Selection process # GY-T1167-P001

TERMS OF REFERENCE

Strengthening the Energy Sector: Operationalization of PSA of Protocols and Governance Standards

GUYANA
GY-T1167

Guyana

1. Background and Justification

1.1. Inter-American Development Bank (IDB) was founded in 1959 and serves as the leading source of development financing for Latin American and the Caribbean (LAC). It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries. Since the foundation, the infrastructure and energy sector has been considered vital for economic growth and development in the region. Infrastructure is essential to modern daily life, and the provision of basic services would be impossible without reliable roads, water, and electricity. The IDBG has a large portfolio of operations in the water and sanitation, energy and transportation sectors across the region. Its reputation as an effective partner in the delivery of both infrastructure projects and a source for technical capacity at the sector level allows the IDBG to have a permanent and trustworthy dialogue with the Guyanese authorities.

1.2. The IDB has worked both regionally and at a country level for many years on issues directly and indirectly related to the extractives sector, in recognition of the critical role of oil, gas and mining-related industries as drivers of economic and industrial development. More recently, Bank beneficiaries have requested that the institution engages more strategically and directly in support of investments in the sector, while continuing to emphasize in parallel the need for promoting broad-based economic development, transparency and accountability, benefit sharing, environmental sustainability, and community consultation, among other issues. These calls are part of a coalescing global movement, supported by civil society, investors and donors in favor of a broader good governance agenda in the sector: an agenda that draws from lessons-learned and knowledge exchanges and contributes to smarter and sustainable sector policy and practices.

1.3. The development of natural resources has played a significant role in the performance of many regional economies. Extractive industries - when they are adequately managed - contribute to long term socioeconomic development (Venables, 2016). In the absence of sufficient legal and institutional capacity, however, the activities in the oil, gas and mining sector can trigger major social, environmental and economic risks for all stakeholders, including government, industry and civil society (Balza and Espinasa 2015; Kemp, Worden and Owen 2017; Brereton and Parmenter 2006).

1.4. Oil, gas, and mining in LAC account for approximately 4% of regional GDP and approximately 50% of total exports but conditions for natural resource development remain imperfect: countries continue exploring opportunities to strengthen the sector's socioeconomic contribution and to mitigate potential negative socioenvironmental impacts.

1.5. In 2015, a significant offshore oil discovery was made in the Stabroek block[1], estimating 4 billion barrels of oil equivalent (boe). Commercial production is planned to commence by 2020, with an initial output of 120,000 boe/day and projected to reach 300,000 boe/day in 2025[2]. Should these production levels be met, the value of

[1] Concession for Esso Exploration and Production Guyana Ltd., a consortium of companies led by ExxonMobil, Hess and China National Offshore Oil Corporation.
[2] IMF Article IV 2018 p-4.

oil production could reach approximately US$3.2 billion in 2020, a figure equivalent to about 89% of the current GDP.

1.6. This has profound implications for the country's economic development. If handled well, it could boost the overall standard of living for the country. Being new to the Oil and Gas (O&G) industry, Guyana is unprepared for the complexities and risks that lie ahead. This situation is understandable considering the novelty of the O&G industry in Guyana, and the consequent lack of experience, therefore much needs to be achieved rapidly to increase the chances of optimal outcomes for Guyana.

1.7. The existing O&G sector is operating under a basic regulatory framework, only designed to norm and regulate the imports and distribution of fossil fuels. Guyana has never been an oil producer and therefore there is an immediate need to start building its regulatory framework for an optimal operation of the nascent O&G sector.[3][4]

1.8. The Bank is currently preparing loan operations to strengthen O&G governance through the establishment of a new Department of Energy (DE) and its operationalization, within the Ministry of the Presidency. This new DE will be responsible for all matters relating to the development of the O&G sector including oversight over the management of current and future production sharing agreements. To strengthen the Department of Energy's decision-making capacity, among others, it is imperative to have the ability to know the results of variation in the different factors affecting government and company take from the production sharing terms over time, including oil prices or operational and capital costs.

