



LEG/SGO/SU-1650480-08

Mr. Hendrik Setrowidjojo  
Minister of Social Affairs and Housing  
Ministry of Social Affairs and Housing  
Waterkant 30-32  
Suriname

Ref.: SURINAME. Nonreimbursable Technical  
Cooperation No. ATN/SF-11196-SU. "Support for  
the Preparation of a Low Income Settlement Program  
/ Phase II. "

Dear Sir,

This Letter of Agreement (the "Agreement") between the Republic of Suriname and the Inter-American Development Bank (the "Bank"), that we are submitting for your consideration, is to formalize the granting of a nonreimbursable technical cooperation to the Republic of Suriname (the "Beneficiary"), for an amount of up to two hundred thousand dollars of the United States of America (US\$200,000), or its equivalent in other convertible currencies (the "Contribution"), which shall be chargeable to the net income of the Fund for Special Operations ("FSO"). The Contribution will finance the contracting of consulting services and the procurement of goods necessary for a technical cooperation in support of preparatory activities relative to the Second Low Income Settlement Program, which may be financed by the Bank through a Loan operation. The terms of the Project are included in the Plan of Operations, attached as the Appendix, which shall form an integral part of this Agreement. The principal aspects of the Project are the following:

1. This Agreement consists of this part one, referred to as the "Special Conditions"; part two, referred to as the "General Conditions", and the Appendix, which are attached hereto. The prevalence between the above-mentioned Sections and the Appendix is established in Article 1 of the General Conditions.
2. Unless otherwise stated in this Agreement, the term "dollars" shall hereinafter refer to the currency of legal tender in the United States of America.
3. The Bank will be responsible for the execution of Component 1 of the Project as well as for the administration of the resources of the Contribution.
4. The resources allocated for the implementation of the activities identified in Component 2 of the Project up to the amount of one hundred and thirty thousand one hundred dollars (US\$130,100), will be disbursed to and administered directly by the Ministry of Social Affairs and Housing through the Project Implementation Unit of

the Low Income Settlement Program (the “Co-executing Agency”) pursuant to the terms and conditions set forth in this Agreement.

5. The disbursement of the resources referred to in paragraph 2 of these Special Conditions will be subject to the fulfillment by the Beneficiary, to the satisfaction of the Bank, of the conditions set forth in Article 2 of the General Conditions.
6. The Bank shall disburse said resources in dollars. The Bank may convert these convertible currencies into other currencies, including the local currency by applying the exchange rate indicated in Article 7 of the General Conditions.
7. The period for execution of the Project shall be twelve (12) months, from the effective date of this Agreement. The period for the last disbursement of the resources of the Contribution shall be fourteen (14) months from the same date. Any part of the Contribution which has not been utilized within this period shall be canceled. The aforementioned deadlines and any others that may be stipulated in this Agreement may be extended, when duly justified, with the written consent of the Bank.
8. The resources of the Contribution shall only be used for the payment of consulting services and goods originating from the member countries of the Bank as well as for all other activities identified in the Appendix. Unless otherwise stipulated in this Agreement, the acquisition of goods and services (other than consulting services) and the contracting of consulting services shall be carried out in accordance with the provisions set forth in Document GN-2349-7 “Policies for the Procurement of Works and Goods financed by the Inter-American Development Bank”, and Document GN-2350-7 “Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank”, dated July 2006.
9. The Beneficiary undertakes to present to the Bank’s satisfaction, the financial statements related to the use and administration of the resources referred to in paragraph 2 of these Special Conditions duly certified by a firm of independent accountants pursuant to the provision set forth in Article 11(b) of the General Conditions.
10. The Beneficiary undertakes to assist all consultants contracted under the Project in the performance of their tasks, and provide the necessary technical, logistic, and secretarial support required for the execution of the Project.
11. The financing of this Project does not imply any commitment whatsoever by the Bank to finance, wholly or partially, any other program or project that might directly or indirectly result from the execution of this Technical Cooperation.
12. The opinions of the Consultants shall not commit the Bank to the same position. The Bank reserves the right to express any comments or reservations regarding such opinions as it may deem appropriate.

13. The Beneficiary undertakes to notify the Bank, in writing, within a maximum period of ten (10) working days from the date of signature of this Agreement, whether it considers any part of this Agreement to be confidential or sensitive, or information that may adversely affect relations between the Beneficiary and the Bank or between private sector clients and the Bank, in which case the Beneficiary undertakes to identify those provisions considered as such. In accordance with the Bank's Disclosure of Information Policy, the Bank will make the text of this Agreement available to the public once it has been signed and has entered into effect, with the sole exception of that information which the Beneficiary has specifically identified as confidential, sensitive or adverse to relations with the Bank in the manner indicated in this paragraph.
14. Any notice, request, or communication from one party to another by virtue of this Agreement shall be made in writing and shall be considered to have been made when the relevant documents are delivered to the addressee, unless the parties otherwise agree in writing.

If to the Beneficiary:

Ministry of Social Affairs and Housing  
Waterkant 30-32  
Suriname

Facsimile: 597-478624

If to the Bank:

Inter-American Development Bank  
1300 New York Avenue, N.W.  
Washington, D.C. 20577  
U.S.A.  
Facsimile: (202) 623-3096

Please confirm your acceptance of the terms and conditions of this Agreement, in representation of the Beneficiary, by signing and returning one of the originals hereof to the Bank's Country Office in Suriname.

The duly authorized representatives of the parties sign this Agreement in two (2) originals of equal tenor. This Agreement will enter into force on the date of its signature by the Beneficiary.

