiduciary arrangements.
		2. **Procurement of Works, Goods and Non-Consulting Services**. The contracts for Works, Goods, and Non-Consulting Services[[2]](#footnote-2) generated under the project and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of bidding documents satisfactory to the Bank. The use of Shopping as a procurement method shall follow the procedures set out in the Policy and will consist in the price comparison of at least three quotes. The technical specifications review during the preparation of the selection process, is the responsibility of the project sector specialist.
		3. **Thresholds for Barbados.** In US$ thousands

|  |  |  |
| --- | --- | --- |
| **Works** | **Goods\*** | **Consulting Services** |
| **International Competitive Bidding** | **International Competitive Bidding** | **International Short List** |
| >US$3,000 | >US$150 | >US$200 |

\* including non-consulting services

* + 1. **Selection and Contracting of Consultants.** The consulting services contracts generated under this project will be executed through the use of the Standard Request for Proposals (SRFPs) issued or agreed to by the Bank. The terms of reference review for the selection of consulting services is the responsibility of the project sector specialist. The executing agency may choose any of the selection methods included in the Policy.
		2. **Selection of Individual Consultants.** The contracting of individual consultants will be carried out in accordance with procedures set out in Section 5 of the Policies for selecting and contracting individual consultants. Posting of opportunities for individual consultant contracts may be advertised internationally or locally in order to attract qualified individuals and will consist in evaluating the capacity of at least three candidates against set and agreed terms of references.
		3. **Training.** Training will be provided to NPC staff in charge of the financial management and procurement execution prior to starting activities and based on the annual operations plan.
		4. **Advance Contracting and Retroactive Financing.** The EA may choose to proceed with procurement activities before the signature of the Loan Agreement. In such case, all procurement procedures, including advertising, shall be in accordance with Bank Procurement Policies in order for such contracts to be eligible for loan financing. NPC undertakes such advance contracting at its own risk. The Bank may retroactively finance such eligible expenses up to US$5.1 million[[3]](#footnote-3) (15% of the proposed loan amount) provided that all procurement procedures are substantially similar to those set out in the loan agreement. These expenses must have been incurred on or after 21 July 2016 (approval date of the Project Profile), and cannot have been incurred more than 18 months prior to the loan date approval. Such eligible expenses include works, goods and services related to the development of infrastructure financed under Components 1 and 2.
		5. **Procurement plan.** The initial project’s [Procurement Plan](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40445135) includes details on project procurement for the first 12 months of execution. Activities may be amended accordingly, by agreement between the EA and the Bank. The EA will update the Procurement Plan at least once every 12 months.
		6. **Main Procurement Activities:**

|  |  |  |
| --- | --- | --- |
| **Activity** | **Procurement Method** | **Estimated Amount (US$)** |
| Goods |  |  |
| Equipment to monitor, gather, document and integrate systems | ICB | US$1,000 |
| Purchase and Installation of Photovoltaic Systems | ICB | US$540 |
| Design and Installation of Natural Gas compressors | ICB | US$910 |
| Design and Installation of 850 kW wind turbine | ICB | US$1,900 |
| Works |  |  |
| Automatic meter infrastructure | NCB | US$1,800 |
| Infrastructure Repairs | ICB | US$8,300 |
| Services |  |  |
| Plant Operations |  | US$1,975 |
| Firms |  |  |
| Advisory services for PPP scheme for small scale LNG terminal | QBS | US$2,000 |
| Operational Audits | QBS | US$500 |
| Quality Management System | QCBS | US$450 |