1.9. Designing effective contract implementation strategies and procedural guidelines to ensure that enables countries to negate or reduce contract leakages, improve cost oil transparency, and ensure adherence contract terms. The Bank has recently supported the design and development of effective contract implementation strategies for the GoG in the management and regulation of the O&G sector. However, the operationalization of these procedural guidelines that enables countries to negate or reduce contract leakages, improve cost oil transparency, and ensure adherence contract terms and regulations on health and safety, local content, and environmental protection rules represents a required step to ensuring GoG's value capture from these finite resources. If not adequately implemented and supported by technology solutions, the lack of institutional readiness, operationalized protocols, and verification mechanisms increases the risk of value leakages and low transparency during administration of the PSAs.

1.10. The level of information asymmetry and industry-expertise in the O&G sector, in favor of operators, remains a significant challenge in regulating the sector, rights allocation strategies, and development policy decisions. The design of the 11 active petroleum agreements in the 8 oil blocks are categorized incomplete risk and insurance management protocols for audit and cost recovery, health safety, and environmental safeguards. Similarly, the limited capacity of the regulator to independently and adequately administer the PSAs and the quantum of procedural and operational data will constrain the effectiveness of contract administration and transformation of data into policy.

1.11. The Oil & Gas industry is a data-driven industry in every phase of operation, exploration to exploitation (Sage, 2014). The data generated consists of structured data that is varied, ranging from 3D models to environmental sensor data, that informs both the Contractor's internal operational monitoring, and the contractual obligations and compliance requirements to government regulators. Collaboration on data reporting responsibilities then becomes important for both parties for transparency, auditing and monitoring obligations, and detection and reporting of contractual breaches. As operators fulfill regulatory requirements and meet compliance standards, quantum of data to be collected, analyzed, and stored becomes both a technology and human capacity challenge (Farris, 2012).

[3] Historically, Guyana has been dependent on import of fossil fuels. In 2016, these imports totalled US$278 million and represented 24% of the country's total imports. https://atlas.media.mit.edu/en/profile/country/guy/#Imports

[4] Guyana is highly dependent on imported oil products for its overall energy supply. Imported fossil fuels account for about half of final energy consumption with the other half coming from combustible renewables and waste products (CR&W).

1.12. Given the frequency and volume of data generated, and complexity of compliance guidelines, effective regulatory oversight requires technology solutions that are responsive, centralized, user friendly, and secure, to mitigate/minimize contract leakages attributed to human error, delays, and other process-related issues. These solutions allow contractors and the GoG to exchange, manage, classify and upload information, documents and data, in accordance with the conditions set forth by GoG for all contractual stage and other sector requirements. The analytics of the large pools of data then provides relevant and timely insights to support decision-making processes on the overall health and performance of the sector.

1.13. As such, the management of the oil and gas data must meet several criteria for accuracy, operational efficiency, and ease of us by both operators and government counterparts. Software features:

1. Software should classify the information provided by contractors, in confidential or nonconfidential. All information classified as confidential should only be viewed by the contractor which uploaded such information and by the Government of Guyana.
2. Software must have the capacity to sort the information uploaded to the database by contractor, size, date, name, or format.
3. Software should not allow third parties to visualize data, information and files classified as confidential.
4. The Software should be designed to incorporate an alert system, through which it is possible to warn the contractors of the deadlines on which they must submit information, data and/or reports, as well as reminders when such dates are nearly overdue, thus facilitating a collaboration between the Government and the contractors in relation to the management of the system.
5. In addition, the Software should contain an alert system, through which the Government receives notice about the contractors' failure to manage and submit information, data and/or reports.
6. The reports and forms filled out by the contractors should be completed online and in a predetermined format designed for each form or report, so that, when reviewed by the Government, the system can process and reflect the important data of the information provided, thus saving a significant workload, as there will be no need for a "mechanical" transcription and analysis of the information.
7. Software should perform an automatic review of the documents, data and files that are being uploaded by contractors.
8. Software should alert Government officials if a document submitted by contractors does not meet the requirements established by the Government of Guyana, such as blank spaces or missing files.
9. Information uploaded to the software database will not be subjects of modifications without prior authorization from the Government of Guyana.
10. The Software shall be able to allow Government officials and contractors to track wells, through coordinates and in the standard reporting units, and to visualize maps, graphics and schemes of the respective contract area.
11. Software shall be able to compare previous results and records from the reports submitted by contractors and alert the Government of Guyana when relevant variation in the information and in the reports and records submitted is identified.