Yours Faithfully,

/s/ Ancile E. Brewster

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Ancile E. Brewster  
Representative of the Bank in Suriname

AGREED:

/s/ Hendrik Setrowidjojo

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Hendrik Setrowidjojo  
Minister of Social Affairs and Housing

Date: October 10, 2008

**GENERAL CONDITIONS APPLICABLE TO**  
**NONREIMBURSABLE TECHNICAL COOPERATIONS**

**Article 1. Application and Scope of General Conditions.** (a) These General Conditions set forth terms and conditions generally applicable to all nonreimbursable technical cooperations made by the Bank, and their provisions form an integral part of this Agreement. Any exception to these General Conditions shall be expressly stated in the text of the Special Conditions.

(b) If any provision of the Special Conditions or of the Annex or Annexes should present any inconsistency or contradiction with these General Conditions, the provisions of the Special Conditions or the corresponding Annex shall prevail. In case of inconsistencies or contradictions between the Special Conditions and the corresponding Annex or Annexes, specific provisions shall prevail over general provisions.

**Article 2. Conditions Prior to First Disbursement.** (a) The first disbursement of the Contribution shall be subject to the fulfillment of the following requirements, by the Beneficiary, directly or through the Executing Agency:

- (i) designation of the person or persons authorized to represent it in all acts relating to the execution of this Agreement, and submission to the Bank of authenticated specimen signatures of such persons. If two or more officials are designated, the designation shall indicate whether they may act severally or jointly;
- (ii) submission to the Bank of a request for disbursement, justified in writing; and
- (iii) presentation to the Bank of a timetable for use of the Counterpart Resources.

(b) If within one hundred and eighty (180) days from the effective date of this Agreement, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in this Article and in the Special Conditions have not been fulfilled, the Bank may terminate this Agreement by giving notice to the Beneficiary.

**Article 3. Disbursement Procedure.** (a) The Bank shall make disbursements of the Contribution to the Beneficiary, through the Executing Agency, each time it requests such disbursements and provides justification, to the Bank's satisfaction, for the expenses to be paid with the Contribution resources.

(b) At the request of the Beneficiary, through the Executing Agency, and provided that the requirements set forth in paragraph (a) above, in Article 2 and in the Special Conditions have been satisfied, the Bank may establish a revolving fund with the Contribution resources, which the Beneficiary, through the Executing Agency, shall utilize to cover eligible Program expenses charged against the Contribution. The Beneficiary, through the Executing Agency,

shall inform the Bank about the status of the revolving fund within a period of sixty (60) days from the closing date of each semester.

(c) The Bank may replenish the revolving fund entirely or in part as the resources are used, if the Beneficiary, through the Executing Agency, so requests and presents to the Bank's satisfaction, a detailed statement of expenses charged to such fund, together with the supporting documents thereof and a justification for such request. The detailed statement of expenses shall be submitted according to the catalog of accounts indicated in the Annex of this Agreement, which describes the Program.

**Article 4. Expenditures Chargeable to the Contribution.** The Contribution shall exclusively finance those eligible expenses which are set forth in the Program budget contained in the Annex that describes the Program. Only direct and actual Program expenses may be charged to the Contribution. Indirect or general operating expenses, which are not included in the Program budget, cannot be charged to the Contribution.

**Article 5. Request for Final Disbursement.** The Executing Agency shall present the final request for disbursement of the Contribution, accompanied by the appropriate supporting documentation, to the Bank's satisfaction, at least thirty (30) days before the expiration of the disbursement period referred to in the Special Conditions of this Agreement, or of any extension thereto that the parties may have agreed upon in writing. This final request for disbursement shall include the supporting documentation required for payment of the auditing services mentioned in Article 11 of these General Conditions.

**Article 6. Suspension and Cancellation of Disbursements and Other Measures.** (a) The Bank may suspend the disbursements or cancel the Contribution if any of the following circumstances occurs: (i) the failure of the Beneficiary to fulfill any obligation stipulated in this Agreement; (ii) if it is determined at any stage that evidence is sufficient to support a finding that an employee, agent, or representative of the Beneficiary, Executing Agency or Contracting Agency, has engaged in an act of fraud and corruption during the bidding process, negotiation of a contract, or the execution of the contract; or (iii) any circumstance which, in the Bank's opinion, may render unlikely the attainment of the objectives of the Program. Under these circumstances, the Bank shall notify the Executing Agency in writing so that it may present its points of view, and after thirty (30) days from the date of the Bank's notice, it may suspend the disbursement or cancel the undisbursed portion of the Contribution.

(b) Pursuant to paragraph (a) above, the parties agree that upon the occurrence of institutional or organizational changes within the Executing Agency, which, in the Bank's opinion, might affect the timely execution of the Program's objectives, the Bank shall review and evaluate the likely attainment of the objectives and may at its discretion, suspend, condition or cancel the disbursements of the Contribution.

(c) The Bank may cancel the part of the Contribution pertaining to the procurement of certain goods, works or related services, or consulting services, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Agreement; or (ii) representatives of the Beneficiary, Executing Agency or Contracting Agency

have committed any acts of fraud and corruption, either in the process of selecting the supplier or consultant or in the negotiation or execution of the respective contract, and the Beneficiary has not taken timely and remedial measures, observing the due process guarantees of the legislation of the Beneficiary's country, which are acceptable to the Bank.

(d) For the purposes of the above paragraph, acts of fraud and corruption shall be understood to include, but not be limited to, acts of: (i) a corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the actions of another party; (ii) a fraudulent practice is any act or omission, including a misrepresentation, which misleads, or attempts to mislead, a party in order to obtain a financial or other benefit or to avoid an obligation; (iii) a coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or property of the party to influence the actions of a party; and (iv) a collusive practice is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

(e) If, in accordance with the administrative procedures of the Bank, it is demonstrated that any firm, entity or individual bidding for or participating in a Bank-financed Program including, *inter alia*, Beneficiary, bidders, suppliers, contractors, sub-contractors, applicants, consultants, Executing Agency or Contracting Agency (including their respective officers, employees and agents) has engaged in an act of fraud or corruption, the Bank may:

