

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**SURINAME**

**SUPPLEMENTARY FINANCING FOR THE MEERZORG-ALBINA INTEGRATION  
CORRIDOR REHABILITATION PROJECT**

**(SU-L1021)**

**LOAN PROPOSAL**

This document was prepared by a project team consisting of: Colin Forsythe (TSP/CSU), Project Team Leader; Pablo Guerrero Alternate Team Leader, Alejandro Taddia, Isabel Granada, Nicolas Dei Castelli, Virginia Navas and Caterina Vecco (INE/TSP); Chris Persaud (TSP/CGY); Fazia Pusterla (SPD/SDV); Eloise Canfield (VPS/ESG); Roy Parahoo, Lourdes Sanchez Alvarez and Rinia Terborg (FMP/CSU); Carol Lieveld, (CCB/CSU) and Kevin McTigue (LEG/SGO).

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ELECTRONIC LINKS	
<b>REQUIRED</b>	
1. POA	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36843236">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36843236</a>
2. Monitoring & Evaluation Arrangements	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36857811">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36857811</a>
3. ESMR	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36857834">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36857834</a>
4. Procurement Plan	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842716">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842716</a>
<b>OPTIONAL</b>	
1. Technical options and design	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842718">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842718</a>
2. Analysis of project cost and economic viability	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842719">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842719</a>
3. Financial management/fiduciary issues and control environment	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36843056">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36843056</a>
4. Institutional analysis/personnel, procedures other aspects of implementation capacity (Includes Operating regulation)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842720">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842720</a>
5. Scope of works/Progress. Lot 1	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842721">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842721</a>
6. Scope of works/Progress. Lot 2A	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842722">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842722</a>
7. Scope of works/Progress. Lot 2B	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842723">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842723</a>
8. Scope of works/Progress. Lot 3	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842724">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842724</a>
9. Project maps	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842725">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842725</a>
10. Qualification and Price Escalation	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36909336">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36909336</a>
11. Review of Management and Maintenance	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842728">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842728</a>
12. World Bank Evaluation of Support for Road Funds	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842729">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842729</a>
13. The IIRSA Guyana Shield Hub - The Case of Suriname	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842712">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36842712</a>
14. Country Strategy Paper and National Indicative Program	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36869372">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36869372</a>
15. Road Investment for Sustainability of Network and Domestic Contractors	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36869379">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36869379</a>
16. Face-to-Face QRR Presentation	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37000804">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37000804</a>

## ABBREVIATIONS

AC	Asphalt Concrete
AFD	French Development Agency
AOP	Annual Operating Plan
CPI	Consumer Price Index
CS	Country Strategy
DPS	Development Plan of Suriname
EA	Executing Agency
EIRR	Economic Internal Rate of Return
ESA	Environmental and Social Assessment
ESMR	Environmental and Social Management Report
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Strategy
EU	European Union
FIDIC	International Federation of Consulting Engineers
FIIRI	Financing of Technical Cooperation for Initiatives for Regional Infrastructure Integration
FSO	Fund for Special Operations
GDP	Gross Domestic Product
GOS	Government of Suriname
IDB	Inter-American Development Bank
IIRSA	Initiative for the Regional Integration in South America
km	Kilometer
m	Meter
MACRP	Loan 2062/BL-SU and 2063/OC-SU for the Meerzorg-Albina Corridor Rehabilitation Program
ML	Mandatory Link
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPW	Ministry of Public Works
MTCT	Ministry of Transport, Communication and Tourism
NIMOS	National Institute for Environment and Development in Suriname
NPV	Net Present Value
OC	Ordinary Capital
OL	Optional Link
PEU	Project Executing Unit
POD	Proposal for Operational Development
PP	Procurement Plan
RA	Roads Authority
ROW	Right of Way
SRD	Surinamese Dollar
SSF	Safeguard and Screening Form for Screening and Classification of Projects
TOR	Terms of Reference
WAL	Weighted Average Life

