

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

NICARAGUA

ELECTRICITY SECTOR SUPPORT PROGRAM

SECOND LOAN (NI-L1022)

SECOND LOAN PROPOSAL

**THE FIRST LOAN FOR THE PROGRAM (NI-L1021)
WAS APPROVED ON 5 DECEMBER 2007 (DOCUMENT PR-3215-2)**

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CONTENTS

PROJECT SUMMARY

I.	BACKGROUND.....	1
II.	IMPLEMENTATION STATUS.....	2
III.	UPDATE OF COMPONENT II OF THE PROGRAM: REHABILITATION OF THE SANTA BÁRBARA AND CENTRO AMÉRICA HYDROELECTRIC PLANTS	4
	A. Institutional and Financial Viability and Execution Mechanism	4
	B. Technical and economic viability	7
IV.	UPDATE OF THE ADDITIONAL FINANCING AND COST OF THE PROGRAM.....	8

Annexes	
PRINTED ANNEXES	
Annex I	Summary table of procurement plan updated as of October 2008

Electronic Links	
REQUIRED	
1.	Document PR-3215-2, Electricity Sector Support Program – First Loan (NI-L1021) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1233283
2.	Procurement Plan – updated as of October 2008 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1673511

Other References	
1.	Viability study for rehabilitation/modernization/upgrade of the Centro América and Santa Bárbara hydroelectric plants - CONSORCIO APPLUS NORCONTROL COLOMBIA LTDA INGENIERÍA, ESTUDIOS Y PROYECTOS NIP, S.A. Preliminary report – July 2008 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1672521 Preliminary report – July 2008 – Annexes http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1672555 Preliminary report – August 2008 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1672559
2.	Empresa Nicaragüense de Electricidad (ENEL) and Segments – Audit of financial statements and compliance – Year ended 30 June 2006. In the program technical files
3.	Empresa Nicaragüense de Electricidad (ENEL) – 2008-2016 financial projections. In the program technical files

ABBREVIATIONS

CABEI	Central American Bank for Economic Integration
EIB	European Investment Bank
ENATREL	Empresa Nacional de Transmisión Eléctrica
ENEL	Empresa Nicaragüense de Electricidad
ESA	Environmental and social assessment
ESMR	Environmental and Social Management Report
ESR	Environmental and Social Impact Review Secretariat
HIDROGESA	Empresa Generadora Hidroeléctrica, S.A.
IRR	Internal rate of return
MEM	Ministry of Energy and Mines
SECCI	Sustainable Energy and Climate Change Initiative

PROJECT SUMMARY

NICARAGUA ELECTRICITY SECTOR SUPPORT PROGRAM - SECOND LOAN NI-L1022 (LOAN 1933/BL-NI-1)

Borrower: Republic of Nicaragua
Executing agencies: Ministry of Energy and Mines (MEM), Empresa Nacional de Transmisión Eléctrica (ENATREL), and Empresa Nicaragüense de Electricidad and its subsidiary Generadora Hidroeléctrica S.A. (ENEL/HIDROGESA).
<i>This proposal refers to approval of the second loan (NI-L1022) for the program.</i> The first loan NI-L1021 (1933/BL-NI) was approved on 5 December 2007 in document PR-3215-2. The cost of the program has risen and a third loan is anticipated, to be submitted for consideration by the Board of Executive Directors in 2009, once FSO funds are available for Nicaragua.

Source	Original Financing (PR-3215-2)		Modified Financing			Source of Financing	
	Amount	%	Amount	%		OC	FSO
IDB 1 – NI-L1021	\$32,700,000	27.57%	\$32,700,000	22.68%	Amortization period:	30 years	40 years
(OC)	\$16,350,000		\$16,350,000		Grace period:	5.5 years	40 years
(FSO)	\$16,350,000		\$16,350,000		Disbursement period:	4 years	4 years
IDB 2 – NI-L1022	\$40,200,000	33.92%	\$40,200,000	27.88%	Interest rate:	Variable	0.25%
(OC)	\$20,100,000		\$20,100,000		Inspection and supervision fee:	*	N/A
(FSO)	\$20,100,000		\$20,100,000		Credit fee:	*	N/A
IDB 3 – NI-L1036			\$20,000,000	13.87%	Currency:	U.S. dollars	US\$
(OC)			\$10,000,000			from the	
(FSO)			\$10,000,000			Single	
CABEI	\$20,400,000	17.21%	\$25,400,000	17.61%		Currency Facility	
EIB	\$20,400,000	17.21%	\$20,400,000	14.15%			
Local	\$4,840,600	4.08%	\$5,500,000	3.82%			
Total	\$118,540,600	100.00%	\$144,200,000	100.00%			

Project at a glance

Program goal: To help improve the quantity, reliability, and quality of the energy supply required for economic growth in Nicaragua.
Specific program objectives: To make the investments in transmission, transformation, and rehabilitation of power plants needed to guarantee and enhance the reliability of the current supply and meet medium-term demand, and to strengthen the public sector's institutional framework in the short term to sustain and improve electricity services in Nicaragua.