2. Objective

2.1. *The objective of this consultancy is to develop and/or deploy an integrated Contracted Management System for PSA administration and records management according the PSA set of Protocols and Governance Standards provided by the DE and IDB.*

3. Summary Activities

3.1. Under the guidance of the DE and the IDB, the consultancy must:

- ► Review and assess the National Data Management Authority (NDMA) current public sector data management guidelines for the suitability of adoption for the contract management software; considering and not limited to: (i) Confidentiality, (ii) data security and integrity, (iii) multiple inter-agency, and operator access points, and (v) records management and retention system.
- ► Where necessary, provide suitable revisions applicable for the implementation of contract management software and data management. The consultant is also expected support the DE in determining actions towards best practice if guidelines of the NDMA are insufficient and recommend new guidelines for adoption.
- ► Map the data generation pipeline according to PSA protocols and other compliance requirements across all government agencies that directly and indirectly interact with the oil and gas sector.
- ► Provide and indicative design and software option for adoption to the DE and IDB for consideration. These options should detail design and/ deployment cost, servicing and maintenance fees, versatility in application to contract management in the O&G industry, and security features.
- ► Utilizing the ''Key Performance Indicators and Contract Governance Standards and forms'' provided the DE, the consultant will design and/or deploy a contract management software portal that encompasses the necessary software criteria set out above in (2.X) to interface with the GoG designated agencies and operators in support of PSA monitoring and compliance activities.
- ► The PSA Contract Management System must also prepare reconciliation schedules, summary reports, for, and not limited to, the following:
  - ❖ Policy and Procedures
  - ❖ Unit and Royalty Agreements
  - ❖ Appeals of Oil and Gas Royalties/Taxes
  - ❖ Tax and Oil and Gas Handbooks and Information Letters
  - ❖ Ledgers for Production
  - ❖ Royalty/Tax Reporting, Assessment, Validation and Audit
  - ❖ Cost recovery, audited schedules.
  - ❖ Commission Levy Records
  - ❖ Tax Returns, Audits, and Forecasts
  - ❖ Tax Collections
  - ❖ Health/Safety Inspection Fee Payment, Assessment, and Audit
- ► Develop handbooks and provide training to the DE, GGMC-PU, EPA, and other relevant agency, and the operators in the use of contract management software for compliance monitoring and enforcement.
- ► Prepare and deliver presentations to government and operators on the overall application of the contract management system, data and process maps, and system generated reports.

4. Expected Outcome and Deliverables

- ***Inception report and workplan:*** *The selected firm will deliver an initial work plan which must include a detailed overview of key milestones.*
- ***Data Management Framework and Software adoption plan:*** *Including strengths and weaknesses of the current Data Management Framework, the consultant will provide at minimum 3 options or paths to operationalize the PSA protocols and governance standards outlined above.*
- ***Development/ Deployment of PSA Contract Management System:*** *The selected firm will provide the software for contract management to the DE and other designated agencies.*
- ***Handbook and training workshop:*** *the firm is expected to hold workshops for both operators and GoG.*
- ***Presentation****: The selected firm will deliver presentation to GoG Stakeholder and operators on the overall merits of the system.*

5. Project Schedules and Milestones

5.1. The following table summarizes the suggested program schedule:

Deliverable	Proposed dates

Inception report and workplan	
Data Management Framework and Software adoption plan	
Development/ Deployment of PSA Contract Management System	
Handbook and training workshop	
Presentation	