## PROJECT SUMMARY

### SURINAME

### SUPPLEMENTARY FINANCING FOR MEERZORG - ALBINA INTEGRATION CORRIDOR REHABILITATION PROJECT SU-L1021

Financial Terms and Conditions			
<b>Borrower:</b> The Republic of Suriname  <b>Executing Agency:</b> The Ministry of Finance (MOF) and the Ministry of Public Works (MPW)		<b>Flexible Financing Facility*</b>	
		<b>Amortization Period:</b>	25 years
		<b>Original WAL</b>	14.25 years
		<b>Disbursement Period:</b>	3 years
		<b>Grace period</b>	3 years
<b>Source</b>	<b>Amount</b>	<b>Supervision and Inspection Fee:</b>	**
<b>IDB (OC)</b>	US\$40,000,000	<b>Interest Rate:</b>	LIBOR based
<b>Local</b>	US\$13,800,000	<b>Credit Fee:</b>	**
<b>Total</b>	US\$53,800,000	<b>Currency of Approval:</b>	US\$ chargeable to the Ordinary Capital (OC)
Project at a Glance			
<p><b>Project Objective/Description:</b> The main objective of the project is to improve access to important economic zones and facilitate tourism and regional integration of the country, as well as to lower transport costs and improve road safety, through the rehabilitation and improvement of the Meerzorg – Albina corridor. The supplementary loan will complete a strategic regional integration project, for which resources have been depleted as a result of the following causes: (i) higher than anticipated quantities due to utilities relocation and renewal; (ii) increase in quantities due to design reviews; (iii) price escalation; (iv) higher than anticipated bid prices; (v) decline in value of the Euro against the US Dollar with a resulting shortfall of the original counterpart resources (LO-2062/BL-SU and LO-2063/OC-SU); and (vi) prolongation of contracts.</p> <p><b>Conditions prior to disbursement:</b> (i) ratification by the Borrower of a revised Memorandum of Understanding (MOU) between the MOF, MPW and Ministry of Labor, Technological Development and Environment regarding execution responsibilities for the project; (ii) ratification of the operations, finance and administration manual, prepared during the mid-term evaluation of the current loan; and (iii) appointment of a full-time contracts officer to the Project Executing Unit (PEU). (¶2.8)</p> <p><b>Special conditions for execution:</b> The Borrower shall: (i) obtain the Bank's no objection to the bid documents for Stolkvertsijver Bridge upgrading by July 1, 2013, having incorporated in the bid documents the Environmental and Social Management Plan (ESMP), specifications and requirements for supervision as stipulated for all civil works carried out within the Loan 2062/BL-SU and 2063/OC-SU for the Meerzorg-Albina Corridor Rehabilitation Program (MACRP) as set forth in Section 3.04 of the Special Conditions to 2062/BL-SU and 2063/OC-SU (¶2.10); and (ii) issue request for proposals for the maintenance management system, alternative financing options, axle load control and related road safety actions by Jan. 31, 2013. (¶2.13)</p> <p><b>Exceptions to Bank policies:</b> A partial exemption to the policy "Additional financing of cost overruns for operations in progress" (GN-2329 reflected in OP-310) will require Board approval with regard to the condition that states that "The borrower must be in a position to provide additional counterpart resources to maintain the original ratios approved in the project financing matrix, including cost overruns." In this operation, the ratio of local counterpart to Bank's Financing is less than under the current loan (26% rather than 51%). (¶1.31, ¶1.32).</p>			
<b>Project qualifies for:</b> SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>			

(\*) Under the Flexible Financing Facility (FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original WAL. In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

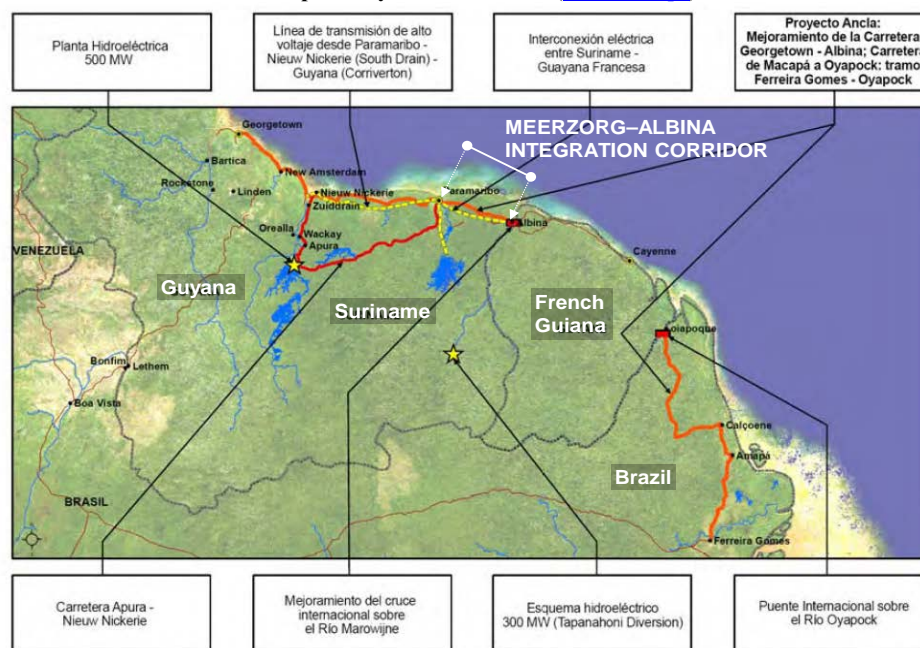
(\*\*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem, and justification