Conditions precedent to the first disbursement of the second loan: Receipt by the Bank, in connection with the second loan, of the legal reports established in the General Conditions. Once this requirement has been met, disbursements for up to US\$50,000 may be processed to finance activities to establish the executing unit (paragraph 3.9).

Conditions precedent to the first disbursement for component II: Fulfillment of the conditions precedent cited in paragraph 3.9, in connection with: the funds transfer agreement between the borrower and ENEL/HIDROGESA; establishment of the executing unit; update of the initial report; the publication of the procedures manual; designation of the audit firm; and the plan of action to satisfy the audit recommendations.

Special execution conditions for component II: (i) prior to the start of the bidding process, delivery by the executing agency of the results of the technical tests supporting the decisions on the specific aspects of the rehabilitation of the renewable energy sources (paragraph 3.11); (ii) demonstration before the rehabilitation contract is awarded that the cofinancing agreement for rehabilitation works is in full force and effect and that the funds are available (paragraph 3.11); and (iii) maintenance by ENEL/HIDROGESA, throughout program execution, of the financial indicators indicated in paragraph 3.5.

Exceptions to Bank policies: None.

Project consistent with Country Strategy:	Yes [x]	No []
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Project qualifies as:	SEQ []	PTI []	Sector []	Geographic []	% beneficiaries []
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Procurement: See updated Procurement Plan.
Verified by CESI on: ESR 38-07, 5 October 2007 and 17 October 2008.

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.⁴Single currency facility.

I. BACKGROUND

- 1.1 On 5 December 2007 the Bank's Board of Executive Directors approved document PR-3215-2, authorizing the Electricity Sector Support Program (NI-L1021), the first loan. The goal of the program is to help improve the quantity, reliability, and quality of the energy supply required for economic growth in Nicaragua. The program has three components: (i) rehabilitation and expansion of the electricity transmission grid of Empresa Nacional de Transmisión Eléctrica (ENATREL); (ii) modernization of the main renewable energy sources of Empresa Generadora Hidroeléctrica, S.A. (HIDROGESA), a subsidiary of Empresa Nicaragüense de Electricidad (ENEL); and (iii) measures designed to reduce energy losses, through the Ministry of Energy and Mines.
- 1.2 The Electricity Sector Support Program was structured so Bank resources could be contributed by modules (NI-L1021 and NI-L1022), based on the availability of concessional resources of the Bank, and used to leverage resources from other multilateral institutions financing the program, maintaining the level of concessionality required by the International Monetary Fund, specifically cofinancing resources from the Central American Bank for Economic Integration (CABEI) and the European Investment Bank (EIB), which has already approved financing for the program.
- 1.3 Document PR-3215-2 proposing the first loan under this program, which was approved by the Bank's Board of Executive Directors, states as follows: *"The second loan will be processed upon fulfillment of the following conditions: (i) progress satisfactory to the Bank in fulfilling the action plan to make institutional adjustments in the relationship between ENEL and HIDROGESA, in line with the provisions of Law 494; (ii) delivery of audited financial statements for ENEL for 2006, together with preliminary financial statements for 2007 and financial projections for 2008-2017; and (iii) completion of the detailed technical-economic studies for rehabilitation of the Santa Bárbara-Centro América power plant."*
- 1.4 The purpose of this document is to:
 - (i) Deliver for the consideration of the Bank's Board of Executive Directors the second loan (NI-L1022) supporting the program, based on the progress made in fulfilling the conditions cited above and the other actions agreed on with the borrower and the executing agencies, all of which ensure the viability and sustainability of component II of the program.
 - (ii) Inform the Board of the changes in the cost and financing of the program; the cost has risen from US\$118.5 million to US\$144.2 million, and consequently a third loan (NI-L1036) in the amount of US\$20 million is expected to be submitted for consideration by the Board in 2009, basically to cover the cost increases that have

resulted from hikes in the prices of inputs, raw materials, and other components, which have dampened investment in the sector.