- (i) decide not to finance any proposal to award a contract or a contract awarded for works, goods, related services and consultant services financed by the Bank;
- (ii) suspend disbursement of the Contribution as described in Article 6 (a) above of these General Conditions if it is determined at any stage that evidence is sufficient to support a finding that an employee, agent or representative of the Beneficiary, Executing Agency or Contracting Agency has engaged in an act of fraud or corruption;
- (iii) cancel, the portion of the Contribution earmarked for a contract as described in Article 6 (c) above of these General Conditions, when there is evidence that the representative of the Beneficiary has not taken the adequate remedial measures within a time period which the Bank considers reasonable, and in accordance with the due process guarantees of the Beneficiary country's legislation;
- (iv) issue a reprimand in the form of a formal letter of censure of the firm, entity or individual's behavior;
- (v) issue a declaration that an individual, entity or firm is ineligible, either permanently or for a stated period of time, to be awarded or participate in contracts under Bank-financed Programs except under such conditions as the Bank deems to be appropriate;
- (vi) refer the matter to appropriate law enforcement authorities; and/or

- (vii) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement of the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of other sanctions.

(f) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above may be public or private.

(g) The provisions established in the precedent paragraphs (a) and (c) shall not affect the disbursement by the Bank of any amounts which the Bank by specific written agreement with the Beneficiary, Executing Agency or Contracting Agency, as the case may be, has agreed to provide from the resources of the Contribution to make payments to a supplier of goods and related services or consultant services. The exceptions set forth in this paragraph (g) shall not apply if the Bank determines that acts of fraud and corruption occurred with respect to the procurement of, or the negotiation or execution of the contract for, such goods and related services or consultant services.

**Article 7. Exchange Rate for Programs Financed with Funds Expressed in Dollars of the United States of America.** (a) Disbursements:

- (i) The equivalence in dollars of the United States of America of other convertible currencies in which the disbursements of the Contribution might be made, shall be calculated applying the exchange rate in effect in the market on the date of the disbursement; and
- (ii) the equivalence in dollars of the United States of America of the local currency, or other non-convertible currencies, in the case of regional Programs, in which the disbursements of the Contribution might be made, shall be calculated applying, on the date of the disbursement, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency, or other non-convertible currencies, in the case of regional Programs, held by the Bank.

(b) Expenses:

- (i) The equivalence in Dollars of the United States of America of an expenditure made with convertible currencies shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.
- (ii) The equivalence in Dollars of the United States of America of an expenditure made in local currency, or in other non-convertible currencies, in the case of regional Programs, shall be calculated applying, on the date in which payment is rendered for the expenditure in question, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank.



- (iii) For purposes of subparagraphs (i) and (ii) above, it is understood that the date of payment for the expenditure, is the date on which the Beneficiary, the Executing Agency, or any other natural or legal person to whom the right to make expenditures has been delegated, makes the respective payments to the contractor, consultant or supplier.

**Article 8. Exchange Rate for Programs Financed with Funds Constituted in Convertible Currencies Other than the US Dollar.** (a) Disbursements. The Bank may convert the disbursed currency chargeable to the resources of the trust fund indicated in the Special Conditions in:

- (i) other convertible currencies applying the exchange rate in effect in the market on the date of the disbursement; or

- (ii) the local currency or other non-convertible currencies, in the case of regional Programs, applying, on the date of the disbursement, the following procedure: (A) the equivalence of the currency of the trust fund indicated in the Special Conditions shall be calculated in Dollars of the United States of America, applying the exchange rate in effect in the market; (B) next, the equivalence of these Dollars of the United States of America shall be calculated in local currency or other non-convertible currencies, in the case of regional Programs, applying the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank.

- (b) Expenses: (i) The equivalence in the currency of the trust fund, indicated in the Special Conditions, of an expenditure made with convertible currencies shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.

- (ii) The equivalence in the currency of the trust fund, indicated in the Special Conditions, of an expenditure made in local currency or other non-convertible currencies, in the case of regional Programs, shall be calculated in the following manner: (A) the equivalence in Dollars of the United States of America of such expenditure, applying, on the date in which payment is rendered for the expenditure in question, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank; (B) next, the equivalence in the currency of the trust fund indicated in the Special Conditions of the value of the expenditure in Dollars of the United States of America, shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.

- (iii) For purposes of subparagraphs (i) and (ii) above, it is understood that the date of payment for the expenditure, is the date on which the Beneficiary, the Executing

Agency, or any other natural or legal person to whom the right to make expenditures has been delegated, makes the respective payments to the contractor, consultant or supplier.

**Article 9. Other Contractual Obligations of Consultants.** In addition to the special requirements included in the Special Conditions, Annex or Annexes and in the respective terms of reference, the Executing Agency agrees that contracts signed with Consultants shall also specify the Consultants' obligations to:

(a) provide any clarifications or additional information that the Executing Agency or the Bank consider necessary with respect to the Consultants' reports required under the terms of reference set forth in their respective contracts;

(b) provide the Executing Agency and the Bank with any additional information as they may reasonably request concerning the performance on their work;

(c) in the case of international consultants, perform their work in an integrated manner with the local professional staff assigned or contracted by the Beneficiary to participate in the execution of the Program, with a view to carrying out technical and operational training of such staff by the conclusion of the work;

(d) assign copyrights, patents and any other form of industrial property right to the Bank in cases where such rights result from the work and documents carried out by the Consultants under the consulting contracts financed with resources of the Program; and

(e) notwithstanding paragraph (d) above, in order to obtain a timely dissemination of the results of the Program, the Bank authorizes the Beneficiary, or the Executing Agency, to make use of the products resulting from the consulting services financed with the resources of the Program, with the understanding that the Beneficiary, or the Executing Agency, shall utilize such consulting products under the terms set forth in Article 15 of these General Conditions.

**Article 10. Acquisition of Goods and Services.** (a) The Beneficiary may acquire, chargeable to the Contribution, the goods and services (other than consulting services) required for the execution of the Program, in an amount not to exceed the allocation specified for that purpose in the budget set forth in the Annex that describes the Program.