- 1.1 **Country and sector issues.** The economy of Suriname has grown at an average of 4.4% annually throughout the global economic downturn, due mainly to the contribution of its extractive industries - oil, bauxite and gold - that represent 85% of the country's exports and 50% of its economic activity. The combination of adequate fiscal performance, robust economic growth and clearance of arrears with bilateral creditors has helped reduce the public debt to the lowest level in the Caribbean.<sup>1</sup>
- 1.2 Suriname's relatively poor connectivity with neighbor markets (mainly Guyana and French Guiana) restricts its potential to reap the benefits of economic complementarities and to integrate value chains across borders. The country seeks to attain regional economies of scale via Guiana's Shield Hub<sup>2</sup> since a sparse population and the fact that over 80% of its territory is covered with tropical rain forest, have meant that most of its 530,000 inhabitants resides within a 30 km (kilometer) wide coastal region and that 70% of the population resides in its capital city Paramaribo. The vehicle fleet has also grown steadily at a rate of 9% annually since 2005, reaching 190,000 registered vehicles in 2010.
- 1.3 **Integration and transport infrastructure.** Suriname's road network, like its population, concentrates in the northern coastal region and is comprised of 4,500 km of roads, of which 1,300 km are paved primary roads. The main roads are the East-West Corridor between Albina (at the border with French Guiana) and Nieuw Nickerie (at the border with Guyana), and the North-South Corridor between Paramaribo and Brokopondo (inland). Under the Initiative for Regional Infrastructure Integration in South America (IIRSA) the East-West Corridor improvement project was ratified in 2004 as one of the

Map 1: Guyana Shield Hub ([Link to maps](#))



<sup>1</sup> 2005-2011 debt-to-GDP ratio reduced from 37% to 19%.

<sup>2</sup> IIRSA includes a portfolio of projects including Anchor Project, essential to catalyze the synergies of the projects in the hub.

two anchor projects for the country.<sup>3</sup> This integration corridor will link Suriname with its neighboring countries and will facilitate transport from Guyana into French Guiana and to Brazil along the recently built Oyapock River Bridge (2011).