- 1.5 **Contribution to the Sustainable Energy and Climate Change Initiative (SECCI).** Program activities are making a significant contribution to the Bank's strategy for promoting renewable energies under the SECCI, which is primarily meant to help countries in the region find cheap, environmentally sustainable energy alternatives, preferably from renewable sources. In addition, resources provided under the proposed loan (NI-L1022) will chiefly be used to finance electromechanical rehabilitation works and efficiency gains in Nicaragua's main renewable energy sources, that is, the Santa Bárbara hydroelectric plant and the Centro América hydroelectric plant, thus moving away from fossil-fuel generation and reducing greenhouse gas emissions and pollution levels on the ground. The program is part of an energy sector support strategy that calls not only for loan operations to support the development of transmission and rehabilitation of the abovementioned hydroelectric plants, but also for a series of technical-cooperation projects to develop wind power in isolated systems, energy efficiency programs, and biofuels, all within the SECCI framework.
- 1.6 As part of the support connected with SECCI, during preparation of the program for rehabilitation of the Santa Bárbara and Centro América hydroelectric plants, preliminary estimates indicated a reduction of 983,000 tons of carbon dioxide in the period 2009-2019. The Bank is providing technical support to ENEL/HIDROGESA for preparation of the Project Idea Note and its potential presentation as an eligible project for the Kyoto Protocol's Clean Development Mechanism. The Bank is also helping ENEL/HIDROGESA to identify and formulate a possible program with the Global Environment Facility for the "Integrated Management Program of the Lake Amapas Basin," which is where these and other hydroelectric plants are located, and to apply the Climate Investment Funds mechanism to this program.

II. IMPLEMENTATION STATUS

- 2.1 **Program financing.** On the basis of the authorization granted by the Bank's Board of Executive Directors on 5 December 2007 (document PR-3215-2), Loan Contract 1933/BL-NI between the Government of Nicaragua and the Bank was signed on 22 February 2008 and entered into force on 24 July 2008, following approval by Nicaragua's legislature. At present, efforts are being made to fulfill the conditions precedent to the first disbursement. The loan is expected to be declared eligible and disbursements are expected to begin in the final quarter of 2008.
- 2.2 Regarding the cofinancing from other donors, the EIB Board of Directors approved its cofinancing resources for this program on 19 March 2008. The CABEI loan is being processed parallel to this loan, as it cofinances component II of the program for rehabilitation of the Santa Bárbara and Centro América hydroelectric plants.
- 2.3 **Procurement processes.** The bidding processes for components I and III financed under the first loan are progressing in accordance with the procurement plan agreed

- on with the Bank. ENATREL will issue a call for bids for power transformers in the final quarter of 2008. In the case of component III, the Ministry of Energy and Mines will start the bidding processes at the beginning of 2009, once it has the corresponding budget allocation.
- 2.4 The program procurement plan has been updated to reflect the procurements planned for component II and changes in procurements for the other components. It is included in the table of electronic links.
- 2.5 **Environmental and social strategy.** In accordance with the Bank's Environment and Safeguards Compliance Policy, the Energy Sector Support Program, to be financed with loans NI-L1021 and NI-L1022, was classified as a category "B" operation, requiring an Environmental and Social Assessment (ESA) as a result of the 27 July 2007 meeting of the Environmental and Social Impact Review Secretariat (ESR). The Environmental and Social Management Report (ESMR) and the corresponding ESA and terms of reference were all approved by the ESR on 5 October 2007. The program strategy included an environmental and social analysis of the transmission and transformation works, as well as an analysis of the direct, indirect, and cumulative impacts and the additional environmental and social studies required by Nicaragua's environmental authorities for the rehabilitation works at the Santa Bárbara and Centro América hydroelectric plants.
- 2.6 The resources of the second loan (NI-L1022) will chiefly be used to finance component II of the program, which includes the electromechanical rehabilitation works at the Santa Bárbara and Centro América hydroelectric plants. There have been no changes in the baseline conditions that were considered in the evaluation of the program's environmental and social risks. The electromechanical rehabilitation works have not begun. The mechanisms established for environmental and social management of the program remain unchanged. The bidding specifications for contractors and supervisory firms will include fulfillment of the measures contained in the environmental and social management plan, with the respective penalties in the event of noncompliance. This will be monitored by the ENATREL and ENEL/HIDROGESA environmental units.
- 2.7 Implementation of the environmental and social strategy is progressing satisfactorily in accordance with the ESMR and the conditions approved by the ESR. The results of the program's ESA indicate that the works to be financed under this loan will have no significant adverse environmental and social impacts; all impacts produced will be managed through a specific environmental and social management plan. To comply with the requirements of Nicaragua's environmental authorities, which classify these works as Category III, environmental assessments required by the authorities are being prepared for some of the works covered by this loan.
- 2.8 **Trends in the electricity sector.** The measures taken by the government in the electricity sector, together with the systematic support of the Bank and other donors, are having a positive impact on the sector. Confidence in the institutional

framework is attracting investment in electricity generation, the reserve margin is improving, and there has been a significant decrease in energy rationing. The government's relations with electricity distributors have improved and important agreements have been reached on matured debt, which will improve the financial position of the electricity sector overall. Moreover, the Government of Japan has granted the government a nonreimbursable loan of US\$1.9 million to procure machinery and equipment for the ENATREL Assembly Unit, to be executed in 2008 and 2009.