(b) When the goods acquired and services (other than consulting services) contracted for the Program are entirely financed with local counterpart contribution, the Beneficiary shall, whenever possible, follow procedures that allow the participation of several bidders, and shall take into account principles of economy, efficiency and price reasonability.

(c) When sources of financing other than resources of the Contribution or of the Counterpart Resources are used, the Beneficiary may agree with the financing entity the procedure to be followed for the acquisition of goods and services. Notwithstanding, at the Bank's request, the Beneficiary shall prove the reasonability of both the price agreed upon or paid for the acquisition of such goods and services, and of the financial conditions of such

credits. The Beneficiary shall likewise demonstrate that the quality of the goods meets the technical requirements of the Program.

(d) During the execution of the Program, the goods referred to in subsection (a) above shall be used exclusively for the execution of the Program.

(e) The goods included in the Program shall be adequately maintained according to generally accepted technical standards, at a level compatible with the services that they should provide.

**Article 11. Financial Statements.** (a) When the period for execution of the Program exceeds one (1) year, and the amount of the Contribution exceeds one million five hundred thousand Dollars of the United States of America (US\$1,500,000), the Beneficiary, through the Executing Agency, undertakes to submit, to the Bank's satisfaction:

- (i) annual financial statements, and one final financial statement, regarding Program expenditures charged to the Contribution and to the Counterpart Resources. These financial statements shall be audited by independent public accountants acceptable to the Bank, in accordance with procedures satisfactory to the Bank;
- (ii) the annual financial statements shall be presented no later than ninety (90) days following the close of each year of execution, beginning with the year that corresponds to the fiscal year in which disbursements of the Contribution begin; and the final financial statement shall be presented no later than ninety (90) days following the date of the last disbursement of the Contribution, with the exception of the disbursement of the resources necessary to cover the cost of the auditing services referred to in this Article. These time periods shall only be extended with the written consent of the Bank; and
- (iii) the Bank may suspend disbursements of the Contribution, if it does not receive, to its satisfaction, the annual financial statements within the periods stipulated in paragraph (ii) above, or within any extension of these periods it may have authorized.

(b) When the period for execution of the Program does not exceed one (1) year, or the amount of the Contribution is equal to or less than the equivalent of one million five hundred thousand Dollars of the United States of America (US\$1,500,000), the Beneficiary, through the Executing Agency, undertakes to submit to the Bank's satisfaction, and within ninety (90) days following the date of the last disbursement of the Contribution, with the exception of the disbursement of the resources necessary to cover the cost of the auditing services referred to in this Article, a financial statement of Program expenditures charged to the Contribution and to the Counterpart Resources, audited by independent public accountants acceptable to the Bank and in accordance with procedures satisfactory to the Bank.

**Article 12. Internal Control and Records.** The Beneficiary, the Executing Agency, or the Contracting Agency, as the case may be, shall maintain an appropriate system of internal

accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial statements and reports. The records of the Program shall be maintained for a minimum of three (3) years after the date of final disbursement of the Contribution, in such a way that: (a) make it possible to identify the sums received from the various sources; (b) show, in accordance with the catalogue of accounts approved by the Bank, the investments in the Program, both with the resources of the Contribution and with the other funds to be provided for its complete execution; (c) include sufficient detail to show the works performed, the goods acquired and the services contracted, as well as the utilization of such works, goods and services; (d) such documents include documentation relating to the bidding process and the execution of the contracts financed by the Bank including, but not limited to, bid requests, bid packages, summaries, bid evaluations, contracts, correspondence, work product and drafts, and invoices, including documents relating to the payment of commissions, and payments to agents, consultants and contractors; and (e) show the cost of the investments in each category and the progress of the Program.

**Article 13. Inspections.** (a) The Bank may establish such inspection procedures as it deems necessary to assure the satisfactory development of the Program.

(b) The Beneficiary, the Executing Agency and the Contracting Agency, if any, shall permit the Bank to inspect at any time the Program, the equipment and materials involved therein, and to examine such records and documents as the Bank may deem pertinent. The personnel which the Bank shall send or designate as investigators, agents, auditors or experts for this purpose shall receive the complete cooperation of the respective authorities. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c) The Beneficiary, the Executing Agency or the Contracting Agency, as the case may be, shall, upon request of an authorized representative of the Bank, provide to the Bank any documents, including procurement-related documents, that the Bank might reasonably request. In addition, the Beneficiary, the Executing Agency and the Contracting Agency shall make their personnel available, upon reasonable notice, to respond to questions from Bank personnel, which arise during the review or audit of such documents. The Beneficiary, the Executing Agency or the Contracting Agency, as the case may be, shall produce the documents in a timely manner or shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d) If the Beneficiary, the Executing Agency or Contracting Agency, as the case may be, refuses to comply with the Bank's request, or otherwise obstructs the Bank's review of the matter, the Bank in its sole discretion, may take appropriate action against the Beneficiary, Executing Agency or Contracting Agency, as the case may be.

**Article 14. Other Commitments.** The Beneficiary, through the Executing Agency shall also:

(a) provide the Consultants and local experts with secretarial services, offices, office supplies, communication services, transport and any other logistical support required for the execution of their work;

(b) present to the Bank a copy of the Consultants reports and their comments thereof;

(c) provide the Bank with any other additional information or legal reports as it may reasonably request concerning execution of the Program and the use of the Contribution and the Counterpart Resources; and

(d) keep the Bank's Representative in the respective country or countries informed of all aspects of the Program.

**Article 15. Publication of Documents.** Any document issued under the Bank's name or logotype, as part of a special Program, joint program, research Program or any other event financed with the resources of the Program intended for publication, shall be previously approved by the Bank.

**Article 16. Supervision in the Field.** Without prejudice to the supervision of the Program activities performed by the Executing Agency, the Bank may supervise the Program in the field through its Country Office in the country or countries as it may designate for such purpose.