- 1.4 **Road sector institutional framework.** Road transport policy design and implementation is a function of the Ministry of Transport, Communication and Tourism (MTCT), while the Ministry of Public Works (MPW) is responsible for the construction of new roads and rehabilitation of the existing network. The 1995 Roads Authority Act established a semi-autonomous Roads Authority (RA), and requires the MPW to hand over 1,500 km of Suriname's primary road network after rehabilitation, as a means to improve road maintenance. The RA is run by a Board, appointed by and responsible to the MPW, which consists of representatives of both Government and private sector stakeholders. Institutional setting for road maintenance has improved, with funding secured through a national fuel levy to provide for routine and periodic maintenance needs. (¶2.13) Further capital investments on rehabilitation are needed to bring roads back to a maintainable standard.
- 1.5 **Problem to be addressed.** The rehabilitation of the 140 km integration corridor ("the Corridor") was identified as a priority because: (i) the roadway was 6.0 to 6.3 meter (m) wide (below internationally accepted standards of 7.2 m) and was deteriorated over more than 100 km having come to the end of its effective life cycle with over 30 years of use and the lack of overloading control<sup>4</sup>; (ii) asphalt cracks, pavement deformations, subsidence at bridge approaches and other structural disorders affected more than two thirds of the alignment; (iii) as vegetation invaded roadside shoulders, drivers were compelled to straddle the centerline leading to traffic hazards and accidents; (iv) markings and road furniture were inadequate; and (v) in urban crossings, sewer networks overflow during rainstorms severely restricted both local and long-haul traffic. The Corridor runs along the coastal region, represents almost 10% of the national primary network, and concentrates approximately 23% of the country's traffic flow (¶1.2). Its poor condition, combined with rapid motorization, had contributed to a relatively high level of traffic fatalities (20 every 100,000 inhabitants<sup>5</sup>), sub-standard average travel speeds (below 35 km/h, resulting in travel time of 4.5 hours between Meerzorg and Albina), and high vehicle operation costs.
- 1.6 **Expected project benefits.** The Corridor rehabilitation to a well-functioning road axis will improve trade and integration both domestically and internationally, connecting towns and villages along the coast and facilitating a long held aspiration to integrate the Guianese Shield Hub countries. It is expected that rehabilitation works could help increase trade to French Guiana by 25%<sup>6</sup>. Previous experiences and studies<sup>7</sup> have shown

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<sup>3</sup> The corridor is part of the IIRSA's Guyana's Shield Hub-Group 4: Guyana-Suriname-French Guiana and Brazil, including: (i) international road linkages, river crossings and bridges; and (ii) hydro-electric projects and international transmission lines.

<sup>4</sup> There is no quantitative data available on truck overloading along the Corridor, but the issue has been identified as a key issue with the GOS and in the following document: Suriname-European Community, Country Strategy Paper 2001–2007 ([OL#14](#)).

<sup>5</sup> This figure is higher than registered statistics for other Caribbean, Central and Latin American countries and is substantially greater than those recorded in OECD countries where the number of recorded fatalities per 100,000 inhabitants is 5 or less.

<sup>6</sup> According to the traffic analysis, average daily traffic of heavy vehicles in the corridor could have increased from an average of 185 to 230 due to traffic diverted from the port of *Dégrade-des-Cannes* to the port of Paramaribo (2007).

<sup>7</sup> "The cost of road transport increases exponentially with poor roads, in such a way that for each dollar not allocated to road maintenance, vehicle operating costs increase by 2 to 3 dollars". Evaluation of Bank Support for Road Funds" Background Paper for Evaluation of World Bank Assistance to the Transport Sector 1995-2005. Published by the World Bank, 2007.

the positive impact of road rehabilitation on the reduction of transport costs and maintenance costs and increased transport reliability. Other significant impacts include: reduction of travel time and vehicle operation costs and improvement of travel safety.

- 1.7 **Bank involvement in Suriname's road sector.** Since 2007, the Bank and the Government of Suriname (GOS) have jointly addressed the rehabilitation of the country's road network and its integration with neighboring countries. A technical cooperation<sup>8</sup> financed the feasibility studies and final designs for the rehabilitation of the Meerzorg-Albina road. These studies were co-financed by the French Development Agency (AFD) and resulted in the Loans 2062/BL-SU and 2063/OC-SU, being approved in 2008.
- 1.8 **The Meerzorg-Albina Corridor Rehabilitation Program (MACRP)–Current Loan (2062/BL-SU and 2063/OC-SU).** The MACRP comprises the eastern link of the East – West Corridor from Meerzorg, on the outskirts of Paramaribo, to Albina, on the border with French Guiana. As per GOS request, the Board approved in November 2008 the MACRP with Bank financing of US\$62.5 million (49%) and US\$64.4 million (51%) in counterpart financing.<sup>9</sup> Local counterpart was funded by an AFD loan (61%, €25 M Euro) and a European Union (EU) grant (39%, €17.5 million Euro). The total project cost was estimated at US\$126.9 million to cover three main components: (i) rehabilitation of the Corridor (US\$108.85 million) to comply with regional integration road standards; (ii) supervision and implementation support (US\$6.25 million); and (iii) institutional strengthening (US\$0.5 million).
- 1.9 **MACRP road design.** A pre-feasibility study was carried out in 2007 and feasibility studies completed in 2008 (¶1.7). The MOF supervised implementation of final designs with an average cost per km originally estimated for the MACRP of US\$834,663. Current average forecast cost at constant prices for the MACRP is estimated at US\$1,053,662.