III. UPDATE OF COMPONENT II OF THE PROGRAM: REHABILITATION OF THE SANTA BÁRBARA AND CENTRO AMÉRICA HYDROELECTRIC PLANTS

- 3.1 To date, satisfactory progress has been made in fulfilling the conditions for processing of this second loan by the Bank (paragraph 1.3), contained in document PR-3215-2, thus:

A. Institutional and Financial Viability and Execution Mechanism

- 3.2 **Institutional aspects.** As part of the action plan for the institutional adjustments in the relationship between the State-owned companies ENEL and HIDROGESA, in October 2007 the government held the consultations necessary to determine whether HIDROGESA could sign cooperation or loan agreements during the transition process. These consultations were answered in the affirmative by the Attorney General's Office on 1 July 2008. Accordingly, as established in the action plan, the government will continue to prepare an in-depth study of the institutional adjustments required for organization of the State-owned companies resulting from the unbundling of ENEL, evaluating the technical, legal, and financial implications of these adjustments and preparing the corresponding draft legislation in accordance with the guidelines issued by the sector authorities in Nicaragua. The study is expected to be available in the first quarter of 2009 and, depending on the legislative schedule, the conclusions are expected to be implemented during 2009.
- 3.3 **Financial aspects.** Regarding the financial position of ENEL/HIDROGESA, as was established in the conditions for processing of this second loan (paragraph 1.3), ENEL/HIDROGESA delivered to the Bank the audited financial statements for 2006 and the unaudited financial statements for 2007 prepared by ENEL/HIDROGESA. The audit report contains reservations, mostly relating to the institutional problems deriving from the unbundling of ENEL that have not yet been resolved, as well as important recommendations relating to internal controls. Presentation of the audited financial statements for 2007 and an action plan to satisfy the audit recommendations will be a condition precedent to disbursement of loan proceeds for component II activities.
- 3.4 A financial analysis was conducted of past performance (2006-2007) and of the consolidated financial projections for 2008-2016 of the different segments of ENEL. This analysis shows that although the position of ENEL Consolidated should improve significantly as from 2012, it will remain on the verge of losses in

the period 2009-2011. Two points in particular affect the financial performance of ENEL Consolidated: (i) repayment of bank debt acquired in the past to finance turbines, which must be repaid over the next four years; and (ii) cover of the shortfall of the Isolated Systems (the gap between sales on the one hand and purchases and generation on the other is alone responsible for a shortfall of almost US\$3 million per annum). Table 1 presents a summary of the financial indicators for ENEL Consolidated.

Table 1
ENEL Consolidated - Financial Indicators

	Past		Projected 2008-2016					
	2006	2007	2008	2009	2010	2011	2012	2013
Energy price (US\$/MWh)	11.7	19.2	13.1	14.1	10.5	10.1	10.1	10.1
Income (US\$ million)	62.2	107.9	91.8	88.8	50.9	47.5	57.7	58.7
Annual surplus (deficit) (US\$ million)			0.2	5.1	1.4	(1.1)	2.5	8.4
Operating margin	99.0%	85.8%	75.6%	70.4%	75.5%	71.7%	72.0%	73.2%
Debt coverage			1.0	1.1	<1	<1	4.3	2.7

- 3.5 To ensure the financial sustainability of the investments in component II, in light of prevailing conditions in the sector and the government strategy, a special execution condition will be included for this specific component, namely that throughout the execution period ENEL/HIDROGESA and the government will take all measures necessary to ensure for ENEL Consolidated: (i) income sufficient to cover its normal operating and maintenance costs and service its debt; (ii) a cash operating margin, defined as the amount remaining after covering operating and maintenance costs, of at least 25%; and (iii) a debt coverage ratio of no less than 1.5, except from 2008 to 2011 when it will be no less than 1.0. Fulfillment of these targets will be a special execution condition and will be verified annually when the second semiannual progress report is presented. In the event of deviations in indicators showing a deterioration of the company's financial position, the borrower and the executing agency will submit a plan of action to the Bank clearly identifying the causes of the deviations and the management or financial measures to be adopted, the responsibilities of the executing agency and the borrower, and the execution schedule that will enable financial sustainability to be restored. In particular, considering that the financial position of ENEL/HIDROGESA is complicated by the need to carry charges relating to subsidies, in the Isolated Systems and in the form of lower hydroelectricity prices for less privileged segments of society, it was agreed that the government will find ways to help ENEL/HIDROGESA meet these commitments.