**Article 17. Limitation of the Bank's Obligation.** It is understood that the granting of the Contribution by the Bank does not constitute any obligation whatsoever to totally or partially finance any program or Program that may be undertaken directly or indirectly as a result of the execution of the Program.

**Article 18. Arbitration.** For the solution of any controversy which may arise hereunder and which is not resolved by agreement of the parties, said parties shall unconditionally and irrevocably submit to the following arbitration procedure and award:

(a) **Composition of the Tribunal.** The Arbitration Tribunal shall be composed of three (3) members, to be appointed in the following manner: one by the Bank, another by the Beneficiary, and a third, hereinafter called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties fail to agree on who shall be the Referee, or if one of the parties fails to appoint the Referee, the Referee shall be appointed, at the request of either party, by the Secretary General of the Organization of American States. If either of the parties fails to appoint an arbitrator, he shall be appointed by the Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall perform the same functions and shall have the same powers as his predecessor.

(b) **Initiation of the Procedure.** In order to submit the controversy to arbitration the claimant shall address to the other party a written communication setting forth the nature of the claim, the satisfaction or compensation sought, and the name of the arbitrator it has appointed.

The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it has appointed as arbitrator. If, within thirty (30) days after delivery of such notification to the claimant, the parties have not agreed upon the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

In cases of Agreements with Argentina, the parties agree that prior paragraphs (a) and (b), where it reads: "Secretary General of the Organization of American States", it shall read instead: "President of the International Court of Justice."

(c) **Convening of the Tribunal.** The Arbitration Tribunal shall be convened in Washington, District of Columbia, on the date designated by the Referee and, once convened, the Tribunal itself shall decide when it shall meet.

In cases of Agreements with Argentina, the parties agree that this paragraph (c) shall read instead: "The Arbitration Tribunal shall be convened at the place and date it designates and, once convened, it shall meet on the date decided by the Tribunal."

(d) **Procedure.**

- (i) The Tribunal shall be competent only to hear the matter in controversy. It shall adopt its own procedures and may on its own initiative designate whatever experts it considers necessary. In any case, it shall give the parties the opportunity of making oral presentations.
- (ii) The Tribunal shall proceed ex aequo et bono, basing itself on the terms of this Agreement, and shall issue an award even if either party should fail to appear or to present its case.
- (iii) The award shall be in writing and shall be adopted with the concurrent vote of at least two of the members of the Tribunal. It shall be handed down within sixty (60) days from the date on which the Referee has been appointed, unless the Tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The parties shall be notified of the award by means of a communication signed by at least two members of the Tribunal. The parties agree that any award of the Tribunal shall be complied with within thirty (30) days from the date of notification and it shall be final and not be subject to any appeal.

(e) **Costs.** The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of any other person who by mutual agreement, they deem should participate in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself may determine the compensation reasonable for such person under the circumstances. Each party shall defray its own expenses in the arbitration proceedings but the expenses of the Tribunal shall be divided and borne equally

by both parties. Any doubt regarding the division of expenses or the manner in which they are to be paid shall be determined, without appeal, by the Tribunal.

(f) **Notification.** All notifications regarding the arbitration proceeding or to the award shall be made in the manner provided in the present Agreement. The parties expressly waive any other form of notification.

In cases of Agreements with Ecuador, the parties agree that, for the purposes of notification, this paragraph (f) shall read: “All notifications regarding the arbitration proceeding or to the award, shall be made in the manner provided in the Agreement. The parties expressly waive any other form of notification. Notwithstanding the foregoing, any party delivering a notification hereunder must also notify the Attorney General (Procurador General del Estado) of Ecuador.”

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**SURINAME**

**SUPPORT TO THE LOW INCOME SHELTER PROGRAM, PHASE II**

**(SU-T1049)**

**PLAN OF OPERATIONS**

This document was prepared by the project team consisting of: Carolina Piedrafita, (ICF/FMM) Team Leader; Rosina de Souza (LEG/SGO); Ophelie Chevalier; Eduardo Rojas; and Rosemary Torres (ICF/FMM).



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## **ANNEXES**

ANNEX I	Logical Framework
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ANNEX III	Procurement Plan
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## **BASIC SOCIOECONOMIC DATA**

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## **ABBREVIATIONS**

CBO	Community Based Organization
ESR	Environmental and Social Review
FSO	Fund for Special Operations
IADB	Inter-American Development Bank
LAC	Latin America and Caribbean
LISP	Low Income Shelter Program
LISP II	Second Phase of LISP
MHP	Multipurpose Housing Program
MIS	Management Information System
NGO's	Non-governmental Organizations
PCR	Project Completion Report
PIU	Program Implementation Unit
TC	Technical Cooperation
TOR	Terms of Reference

