



**Governing Council  
of the  
United Nations  
Development Programme**

Distr.  
GENERAL

DP/NRE/PROJECTS/10  
27 February 1987

ORIGINAL: ENGLISH

Thirty-fourth session  
26 May-19 June 1987, New York  
Item 8 (c) of the provisional agenda

OTHER FUNDS AND PROGRAMMES

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Geothermal Exploration in the Qualibou Caldera,  
St. Lucia (STL/GT/84/001): Supplementary  
short-term funding

Report of the Administrator

I. BACKGROUND

1. The United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) submitted as information to the Governing Council at its thirty-third session, in June 1986, the approval by the Administrator of a Minimum Work expenditure for this project, in the amount of \$2.5 million (DP/NRE/PROJECTS/8). The allocation to the project was made in July 1985 as the UNRFNRE part of a \$5.5 million exploration programme, the balance being co-financed by the United States Agency for International Development (USAID).

2. As the Fund indicated to the Council at its last session, the objective of the project is to discover, within the Qualibou Caldera, near Soufrière, the second largest town in St. Lucia, a high enthalpy geothermal reservoir suitable for the production of electricity for the national grid. The project exploration area comprises approximately 25 square kilometres.

3. In February 1986, the Fund began actual implementation of the project by hiring a contractor to provide supervision and management services. Bidding documents were prepared for the contracts to be financed by the Fund, namely: well-site geological assistance; well logging; well testing; cementing and mud engineering; and drilling materials, equipment and consumables.

## II. FINANCIAL DATA

4. The lowest bids received for these contract services were considerably higher than project budget estimates prepared in 1983, which had been used to determine the Minimum Work expenditure. It should be noted that the operational plan which determined the actual financial commitment was not finalized until early 1986. The total difference between the estimates and the lowest bid prices was approximately \$550,000.

5. The major cause of the difference, other than the time lapse between the estimates and the actual bidding, is that the project is being executed on an island, a matter of great importance in shaping all technical logistics involved. For example, it should be noted that for well logging, the contract with the largest gap between estimated and bid prices (\$350,000), the bulk of the difference is for stand-by time. This is because the highly sophisticated equipment must remain at well site even when not in operation, since it cannot be easily transported to another of the contractor's project sites outside St. Lucia and then returned when required. This is also a factor in the high cost of other contracts.

6. On 29 July 1986, the Administrator approved the allocation of an additional \$550,000, plus 5 per cent of the project budget to cover shortfall and contingencies, under the supplementary short-term funding authority, as provided in Governing Council decision 81/8, section I, paragraph 2. The financial assets of the Fund are adequate to meet the increased allocation.

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5. The major cause of the difference, other than the time lapse between the estimates and the actual bidding, is that the project is being executed on an island, a matter of great importance in shaping all technical logistics involved. For example, it should be noted that for well logging, the contract with the largest gap between estimated and bid prices (\$350,000), the bulk of the difference is for stand-by time. This is because the highly sophisticated equipment must remain at well site even when not in operation, since it cannot be easily transported to another of the contractor's project sites outside St. Lucia and then returned when required. This is also a factor in the high cost of other contracts.

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