Table 1: Civil Works Contracts Summary (OL#9)

Lot	Section	Length (km)	Civil Works Contracts				Forecast final cost US\$
			Funding	Contracts signature date	Commencement date	Amount	
1	Meerzorg Tammanerdjo	20.5	EU	May 20, 2010	July 20, 2010	€17,993,236	35,237,115
2A	Tammanredjo Wanhati	43.6 and 5 bridges	IDB	Aug. 26, 2009	Nov. 2, 2009	US\$34,164,433	45,232,982
2B	Wanhati Moengo	31.5 and 1 bridge	IDB	Oct. 26, 2009	Dec. 2, 2009	US\$27,879,125	35,961,453
2C	Stolkertsijver Bridge	0.35 (1 bridge)	IDB	Not awarded	n/a	n/a	n/a
3	Moengo Albina	42.3 and 6 bridges	IDB/AFD	Oct. 28, 2009	Jan. 4, 2010	US\$31,250,000	44,255,574

- 1.10 Subsequent to prequalification in December 2008, the final detailed road design used for the contract bidding process was completed by April 2009, six months after being commissioned to a Design engineer firm. The implementation of rehabilitation works was divided into five contracts for bidding purposes: **Lot 1**, financed by EU comprising the section from Meerzorg to Tamanredjo; **Lot 2A** from Tamanredjo to Wanhati, **Lot 2C**, the rehabilitation of Stolkertsijver bridge – located within Lot 2A, but tendered separately; **Lot 2B** from Wanhati to Moengo funded by the Bank; and **Lot 3** financed by AFD and

<sup>8</sup> Approved in 2007 ATN/OC-10411/SU financed by the Fund for the Financing of Technical Cooperation for Initiatives for Regional Infrastructure Integration (FIIRI).

<sup>9</sup> The resources from the Bank included: (i) US\$21.7 million from the blend of Fund for Special Operations (FSO) and Ordinary Capital (OC), considered as one single loan with two sources to be disbursed *pari-passu* with a 20%-80% mix respectively; and (ii) US\$40.8 million from OC.



IDB, comprising the last section from Moengo to Albina. The Bank gave its no objection to the bid documents, inclusive of the detailed designs for these lots, prior to tender. Civil works contracts were awarded and subsequently signed between August 2009 and May 2010 with commencement of works between November 2009 and July 2010 as detailed in Table 1.

- 1.11 **Road design review.** At the commencement of its contract the Supervisory Engineer Consultant (the Supervisor), responsible for the supervision of works on all lots, in keeping with its terms of reference and as per standard practice, undertook a design review. This review, presented in early November 2009, indicated a difference in technical opinion with the designs included in the bidding documents and in accordance with International Federation of Consulting Engineers (FIDIC) contractual procedures an independent third party was contracted to review the designs. This design review benefited from additional data and confirmed the opinion of the Supervisor.
- 1.12 The design review consultant was then asked to perform a detailed structural pavement re-design in May 2010 which resulted in a design review that yielded additional quantities and costs for all lots (¶1.24). The design review was completed in August 2010 for Lots 2A and 2B and in October 2010 for Lot 1 and led to extension of the contract periods for all lots (Table 2) since the contractors had commenced work and were limited in their scope of activities until the design modification was completed

Table 2: Revised completion dates

Lot	Section	Effective Commencement Date	Planned Duration (months)	Original Completion Date	Revised Completion Contract Date	Revised Duration (months)	Progress October 2012
1	Meerzorg/Tammanerdjo	Jul. 2010	18	Jan. 2012 (interim)	Sep. 2013	32	34%
2A	Tammanredjo/Wanhati	Nov. 2009	18	May 2011	Feb. 2013	40	98%
2B	Wanhati/Moengo	Dec. 2009	18	Jun. 2011	Feb. 2013	39	66%
2C	Stolkertsijver Bridge	( ¶ 1.16 - ¶2.10)	9	Not awarded	n/a	n/a	n/a
3	Moengo/Albina	Jan. 2010	18	Jul. 2011	Oct. 2012	32	71%