**SURINAME**  
**SUPPORT FOR A LOW INCOME SHELTER PROGRAM**  
**(SU-T1049)**

**EXECUTIVE SUMMARY**

<b>Beneficiary Country:</b>	Suriname						
<b>Team Leader/Members:</b>	Carolina Piedrafita, (ICF/FMM) Team Leader; Rosina de Souza (LEG/SGO); Ophelie Chevalier; Eduardo Rojas; and Rosemary Torres (ICF/FMM).						
<b>Executing Agency:</b>	Low Income Shelter Program (LISP) Foundation and Inter-American Development Bank (IADB)						
<b>Target Beneficiaries:</b>	The operation will benefit low income Surinamese, by supporting preparation activities for a second phase of a Low Income Shelter Program						
<b>Financing plan:</b>	<b>IADB Net Income of the Fund for Special Operations (FSO):</b> <table><tr><td>US\$</td><td>200,000</td></tr><tr><td><b>Local:</b></td><td>US\$ 0</td></tr><tr><td><b>Total:</b></td><td>US\$ <u>200,000</u></td></tr></table>	US\$	200,000	<b>Local:</b>	US\$ 0	<b>Total:</b>	US\$ <u>200,000</u>
US\$	200,000						
<b>Local:</b>	US\$ 0						
<b>Total:</b>	US\$ <u>200,000</u>						
<b>Objectives:</b>	The objective of this Technical Cooperation (TC) is to support preparation activities of the Second Low Income Shelter Program (SU-L1015)						
<b>Execution Timetable:</b>	Execution period: 12 months Disbursement period: 14 months						
<b>Special Contractual Conditions:</b>	None						
<b>Exceptions to Bank Policies and Conditions</b>	None						
<b>Contractual conditions</b>	Two of the four proposed consultancies will be hired by SSS in accordance with Bank Procurement rules. See paragraphs 4.3 and 4.4 for reference.						
<b>Environmental and Social Review:</b>	There are no negative environmental or social issues associated with the activities of this TC, so it was classified as "C" according to the Safeguard Classification Tool. Environmental and Social Review (ESR) confirmed this classification in a memo from August 19, 2008.						
<b>Coordination with other donors:</b>	LISP and the project team have maintained close coordination with the Dutch Embassy, one of Suriname's principal donors and with relevant Non-governmental Organizations (NGO's) working in housing. The different stages of project design will be shared and managed so that donors promote one sole housing policy.						

## I. BACKGROUND AND JUSTIFICATION

### A. Background

- 1.1 The Government of Suriname has requested the Bank assistance to support a second phase of the Low-Income Shelter Program (SU-L1015), currently in preparation.
- 1.2 **Accomplishments.** The First LISP has been successful in accompanying the shift in approach from direct public provision of housing that Suriname initiated in 2001. The program was based on the allocation of a direct up front subsidy to low income beneficiaries. As a result, both private developers and commercial banks expanded their participation in the low income housing market, along with civil society groups and NGOs which raised program awareness and aggregated demand. The shift proved to be a big one, and it considerably lowered public costs of direct housing provision. Over its 5 years of execution the program has benefited around 3,725 households, 1,208 for new housing and 2,517 for housing improvement. Furthermore, the program supported the professionalization of the LISP Foundation<sup>1</sup>, the Program Implementation Unit.
- 1.3 Since 2003, LISP represents a pillar of the Country's housing policy and has gained wide recognition among policy makers and beneficiaries. As it gained trust, applications grew exponentially. Thus the request of extending the program into a second phase.
- 1.4 **Housing Policy.** A Multipurpose Housing Program (MHP) was launched in 2006, within the Multipurpose Development Plan 2006-2011 of President Venetiaan. The MHP states for the years 2005 to 2010 that "special attention will be devoted to solving the four most important bottlenecks in the sector, namely: the availability of financial resources and the access to financing, the availability of urbanized land, the organization of the sector and the increase of the efficiency and effectiveness within the sector". The Program includes the following four subprograms: (i) transitional arrangements, (ii) institutionalization and education, (iii) land development company, and (iv) housing. LISP will be operational in the implementation of the last subprogram.

### B. Suriname's Housing Needs

- 1.5 **Quantitative Deficit.** The population of Suriname grew from 355,240 in 1980 to 492,829 in 2004 according to Census figures. Intercensal annual growth was 1.37%. The number of dwellings grew from 86,943 to 120,157 in the same period (annual growth of 1.38%). Based on this information Suriname has constructed an average of 1403 dwellings per year during the past 24 years, and the quantitative

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<sup>1</sup> The LISP Foundation was created to be the Program Implementation Unit (PIU). LISP has had responsibility for all aspects of project execution, including the interface with the Bank and disbursement of program resources. It is governed by a board of Directors. The Board is headed by the Chairman, who is accountable to the Minister of Social Affairs and Housing. It is comprised of representatives of the main stakeholders of the program: 3 members from the GOS, one from a participating lender, other from a participating contractor, one from a partner NGO, and one that is acceptable to all of the above.

housing deficit can be estimated to have increased by about 25 houses per year in the past 24 years<sup>2</sup>. It can be concluded that the housing situation in Suriname (in terms of *quantitative* deficits) has not deteriorated between 1980 and 2004.

- 1.6 **Qualitative Deficit.** There is no official information on the quality of the housing stock in Suriname. Reportedly, a large proportion of dwellings, particularly outside Paramaribo, do not have adequate building standards, lack basic urban services and a large proportion of them do not have adequate titling on their property. Even if there is little evidence of large low income shelter or squatters, as seen in other countries in the Latin America and Caribbean (LAC) region, the housing problems are exacerbated in the two largest cities (Paramaribo and Wanica) due to Suriname's poverty and the steady stream of people moving to cities and towns from rural areas. Furthermore, much of Suriname's housing stock is overcrowded and is constructed from wood, which needs costly maintenance due to climate and termite infestations. The qualitative deficit can also be explained by the low access to mortgage credit for low income groups, making them dependant on savings and other resources to buy or improve their dwellings. Only the upper 20% of the population can access finance for a formal housing solution. Additionally, since incremental self construction is the predominant method to access a housing solution, housing quality is expected to be at least variable.

### C. Sector Challenges

- 1.7 The bottlenecks and factors constraining the development of housing in Suriname are similar to those affecting other countries in the region and include: (i) serviced land availability problems at affordable prices for the low income groups, (ii) affordability issues for a large percentage of potential clients which reduce their access to credit, (iii) inadequate credit information, (iv) lack of long-term sources of finance available to financial institutions, (v) inadequate Government sponsored housing subsidy programs<sup>3</sup>, and (vi) lack of government commitment to implement low-cost housing development schemes that facilitate the supply of low-cost housing solutions, among others.