* + 1. **Procurement Supervision.** The Procurement supervision method will be determined by the Bank for each selection process. For this project, procurement supervision will be ex ante. Once ex post review is viable, ex post reviews will be performed every 6 months in accordance with the supervision plan. The ex post review will include at least 10% of the procurement processes under ex post review.
		2. **Records and Files.** NPC shall establish a set of guidelines for document management in order to maintain necessary documentation to back up all procurement and financial management necessary documentation as required by the Bank.
1. **Reporting and Oversight Arrangements**
	1. The program has a Monitoring and Evaluation Plan ([M&EP](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40383142)) which includes monitoring and reporting requirements as well as project evaluation mechanisms. Administrative monitoring and control will focus on the fulfillment of procedural regulations governing administrative, financial, accounting, and legal matters, in accordance with national guidelines, those of the Bank, and those specified in this OM.
	2. **Annual Operation Plan (AOP) and Pluriannual Execution Plan (PEP).** Every year during the implementation of the project, the PEU will present an [AOP](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40669317) to the Bank for its non-objection. The AOP will detail the project’s progress and execution of activities including goals, results, budget, and implementation schedule for the year ahead. The [PEP](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40669290) will detail the project’s progress and implementation schedule for the outstanding years of the loan. An initial AOP and PEP were prepared for the first 12 months of project execution.
	3. The IDB project team will conduct semiannual technical visits to the EA in order to review progress of works and make adjustments based on execution. Fiduciary oversight visits will be conducted once a year. External audits of accounting and operations are planned to validate the use of the loan proceeds and the operational internal controls and processes to be implemented by the executing agency. The information compiled will be analyzed every 6 months.
	4. Results Matrix. Output indicators: the following table lists the Indicators that have been defined for this component’s outputs. The table also defines the frequency of measurement, and the source of verification for each Indicator.
	5. **Semi-annual progress reports.** The EA, through the PEU, will send the Bank semi-annual progress reports to be submitted no later than 60 days after the end of each semester as described in the [M&EP](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40383142). Semi-annual progress reports will explain the degree of fulfillment of the output indicators and progress toward the outcomes of the Results Matrix making it possible for the Bank to monitor these indicators using the Bank’s Project Monitoring Report tool. Semi-annual, intermediate evaluation and ex-post evaluation progress reports will also include the PEP, AOP and Procurement Plan.
	6. **Project evaluation.** As detailed in the [M&EP](http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=40383142), the PEU will select and contract external consulting services in consultation with the Bank according to terms of reference agreed with the Bank, to undertake: (i)·a midterm evaluation once 50% of the financing has been disbursed and justified, or after 3 years from the date of the first disbursement, whichever happens first. This evaluation will focus on analyzing progress achieved, aspects of coordination and execution, and recommendations to attain the proposed targets and investment sustainability; and (ii)·a final evaluation to be submitted to the Bank no later than 120 days after the final disbursement justification. This evaluation will include: (a)·the degree of fulfillment of the targets specified in the Results Matrix; (b)·an ex-post CBA; (c)·an assessment of the performance of the EA; (d)·factors affecting implementation; and (e)·lessons learned and recommendations for the design of future operations. The final evaluation will allow the Bank to finalize the Project Completion Report.
	7. **Revision of the Operating Manual**. This OM may be revised on a semi-annual basis, based on a semi-annual review by NPC and the IDB. The PM is responsible for drafting revisions to the OM, in accordance with the Deed and Loan Contract. The PEU is responsible for sending any amendments to the OM to the IDB for non-objection. After receiving a written notice of non-objection from the IDB, the PMU issues a revised version of the OM and distributes it to the IDB, and other co-financing donors.
1. Project management costs include the cost of individual consultants to set up and bolster capacity of the PEU during project implementation as well as the cost of monitoring and reporting activities including data collection. [↑](#footnote-ref-1)
2. Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank ([GN-2349-9](http://idbdocs.iadb.org/wsdocs/getdocument.aspx?DOCNUM=774392)) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods. [↑](#footnote-ref-2)
3. Under normal circumstances, as per AB-2990, 20% of the loan could be financed retroactively during the first 12 months; that is US$6.8 million. However, disbursement restrictions limit Bank disbursement of loan proceeds to a maximum of 15% in the first 12 months, that is, US$5.1 million. [↑](#footnote-ref-3)