- 3.6 **Executing agency and execution mechanism.** As a result of the analyses conducted, the proposal presented in document PR-3215-2 was confirmed, in the sense that ENEL/HIDROGESA will be the executing agency for component II, that is, for the rehabilitation works at the Santa Bárbara and Centro América hydroelectric plants, within the framework of a commercial joint venture contract whereby the two companies established the form of commercial development of the assets of the abovementioned hydroelectric plants. For the purposes of this loan, as a condition precedent to disbursement of loan proceeds for component II activities, the borrower and ENEL/HIDROGESA will sign a funds transfer agreement establishing the way in which the resources and obligations will be transferred to the executing agency and the conditions of repayment of the loan by ENEL/HIDROGESA to the government.
- 3.7 For execution of this component, an executing unit for component II will be established, attached to ENEL's Project Division. The executing unit will comprise: (i) a general coordinator; (ii) a procurement specialist; (iii) a financial-accounting specialist; and (iv) a project assistant. It will have the technical support of ENEL/HIDROGESA and the supervisory firm. Its specific functions and its relationship with execution of the Rehabilitation Program will be described in detail in the manual of procedures and will include: (i) procuring works, goods, and services connected for component II, with technical input from the supervisory firm and HIDROGESA personnel; (ii) preparing administrative execution schedules and procurement plan updates; (iii) facilitating activities and coordination of work between contractors and suppliers of goods and services in their relations with ENEL and HIDROGESA; and (iv) managing the accounting-financial aspects of component II, keeping records and preparing the respective semiannual reports for delivery to the Bank. ENEL/HIDROGESA will manage all execution-related relations with the Bank in connection with component II through the executing unit.
- 3.8 **Procedures manual.** The manual for execution of component II will contain all procedures for component execution, including the administrative procedures for procurement, disbursements, and other aspects required for correct component execution, including coordination between the Bank and other financing sources such as the CABEL, ENEL/HIDROGESA, and the Nicaraguan government). The procedures manual is being prepared with the support of the Bank, and its publication will be a condition precedent to the first disbursement of loan proceeds for Component II.
- 3.9 **Conditions precedent to disbursements.** This second loan will include, as a condition precedent to disbursement, receipt by the Bank of the legal reports established in the General Conditions. Once this requirement has been met, disbursements for up to a total of US\$50,000 may be processed to finance activities to establish the executing unit. The conditions established in paragraphs 3.3, 3.6, and 3.8 hereinabove will be included as conditions precedent to disbursements for Component II, as well as the following: (i) appointment and operation of the executing unit; (ii) delivery of an update to the initial report specified in the General

Conditions to include coverage of component II; and (iii) designation of the audit firm that will prepare the financial statements for component II.

B. Technical and economic viability

- 3.10 The technical viability studies referred to in the conditions precedent to processing of this document (paragraph 1.3) have progressed satisfactorily, reaching a stage that permits corroboration of the technical and economic viability of the rehabilitation project for the hydroelectric plants. A consortium of specialized engineering firms has drawn up the specifications for rehabilitation in stages, considering the priorities at the Santa Bárbara and Centro América hydroelectric plants. Visual tests have been conducted for all components of the hydroelectric plants to determine the specific aspects of the rehabilitation works and their respective stages: specific vibration, cavitation, and isolation tests in parts of the generators of both power plants, as well as electrical tests of substation components. Although the majority of the tests to determine the rehabilitation works that are needed and their respective stages have been completed, physical inspection of the generators, to make a decision on whether to replace or rehabilitate their rotors and stators, has not been possible. Accordingly, there are two rehabilitation options: **Option 1**, in the event that, following the physical inspection, it proves necessary to replace all the generators, in which case the estimated cost of complete rehabilitation in three stages would be US\$96.2 million; and **Option 2**, in the event that the physical inspection determines that rehabilitation of the stators and rotors is possible, in which case the direct cost would be reduced by approximately US\$23 million and the total cost by US\$25.4 million, taking the total cost to approximately US\$70.8 million.
- 3.11 In **Option 1**, that is, assuming that all the generators must be replaced, the financing available from the Bank and other sources, such as the CABEL, i.e. US\$59.4 million, would only cover the highest priorities, basically equipment replacement and some minor civil engineering work. In **Option 2**, that is, assuming that rehabilitation of the stators and rotors is deemed possible, the available financing would be sufficient to cover all high and medium priorities. Considering both options viable, the project team recommends that the loan continue to be processed, incorporating as a special execution condition for this specific component that prior to the start of the bidding process the executing agency demonstrate and present, for no objection by the Bank, the results of the technical tests supporting the decisions on the specific aspects of the rehabilitation works, and which must have the due approval of the supervisory firm. In addition, before the rehabilitation contract is awarded, the executing agency will demonstrate that the cofinancing agreement is in full force and effect and that the corresponding resources are available.
- 3.12 The economic evaluation of this component was described in document PR-3215-2. The evaluation was based on a direct investment cost of US\$40 million, but with a probabilistic sensitivity analysis showing a 90% chance that the economic internal rate of return (IRR) will be above 39.4%, with a maximum of 45.7%. These