### D. SU-L1015 Challenges and Description

- 1.8 Given the stated circumstances, it is proposed to center the Second Phase of LISP (LISP II) on fully targeting low income households. This means reducing the maximum gross income of LISP beneficiaries from SRD1070 to SRD1000 (equivalent to SRD800 net income) and adjusting current program parameters to address the needs of the target group.
- 1.9 Project components will be arranged as follows:

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<sup>2</sup> Assuming the count of 4 people per household

<sup>3</sup> After the creation of LISP the Central Bank sponsors a 7% interest rate subsidy that targets the middle class and the upper income levels of LISP beneficiaries.

1. ***Component I. Consolidate Subsidy Model.*** The component will have the following subcomponents: (a) Facilitate access to Low income population to an adequate housing solution by means of an upfront subsidy. The proposed single subsidy per household is of US\$3,000 and could be used as part of the down payment to access a mortgage loan, or it can be used for improving or expanding an existing house without a loan; (b) Extend the geographic coverage of the Program to the interior or hinterland of the country; and (c) Institutional Strengthening: to support the operation, training and equipment needs of the Program Implementation Unit (PIU), and other program partners such as NGOs and Financial Institutions.
2. ***Component II. Pilot Projects for Low Income Housing.*** Acknowledging the Program limitation to attend to the lowest income sectors due to the requirement of land ownership to be eligible for the subsidy, LISP II will develop pilots to further explore options to focus on this income segment.

#### **E. Rationale for the Proposed Operation**

- 1.10 The government of Suriname has requested assistance from the Bank to support a Second Low Income Shelter Program. For this purpose, a program is presently being designed (SU-L1015). This technical cooperation is conceived to support the preparation and launching of SU-L1015. However, this technical cooperation does commit neither the Bank nor the Government of Suriname to approve the terms of the future loan. Activities related to the preparation of the loan and their implementation is therefore contingent to the agreement between the parties of the corresponding loan contract.
- 1.11 The program will contribute to the objectives of MHP, within the Multipurpose Development Plan 2006-2011 of President Venetiaan.
- 1.12 LISP and the project team base the program on the following: (i) there is a considerably high qualitative housing deficit, (ii) 80% of the population doesn't have access to housing finance so they depend on own resources and saving capacity that will never afford them a house, and (iii) LISP is the only government agency that supports low income groups in their access to housing.
- 1.13 The strategy for the technical cooperation builds upon the results of the First Low Income Shelter Program (SU-0017) as detailed in the exit workshop of December 2007, its mid term evaluation, and the identification mission carried out for the second phase, in April 2008. It also includes lessons learned from the draft Project Completion Report (PCR) for SU0017 and the Housing Market Assessment that was commissioned to prepare SU-L1015.
- 1.14 The afore mentioned reports and studies have shown that for LISP II design, it is relevant to review and improve the programs' targeting strategy and system and to update program parameters, such as maximum household income, maximum subsidy amount, maximum cost of housing solution, maximum possible loan, loan

to value ratio and level of requested beneficiary savings, among others. Also, the application process could be managed more efficiently, and availability of information needs to be improved. For this to happen it is essential to develop a Managing Information System (MIS) to manage applications, approvals, and disbursements. To match these improvements, some operational processes and criteria will be reviewed, such as the intermediaries' selection process and responsibilities based on their capacity to deliver (specially the NGOs). Finally, it is also important to expand awareness and communication campaigns to increase participation levels and inform new potential beneficiaries. Thus, the current TC concentrates in two areas: (i) strengthening operational design so that LISP II can deliver housing subsidies in an efficient and well targeted manner and (ii) designing support systems and software to support LISP foundation's work.

## **II. PROGRAM OBJECTIVE AND DESCRIPTION**

### **A. Objective**

- 2.1 The objective of this TC is to support preparation activities of the Second Low Income Shelter Program (SU-L1015), by developing crucial studies and tools for its effective implementation.

### **B. Components**

#### ***1. Component I. Operational Design of the Second Low Income Shelter Program.***

- 2.2 The different products that comprise this component will be the base of the Operational Manual of SU-L1015. Consulting services include:

#### **a) Consultancy I. Institutional Assessment of LISP's PIU and Partners in Execution and Design LISP II Operational Manual.**

- 2.3 This consultancy should:

- a. Assess LISP I's processes and bottlenecks identified and in light of LISP II objectives and expected results, propose solutions to LISP I bottlenecks, along with improvements on existing processes that shall remain, and suggestions on new processes that should be added to LISP II.
- b. Identify and analyze institutional strengthening needs for LISP Foundation and its partners (NGOs, CBOs, Banks), focusing on their responsibilities for LISP II and available resources to carry them out. This implies a cost-effectiveness analysis of the current institutional arrangement taking into account criteria of efficiency and sustainability<sup>4</sup>, and an assessment of the PIU's outsourcing arrangements. It will also assess LISP's capacity to

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<sup>4</sup> LISP is currently a foundation, and it has outsourced to NGO communication and awareness campaigns along with beneficiary selection, and relies on commercial banks and developers to complete the cycle of access to housing that it fosters.



undertake pilot projects, such as neighborhood upgrading, rental units, Incremental Construction, etc.

- c. After a validation workshop with the Bank and relevant stakeholders, the consultant should *develop an Operational Manual* to describe the main roles and processes for LISP II. This Operational Manual will serve as a base to design MIS modules (consultancy 4) and it is expected that the consultant hired for consultancy 1 will accompany MIS design. Some changes to the Operational Manual could be expected during MIS design and validation process.

**b) Consultancy II. Environmental and Social Assessment.**

- 2.4 This consultancy should identify the social and environmental impact and the necessary management and mitigation measures needed by construction projects that will be partially financed by the subsidy.

**2. Component II. Software and Information System support.**

- 2.5 Needed for project implementation. Consulting services required include:

**a) Consultancy I. Develop and Install of a Targeting Mechanism for the Subsidy.**

- 2.6 For LISP II a targeting system will be in place to be able to give priority to the poorest among low income groups, and/or to provide different solutions to different income groups.