- 1.13 **Current results on project execution.** Notwithstanding the delays arising from design reviews, the MACRP is being satisfactorily implemented based on the status of the physical works as of October 2012, and has the momentum for all lots currently under construction to be substantially completed within the disbursement period of the current loan by May 2014. Work on the IDB-financed lots of the corridor (Lots 2A, 2B and 3) is proceeding satisfactorily with an average completion rate of 78% at 68% of the current loan execution period (October 2012). Lot 2A shows substantial progress results (98%) and Lots 2B and 3, are 66% and 71% complete respectively. For the EU-funded Lot 1, physical progress of works is estimated at 34% with pavement construction having commenced in April 2012 (¶1.14).<sup>10</sup>
- 1.14 Lot 1 was awarded to the company Baitali N.V. and works commenced in July 2010. The main issue for the timely initiation of civil works was the need to confirm funding for the relocation of utilities. Roadway pavement construction commenced in March 2012 from the eastern end of Lot 1 and is progressing steadily. The contractor has satisfactorily

<sup>10</sup> The project has a performance index (PI) of 0.63 in March 2012 and is currently in alert status in the Performance Monitoring Report (PMR) system. The PI score is historical and its computation is penalized by the delays in execution of Lot 1, which is not financed by the Bank. The next PI assessment will take place in March 2013 and will reflect the substantial completion of works with concomitant disbursement by September 2013.

relocated fences and walls within the right-of-way with the active cooperation of community residents.

- 1.15 Lot 2A was awarded to the company MNO Vervat with works initiated in November 2009. Currently, the execution of works is satisfactory and completion is expected ahead of contract completion date. Results include 43,6 km paved, five bridges completed and on service as well as three special school zones at km 25, 27 and 45 that will allow safety access to school facilities to children in the surrounding area. Only traffic markings remain to be completed. ([OL#6](#)).
- 1.16 MPW is in the process of initiating the re-tender of works for the upgrading of Lot 2C–Stolkertsijver Bridge that was put on hold due to an unsuccessful procurement process. This will be part of Component 1 of the proposed supplemental loan operation. (¶1.40).
- 1.17 Lot 2B was also awarded to MNO Vervat with works initiated in December 2009. Currently, execution of works is satisfactory and moving ahead steadily in sequential, manageable sections from Wanhati to Moengo. Results include 20 km paved and one bridge in service. Progress is adequate and notwithstanding the prevailing challenges of operating in areas with a high water table, the contractor is on target for the February 2013 revised scheduled completion. ([OL#7](#)).
- 1.18 Lot 3 was awarded to China Dalian International Group. Ongoing performance in terms of progress, quality and environmental control is considered satisfactory. In the past, the contractor had worked on various sites with limited progress which caused him to run behind-the-schedule and overrun the revised completion date.<sup>11</sup> The contractor has mobilized additional equipment and stockpiled high levels of road materials to support continued acceleration and is on course to completion by 2<sup>nd</sup> quarter 2013. Results include all six bridges and a 10 km section adjacent to Albina on service. The 10 km section close to Moengo is expected to be on service by December 2012. ([OL#8](#)).
- 1.19 **Execution of Institutional strengthening component.** The National Institute for Environment and Development in Suriname (NIMOS) has initiated the procurement of a consultant to prepare technical guidelines and specifications for transport projects environmental management with the aim of completing its execution by the 3rd Quarter of 2013. The MPW is drafting the Terms of Reference (TOR) for a legal and technical expert consultancy that will define the rules to manage the Right-of-Way (ROW) with respect to use and occupancy requirements, with a view to facilitating additional investments planned for the East-West Corridor. The Ministry of Finance (MOF) has decided to use other sources of funds to complete the third activity–establishment of a public investment system, in light of the Programmatic Policy Based Loan (2666/OC-SU). The unallocated funds will be applied to Component 1 – Civil Works.
- 1.20 **Lessons learned.** The lessons learned from IDB’s financing and involvement in the current project include: (i) adequate time allocation to studies is essential to producing precise designs; furthermore, for an optimal sequencing of civil works procurement, the Supervisor should be hired in time to assess the designs prior to awarding construction contracts to minimize cost overruns; (ii) proper execution of a major multi-donor regional

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<sup>11</sup> The Supervisor does not envisage any justifiable further extension for Completion of Lot 3. Liquidated Damages at the rate of US\$15,000/day could be deducted from the Contractor’s payments from November 1 2012 to the date of completion of the works up to a 10% of the final contract price (approximately US\$3.9 M)

integration project requires strong EA arrangements and effective donor coordination (¶1.35) to ensure timely delivery of products, quality control and adequate financial management; (iii) the efficient execution of the urban crossings works and clearance of the right of way for Lot 1 helped to build social and environmental management capabilities at the MPW; and (iv) it would be advisable to retain the price adjustment clause in FIDIC works contracts, even for contracts of duration less than 18 months.