probabilistic sensitivities cover a truncated normal distribution of expected value, with a tail of a 50% increase in costs, which means that the updated direct investment costs of **Option 2** would be met without difficulties. If it were necessary to adopt **Option 1**, the IRR would be affected, but it was estimated that it would be above 25%. In the financial evaluation of the project, the expected IRR is 37.9%, with a 90% chance that it will be between a minimum of 35.2% and a maximum of 40.3%.

IV. UPDATE OF THE ADDITIONAL FINANCING AND COST OF THE PROGRAM

- 4.1 The total cost of the program has risen from US\$118.5 million to US\$144.2 million, as a result of the updated costs in the technical-economic studies for the rehabilitation works at the Santa Bárbara and Centro América hydroelectric plants that constitute component II and the updated costs of the transmission works that constitute component I, reflecting the increases seen in the cost of inputs and materials. To cover these cost increases, the Nicaraguan authorities have requested a third loan (NI-L1036) to finance the program, in the amount of US\$20 million, which is included in the operations program with Nicaragua for 2009. In addition, the CABI loan has been increased by US\$5 million, from US\$20.4 million to US\$25.4 million. Thus, the entire Electricity Sector Support Program is covered and the integrity and concessionality required for the government's agreements with other multilateral institutions are respected.
- 4.2 In addition to the inclusion of additional financing, the following adjustments had to be made with respect to the program cost and financing presented in document PR-3215-2: two works identified in the first loan (NI-L1021), for a sum of US\$3.4 million, have been transferred and will now be financed under this second loan (NI-L1022), thus freeing up resources to cover the increased cost of the other transmission works financed under the first loan (NI-L1021); and the amount of the generation subprogram financed under the second loan (NI-L1022) has been raised, displacing transmission works to the third loan (NI-L1036), to be considered in 2009. Table 2 presents the updated cost and financing breakdown.

Table 2
Program Cost and Financing
(US\$ 000)

INVESTMENT CATEGORY	TOTAL 2008-2012						
	IDB 1 NI-L1021 (2007)	IDB 2 NI-L1022 (2008)	IDB 3 NI-L1036 (2009)	CABEI	EIB	Local	Total US\$
Component I (ENATREL)							
1. Engineering & administration	2,420.0	250.0	2,000.0	0.0	0.0	0.0	4,670.0
2. Direct construction cost	23,228.0	3,409.4	12,869.3	0.0	19,037.6	0.0	58,544.3
3. Unallocated costs	4,774.8	663.2	4,074.3	0.0	1,362.4	0.0	10,874.7
4. Financial costs	1,696.5	241.0	1,056.4	0.0	0.0	2,285.1	5,279.1
SUBTOTAL	32,119.3	4,563.6	20,000.0	0.0	20,400.0	2,285.1	79,368.0
Component II (ENEL/HIDROGESA)							
1. Engineering & administration	0.0	2,639.1	0.0	2,060.6	0.0	0.0	4,699.8
2. Direct construction cost	0.0	26,485.8	0.0	20,810.2	0.0	0.0	47,296.0
3. Unallocated costs	0.0	3,079.2	0.0	2,529.2	0.0	0.0	5,608.4
4. Financial costs	0.0	1,759.9	0.0	0.0	0.0	3,211.1	5,007.0
SUBTOTAL	0.0	34,000.0	0.0	25,400.0	0.0	3,211.1	62,611.1
Component III (MEM)							
1. Engineering & administration	50.0	50.0	0.0	0.0	0.0	0.0	100.0
2. Direct construction cost	500.0	1,500.0	0.0	0.0	0.0	0.0	2,000.0
3. Unallocated costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Financial costs	30.7	86.4	0.0	0.0	0.0	3.8	120.9
SUBTOTAL	580.7	1,636.4	0.0	0.0	0.0	3.8	2,220.9
TOTAL PROGRAM							
1. Engineering & administration	2,470.0	2,939.1	2,000.0	2,606.6	0.0	0.0	9,469.8
2. Direct construction cost	23,728.0	31,395.1	12,869.3	20,810.2	19,037.6	0.0	107,840.2
3. Unallocated costs	4,774.8	3,742.4	4,074.3	2,529.2	1,362.4	0.0	16,483.1
4. Financial costs	1,727.2	2,123.3	1,056.4	0.0	0.0	5,500.0	10,406.8
SUBTOTAL	32,700.0	40,200.0	20,000.0	25,400.0	20,400.0	5,500.0	144,200.0