**b) Consultancy II. Design and Install a MIS.**

- 2.7 The current system is just an access data base, with no connectivity among variables or services outside LISP. This consultancy will design and install an MIS by: (i) establishing a web based system; (ii) linking technical and Financial information of beneficiaries; (iii) producing reports drawing information from different data bases, (iv) allowing tracking of applications, (v) storing paper documents, (vi) sharing standard bidding documents and (vii) tracking payment of fees, among others. It will also include staff training sessions.

**III. COST AND FINANCING**

- 3.1 The total cost of this operation has been estimated at US\$200,000, and will be financed by the Bank on a non-reimbursable basis with the resources of FSO's Net Income, according to the information in the following table:<sup>5</sup>

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<sup>5</sup> The amount has been confirmed by the Ministry of Finance—See Letter of Request from June 20, 2008.

**Table 3.1: Summary Cost (Thousands US\$)**

Category	FSO	Total
<b>Component I – Operational Design of the Second Low Income Shelter Program</b>	<b>69,900</b>	<b>69,900</b>
Consultancy I. Identification and analysis of institutional strengthening needs for LISP foundation and Design LISP II Operational Manual, including solutions for main bottlenecks identified during LISP I	50,000	50,000
Consultancy II. Environmental and social assessment	19,900	19,900
<b>Component II – Software and Information System Support</b>	<b>130,100</b>	<b>130,100</b>
Consultancy I. Development and installation of a targeting mechanism for the subsidy.	30,000	30,000
Consultancy II. Design and Install a MIS	100,100	100,100
<b>TOTAL</b>	<b>200,000</b>	<b>200,000</b>

#### IV. EXECUTING AGENCY AND DURATION

- 4.1 The CT will be jointly executed by the IADB and the Ministry of Social Affairs and Housing through Low Income Shelter Program's Foundation (LISP Foundation) as the Project Implementation Unit<sup>6</sup>. The LISP foundation has a successful record of implementation of Phase I of the Low Income Shelter Program, and has a team of 16 qualified professionals that have been trained to deliver and are accountable for annual performance goals.
- 4.2 Even if all four consultancies will be selected and executed in close coordination between the Bank and the PIU, the two consultancies in Component I will be hired by the Bank, while the two consultancies in Component II will be hired by the PIU. The rationale for this choice is that consultancies in Component I are required by Bank procedures as inputs to the Project Operational Document of SU-L1015 while consultancies in Component II are inherently linked to execution and should transfer the capacity to the PIU for execution of project SU-L1015. For all consultancies, the PIU will designate a coordinator who will be responsible for: (i) acting as counterpart of TC activities; (ii) supporting the activities of the consultants; (iii) ensuring the coordination between the consultants involved in the operation; and (iv) assessing the implementation of the activities together with the Fiscal and Municipal Management Division and the Bank's Country Office in Suriname.
- 4.3 For Component II, consultancy I, "Development and Installation of a targeting mechanism for the subsidy", the Project Team has determined a Sole Source Selection should be approved to contract the firm Bitran y Asociados in the adaptation of the PMT formula that they have designed for Suriname in the context of SU0028 (Health Sector Facility). The justification for this SSS lies in the fact that this is a small contract of US\$30,000 and this is in agreement with

<sup>6</sup> This arrangement was requested by the Government of Suriname and LISP

and as cited in the procurement laws (GN-2350/7, 3.10, footnote 32) it is within the limits for direct contracting.

- 4.4 For Component II, consultancy II, “Design and Install a Management Information System” the Project Team has determined to contract an Ecuadorian consulting firm, Ayala Consulting, through Single Source Selection. The firm has proved relevant and successful experience designing and installing MIS for similar programs in Guyana and Barbados. Furthermore, the firm has been involved in the drafting of the Project Completion Report for SU-0007 (LISP Phase I) and is well aware of program processes, lessons learned and bottlenecks, and has a good working relationship with the PIU and partners. Thus, the project team believes that the firm is in a unique position to develop LISP II MIS. Two justifications for SSS apply: (i) there are few qualified firms that are willing to work in the region and (ii) the consultancy is for US\$100,000 and as cited in the procurement laws (GN-2350/7, 3.10, footnote 32) it is within the limits for direct contracting. The cost of contract estimated of US\$100,000 is within that of the local market for this kind of services
- 4.5 The execution period of the operation will be 14 months. This period should allow the consultants to provide technical assistance to the local team until the completion of activities.

## **V. MAJOR ISSUES**

- 5.1 This operation is a first step in the preparation of the Second Low Income Shelter Program (SU-L1015) that has not yet been approved. Therefore, the particular challenge of this operation is to update existing processes to improve program targeting and efficiency, and enhance coordination with private sector actors.

## **VI. ACTION PLAN**

- 6.1 The tentative principal milestone dates for SU-L1015 are:

<b>Event</b>	<b>Date</b>
TC Profile (SFO)	05/09/2008
PP SU-L1015 (approved)	09/05/2008
TC Proposal approved (SFO)	09/05/2008
POD (draft)	11/15/2008
Analysis Mission	01/15/2009
Approval	02/15/2009

## **VII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 7.1 There are no negative environmental or social issues associated with the activities of this TC, so it was classified as “C” according to the Safeguard Classification

Tool. This classification is based on the fact that the TC is financing preparation of SU-L1015 by financing assessments (institutional and environmental) on the one hand, and the design and implementation of software to support the project implementation unit management capacity, on the other. However, consultants' Terms of Reference – especially the environmental and social assessment – will include specific technical requirements for environmental appraisal.

### **VIII. CERTIFICATION**

- 8.1 The Grants and Cofinancing Management Unit (VPC/GCM) certifies that US\$200,000 from the net income of the Fund for Special Operations (FSO) is available for the financing of the project activities proposed in this Plan of Operations.

Vo.Bo

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Marguerite S. Berger, Chief  
VPC/GCM

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Date

### **IX. APPROVAL**

Vo.Bo

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Vicente Fretes Cibils, Chief  
ICF/FMM

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Date