## B. Need for additional financing and compliance with IDB policies for cost overruns

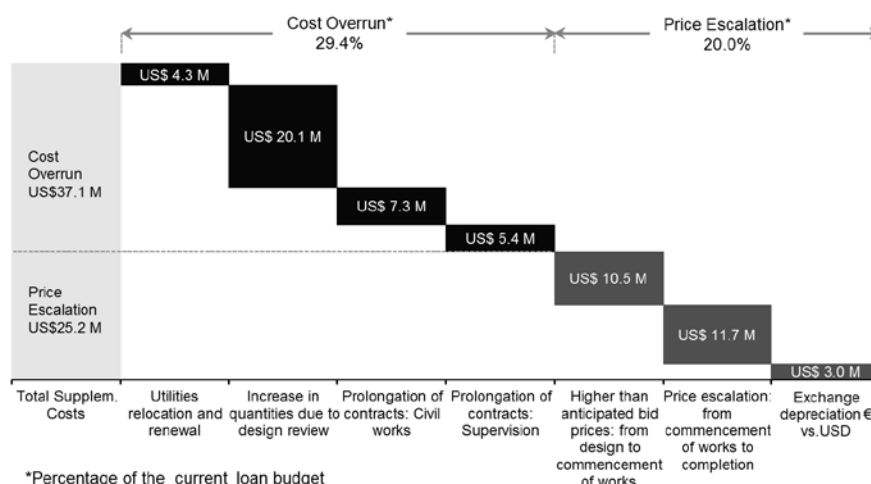
1.21 In August 2011, the GOS requested supplementary Bank funding for the MACRP, required for the completion of the program (¶1.13-1.18). The GOS request was justified subsequently by a report entitled “Meerzorg-Albina Corridor Rehabilitation Forecast Final Cost December 31, 2011” (OL#2). The concurrent set of factors described in Table 3, result in a net total additional funding of US\$53 million to complete the civil works originally envisioned in the MACRP.

Table 3: Supplementary cost breakdown

Supplementary Costs Breakdown	Costs as percentage of current loan budget	Total suppl. needs (US\$ million)	Sources (US\$ million)			
			Current loan		Sup. Financing	
			2062/BL-SU 063/OC-SU	GOS Add. counterpart	IDB	GOS
<b>Cost Overrun</b>	<b>29.4%</b>	<b>37.1</b>	<b>4.7</b>	<b>3.6</b>	<b>16.3</b>	<b>12.5</b>
Utilities relocation and renewal	3.4%	4.3	0.7	3.6	-	-
Increase in quantities due to design review	15.9%	20.1	4.0	-	10.9	5.2
Prolongation of contracts: Civil works	5.8%	7.3	-	-	-	7.3
Prolongation of contracts: Supervision	4.3%	5.4	-	-	5.4	-
<b>Price Escalation</b>	<b>20.0%</b>	<b>25.2</b>	<b>5.5</b>	<b>-</b>	<b>18.4</b>	<b>1.3</b>
Higher than anticipated bid prices: from design to commencement of works	8.3%	10.5	-	-	10.5	-
Price escalation: from commencement of works to completion	9.3%	11.7	5.5	-	4.9	1.3
Exchange depreciation € vs.USD	2.4%	3.0	-	-	3.0	-
Stolkertsijver Bridge	3.6 %	4.5	-	-	4.5	-
<b>TOTAL</b>	<b>53.0%</b>	<b>66.8</b>	<b>10.2</b>	<b>3.6</b>	<b>39.2</b>	<b>13.8</b>

1.22 Figure 1 outlines the two major categories of supplementary financing needs. Paragraphs 1.23 to 1.28 present a detail explanation for concurrent factor.