6. Acceptance Criteria

6.1. *Quality of technical proposal, including quality of the proposed approach and methodology.*
6.2. *Understanding of, and responsiveness to, provided guidelines, namely, scope, objectives and desired outcomes.*
6.3. *Overall accordance between requirements and the proposal.*
6.4. *Relevant experience, skills and competencies, as showcased by a sound portfolio.*
6.5. *Professional expertise, knowledge and experience with similar projects, contracts, clients and consulting assignments.*
6.6. *Work will be accepted and approved by the IDB team, as defined in the Supervision and Reporting section of this document. This acceptance and approval will be communicated by the IDB via electronic mail (e-mail). Upon approval, payment tied to each deliverable will be released.*

7. Other Requirements

7.1. *The selected candidate/organization/consultant must deliver the reports described under section 4 - outlining lessons learned, results, and other conclusions - in Word format to be approved by the IDB.*
7.2. *Reports must be submitted in English.*

8. Supervision and Reporting

8.1. *This consultancy will be under the supervision of Lenin H. Balza (leninb@iadb.org), Carlos Sucre (csucre@iadb.org), and Dillon Clarke (dillonc@iadb.org).*
8.2. *All deliverables shall be submitted to the IDBG.*
8.3. *Every report must be submitted to the Bank in an electronic file. Zip files will not be accepted as final reports, due to Records Management Section regulations.*

9. Payment Schedule

9.1. *Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The Bank wishes to receive the most competitive cost proposal for the services described herein.*
9.2. *The IDB Official Exchange Rate indicated in the RFP will be applied for necessary conversions of local currency payments.*

Deliverable	% of total payment
Inception report and workplan	*10%*
Data Management Framework and Software adoption plan	*15%*
Development/ Deployment of PSA Contract Management System	*50%*
Handbook and training workshop	*15%*
Presentation	*10%*

Selection process # GY-T1167-P002

TERMS OF REFERENCE

Advisory Services on the oil and gas sector to the Government of Guyana

GUYANA
GY-T1167

1. Background and Justification

1.1. *The Inter-American Development Bank (IDB) was founded in 1959 and serves as the leading source of development financing for Latin American and the Caribbean (LAC). It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries. Since the foundation, the infrastructure and energy sector has been considered vital for economic growth and development in the region. Infrastructure is essential to modern daily life, and the provision of basic services would be impossible without reliable roads, water, and electricity. The IDBG has a large portfolio of operations in the water and sanitation, energy and transportation sectors across the region. Its reputation as an effective partner in the delivery of both infrastructure projects and a source for technical capacity at the sector level allows the IDBG to have a permanent and trustworthy dialogue with the Guyanese authorities.*

1.2. *The IDB has worked both regionally and at a country level for many years on issues directly and indirectly related to the extractives sector, in recognition of the critical role of oil, gas and mining-related industries as drivers of economic and industrial development. More recently, Bank beneficiaries have requested that the institution engages more strategically and directly in support of investments in the sector, while continuing to emphasize in parallel the need for promoting broad-based economic development, transparency and accountability, benefit sharing, environmental sustainability, and community consultation, among other issues. These calls are part of a coalescing global movement, supported by civil society, investors and donors in favor of a broader good governance agenda in the sector: an agenda that draws from lessons-learned and knowledge exchanges and contributes to smarter and sustainable sector policy and practices.*

1.3. *The development of natural resources has played a significant role in the performance of many regional economies. Extractive industries - when they are adequately managed - contribute to long term socioeconomic development (Venables, 2016). In the absence of sufficient legal and institutional capacity, however, the activities in the oil, gas and mining sector can trigger major social, environmental and economic risks for all stakeholders, including government, industry and civil society (Balza and Espinasa 2015; Kemp, Worden and Owen 2017; Brereton and Parmenter 2006).*

1.4. *Oil, gas and mining in LAC account for approximately 4% of regional GDP and*

approximately 50% of total exports but conditions for natural resource development remain imperfect: countries continue exploring opportunities to strengthen the sector's socioeconomic contribution and to mitigate potential negative socioenvironmental impacts.