ELECTRICITY SECTOR SUPPORT PROGRAM NI-L1021 - NI-L1022 - NI-L1036
PROJECT PROCUREMENT PLAN – October 2008 Update

Ref. No.	Contract category and description	Estimated procurement cost (US\$ 000)	Procurement method	Review (ex ante / ex post)	Source of financing and percentage		Prequalification (Yes/No)	Executing Agency	Component	Estimated dates		Status
					IDB %	Local %				Publication of specific procurement notice	Completion of contract	
WORKS												
1	Internal installations for pilot project (NI-L1021)	403.00	NCB	Ex ante	100%	0%	No	MEM	III	Q2 2009	Q4 2009	Pending
2	Minor restructuring, pilot project (NI-L1021)	32.00	PC	Ex post	100%	0%	No	MEM	III	Q2 2009	Q4 2009	Pending
3	Internal installations for second stage (NI-L1022)	1,255.00	NCB	Ex ante	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
4	Minor restructuring, second stage (NI-L1022)	87.80	PC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
GOODS												
5	Design, supply, and assembly for Western Ring Project (138kV power line and substations) (turnkey) (NI-L1021)	11,820.00	ICB	Ex ante	93.23%	6.77%	No	ENATREL	I	March 2009	October 2010	Pending
6	Supply, assembly, and connected services of power transformers (NI-L1021)	20,089.70	ICB	Ex ante	90.40%	9.60%	No	ENATREL	I	October 2008	February 2011	In process
7	Procurement of computer equipment for pilot project (NI-L1021)	7.00	PC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
8	Modernization of substations (NI-L1022)	3,409.40	ICB	Ex ante	90%	10%	No	ENATREL	I	Q3 2009	Q4 2010	Pending
9	Rehabilitation (turnkey) of Centro América and Santa Bárbara hydroelectric plants (NI-L1022)	47,296.00	ICB	Ex ante	55%	45% CABEI ^{1/}	No	ENEL	II	Q3 2009	Q3 2010	Pending

Ref. No.	Contract category and description	Estimated procurement cost (US\$ 000)	Procurement method	Review (ex ante / ex post)	Source of financing and percentage		Prequalification (Yes/No)	Executing Agency	Component	Estimated dates		Status
					IDB %	Local %				Publication of specific procurement notice	Completion of contract	
10	Procurement of computer equipment for second stage (NI-L1022)	7.00	PC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
NONCONSULTING SERVICES												
11	Topography of 138kV transmission lines (Brasiles -San Rafael del Sur; San Ramón -Matiguás) and 230kV Ring (Brasiles-San Benito-Tipitapa and Masaya) (NI-L1021)	140.00	NCB	Ex ante	100%	0%	No	ENATREL	I	December 2008	July 2009	Pending
12	Stable and dynamic state analysis of electricity grids (NI-L1021)	75.00	NCB	Ex ante	100%	0%	No	ENATREL	I	January 2009	April 2009	Pending
13	Short-term dispatch (NI-L1021)	85.00	NCB	Ex ante	100%	0%	No	ENATREL	I	January 2009	April 2009	Pending
14	Transmission designs and coordination of protection systems (NI-L1021)	75.00	NCB	Ex ante	100%	0%	No	ENATREL	I	January 2009	April 2009	Pending
CONSULTING SERVICES												
15	Engineering and supervision of 138kV Western Ring (NI-L1021)	1,000.00	QCBS	Ex ante	100%	0%	No	ENATREL	I	February 2009	December 2010	Pending
16	Diagnostic assessment in work areas or neighborhoods for normalization of electricity system for pilot project (NI-L1021)	7.00	IC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
17	Normalization of electricity system in informal neighborhoods for pilot project (NI-L1021)	15.60	IC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
18	Marketing and social work in informal neighborhoods for pilot project (NI-L1021)	11.50	IC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending

Ref. No.	Contract category and description	Estimated procurement cost (US\$ 000)	Procurement method	Review (ex ante / ex post)	Source of financing and percentage		Prequalification (Yes/No)	Executing Agency	Component	Estimated dates		Status
					IDB %	Local %				Publication of specific procurement notice	Completion of contract	
19	Two consultants for supervision of normalization in informal neighborhoods for pilot project (NI-L1021)	22.90	IC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
20	Evaluation of economic capacity for pilot project (NI-L1021)	14.60	QCBS	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
21	Four consultants for promotion of neighborhoods to benefit from pilot project (NI-L1021)	36.00	IC	Ex post	100%	0%	No	MEM	III	Q1 2009	Q4 2009	Pending
22	Diagnostic assessment for second stage in work areas or neighborhoods for normalization of electricity system (NI-L1022)	21.00	IC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
23	Normalization of electricity system in informal neighborhoods for second stage (NI-L1022)	15.60	IC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
24	Marketing and social work in informal neighborhoods for second stage (NI-L1022)	11.50	IC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
25	Two consultants for supervision of normalization in informal neighborhoods for second stage (NI-L1022)	22.90	IC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
26	Evaluation of economic capacity for second stage (NI-L1022)	39.00	QCBS	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
27	Six consultants for promotion of neighborhoods to benefit from pilot project (NI L1022)	90.00	IC	Ex post	100%	0%	No	MEM	III	Q1 2010	Q4 2011	Pending
28	Supervision of component II of Program (NI-L1022)	4,699.80	QCBS	Ex ante	55%	45% CABEI 1/	No	ENEL	II		Q2 2009	Pending
29	Audit of financial statements (NI-L1021 and NI-L1022)	70.00	QCBS	Ex ante	100%	0%	No	ENATREL /ENEL	I, II, III	September 2008	November 2011	In process

Ref. No.	Contract category and description	Estimated procurement cost (US\$ 000)	Procurement method	Review (ex ante / ex post)	Source of financing and percentage		Prequalification (Yes/No)	Executing Agency	Component	Estimated dates		Status
					IDB %	Local %				Publication of specific procurement notice	Completion of contract	
30	Procurement specialist, component II (NI-L1022)	60.00	NICQ	Ex ante	100%		No	ENEL	II	Q2 2009		
31	Financial specialist, component II (NI-L1022)	60.00	NICQ	Ex ante	100%		No	ENEL	II	Q2 2009		
Total		90,979.30										

^{1/} **Rehabilitation of the Centro América and Santa Bárbara plants is cofinanced with a CABI loan.**

Goods and Works: **ICB:** International competitive bidding; **LIB:** Limited international bidding; **NCB:** National competitive bidding; **PC:** Price comparison; **DC:** Direct contracting; **FA:** Force account; **PSA:** Procurement through specialized agencies; **PAs:** Procurement agents; **IAS:** Inspection agents; **PLFI:** Procurement in loans to financial intermediaries; **BOO/BOT/BOOT:** Build-own-operate / Build-own-transfer / Build-own-operate-transfer; **PBP:** Performance-based procurement; **PLGB:** Procurement under loans guaranteed by the Bank; **CPP:** Community participation procurement. **Consulting firms:** **QCBS:** Quality- and cost-based selection; **QBS:** Quality-based selection; **FBS:** Fixed-budget selection; **LCS:** Least-cost selection; **CQS:** Selection based on consultants' qualifications; **DS:** Direct selection. **Individual consultants:** **NICQ:** Selection based on comparison of national individual consultants' qualifications; **IICQ:** Selection based on comparison of international individual consultants' qualifications.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/_

Nicaragua. Second Financing to the Republic of Nicaragua for the
Electricity Sector Support Program (1933/BL-NI)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Nicaragua, as Borrower, for the purpose of granting it a second financing, which is additional to that authorized by Resolution DE-144/07, to cooperate in the execution of an electricity sector support program. Such financing will be for the amount of up to US\$20,100,000 from the resources of the Single Currency Facility of the Bank's Ordinary Capital, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____)

LEG/SGO/CID/IDBDOCS#1710948
NI-L1022

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/_

Nicaragua. Second Financing to the Republic of Nicaragua for the
Electricity Sector Support Program (1933/BL-NI)

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RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Nicaragua, as Borrower, for the purpose of granting it a second financing, which is additional to that authorized by Resolution DE-144/07, to cooperate in the execution of an electricity sector support program, second loan. Such financing will be for the amount of up to US\$20,100,000 from the resources of the Bank's Fund for Special Operations, corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ __)

LEG/SGO/CID/IDBDOCS#1710953
NI-L1022