1.5. *Latin America and the Caribbean (LAC) is the world's leading source of metals and its second most important source of oil. The development of LAC natural resources plays significant role in the performance of the regional economies. Still, experts and decision-makers still know surprisingly little about the precise channels through which extractive industries impact development outcomes (Manzano, 2014).*

1.6. *Guyana has never been an oil producer, but in recent years ExxonMobil successfully drilled several deep-water exploration wells. The seafloor beneath Guyana's coastal waters contains one of the largest oil discoveries in recent years, and these discoveries place Guyana among the top 40 reserve holders in the world. This has profound implications for the country's economic development. If handled well, it could boost the overall standard of living for the country. If handled badly, it could make the current situation worse.*

1.7. *The O&G sector is a data-driven industry in all phases of its operation, from exploration to production (Sage, 2014). The data generated throughout the industry's phases ranges widely, from advanced geological models to environmental sensor data, that informs a project's internal operational variables as well as compliance with contractual obligations and government regulations. Reliable data and proper timely data reporting are then fundamental for both Contractor and Government for compliance, transparency, auditing, monitoring obligations, and detecting and reporting contractual breaches.*

1.8. *Given the frequency and volume of data generated, and the complexity of compliance guidelines, effective regulatory oversight requires technology solutions that are responsive, centralized, user-friendly, and secure, in order to mitigate/minimize contract leakages attributed to human error, delays, and other process-related issues. These solutions allow contractors and the GoG to exchange, manage, and classify information, documents, and data in accordance with the conditions set forth by the GoG for every legal and contractual stage and requirement. The analytics of the large pools of data then provides relevant and timely insights to support decision-making processes on the overall wellbeing and performance of the sector.*

1.9. *Being new to the Oil and Gas (O&G) industry, Guyana is unprepared for the complexities and risks that lie ahead. This situation is understandable considering the novelty of the O&G industry in Guyana, and the consequent lack of experience, therefore much needs to be achieved rapidly to increase the chances of optimal outcomes for Guyana.*

2. Objectives

2.1. *The principal objective of this consultancy is to provide advisory services to the Department of Energy (DE), the Guyana Geology and Mines Commission Petroleum Unit (GGMC-PU), Environmental Protection Agency (EPA) and/or other critical agencies to*

facilitate an increase in Guyana's organizational and managerial capability, addressing policy issues related to the development of oil & gas industry in Guyana based on international best practices.

3. Key Activities

3.1. *Coordinate efforts to compile and evaluate international best practices to recommend policies that fit Guyana's characteristics. This will result in an improvement of Guyana's contract negotiating capability and outcomes from those negotiations (e.g. better contract terms for O&G blocks, competitive bidding for award of blocks, etc.).*

3.2. *Advocate, to internal and external audiences, the importance of sound governance of the O&G industry, using best international norms, practices and emphasizing issue of transparency (of contracts, procurement, decision making, etc.), regulation, and revenue management.*

3.3. *Facilitate an increase in Guyana's organizational capability in relation to the oil & gas industry, using International expertise or consultants embedded in government.*

3.4. *Identify bottle-necks in government entities that result in delays for the development of the country's oil and gas sector.*

3.5. *Provide advice regarding the use of contract management software and/or tools for compliance monitoring and enforcement*

4. Expected Deliverables

In close coordination with the IDBG team, the consultancy firm shall prepare the following structure deliverable:

4.1.1. Work plan which must include a detailed overview of key milestones as outlined in section 3.

4.1.2. One midterm report on coordination and recommendation work

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4.1.3. A comprehensive report that maps out next steps for the sustainable development of the oil and gas sector

4.1.4. Prepare an executive summary of the comprehensive report.

5. Supervision and Reporting

5.1. *This consultancy will be under the supervision of Lenin H. Balza (leninb@iadb.org) and Carlos Sucre (csucre@iadb.org)*

6. Schedule of Payments

6.1. *Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under The Bank wishes to receive the most competitive cost proposal for the services described herein. All product must be*

deliverable

Payment Schedule	
Deliverable	**%**
1. Work Plan	15%
2. Mid-term report	35%
3. Final Report	50%
TOTAL	100%

6.2. *All deliverables shall be submitted to the IDBG.*

6.3. *Every report must be submitted to the Bank in an electronic file. The report should include cover, main document, and all annexes. Zip files will not be accepted as final reports, due to Records Management Section regulations.*