Figure 1. Schematic supplementary costs breakdown (in US\$ million)



- 1.23 **Higher than anticipated quantities due to utilities relocation and renewal (US\$4.3 million).** Additional quantities as a result of sub-surface utilities requirements and the installation of new water lines in the Lot 1 project area totaled US\$3.6 million. These costs were financed by GOS in December 2011 from its own fiscal budget. The prolonged intervening period has, however, contributed to the cost increase of the Lot 1 works contract. In addition, partly to accommodate the utilities in Lot 1, the width of the utility corridor had to be enlarged and consequently 2,928 m of walls and fencing, and 11 other obstacles had to be relocated at a cost of US\$0.7 million.
- 1.24 **Increase in quantities due to design reviews (US\$20.1 million).** The review of designs completed after the awarding of civil works contracts based on further field investigation yielded cost variations above the original project budget. For Lot 1, the revised design showed increased asphalt thickness costing US\$2.7 million extra. The design variations for Lot 2A and 2B totaled US\$5.9 million and US\$5.5 million respectively and required larger length of pavement reconstruction than originally expected, which resulted in increased asphalt thickness and additional quantities for new cost items. For Lot 3 the variation resulting from the design revision included the pre-treatment of existing asphalt, AC overlay and additional cost items for the reconstructed portions, similar to Lots 2A and 2B. In addition, traffic in the time since the detailed designs were prepared has caused additional lengths of road in Lot 3 to deteriorate further, increasing the length to be fully reconstructed from 16 to 19 km, adding to a total increase of US\$6.0 million.
- 1.25 **Prolongation of contracts: civil works (US\$7.3 million).** Contractors claimed for extension of the time for completion of civil works as a result of: (i) the additional work resulting from the revised pavement design; and (ii) the delays caused by the design revision process. The extensions ranged from 14 to 22 months (Table 2 above).
- 1.26 **Prolongation of contracts: Supervision (US\$5.4 million).** The extension of the Supervisory Engineer's contract until the completion of civil works contracts and defects liability period for uninterrupted supervision.
- 1.27 **Higher than anticipated bid prices occurred from design to commencement of works (US\$10.5 million).** The total amount of the four road contracts (Lots 1, 2A, 2B, and 3) at the time of award exceeded the original budgeted amount by US\$10.5 million. This difference was caused by a combination of the following factors: (i) inflation<sup>12</sup> during the intervening period (8-18) months between bid estimate and awarding; and (ii) the inherent uncertainty of estimating the amount of international bid prices in an international construction market for what is the largest road construction project attempted in Suriname in more than a decade.
- 1.28 **Price escalation occurred from commencement of works to completion (US\$11.7 million).** The extensions of the periods of the civil works contracts have given rise to claims for the adjustment of prices (escalation). Under the original contracts, prices were fixed and the price adjustment clause was agreed to be inapplicable. A specialized adjudication consultant hired by the Bank has made an interim determination that price escalation should be paid based on the additional escalation during the extension period in excess of the escalation that would have been incurred during the original planned

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<sup>12</sup> Inflation rose from 1.3% at the end 2009 to 10.3% at the end 2010 and 15.2% in 2011, following large wage increases as well as higher food and fuel prices.

contract period. The recommended approach embodies the principles of the standard FIDIC price adjustment formula and uses appropriate indices related to the country of origin of the primary commodities for each contractor. The contractors, in recent communication with the Supervisor, have expressed amenability to this approach. The current forecasts of the final project costs are premised on this approach and include a total projection of US\$11.7 million for price escalation over the entire period of the contracts, which is consistent with the expert's estimate in May 2012. (¶1.11, ¶1.12)

- 1.29 **Decline in value of the Euro against the US Dollar with the resulting shortfall of the counterpart resources (US\$3 million).** Resources of the AFD loan are denominated in Euros and have declined in value over the current contract period. The decline of the Euro has resulted in a forecasted net resources reduction for Lot 3 of US\$3 million.
- 1.30 **Compliance with IDB policy on Financing Increase of Cost Overruns for Operations in Execution (OP-310).** The request for the Supplementary Financing is in compliance with OP-310 as follows: (i) the supplementary financing is being requested within the present disbursement period (¶1.21); (ii) program execution is satisfactory (¶1.9); (iii) the cost overruns result from circumstances beyond the Borrower's control; (iv) a reduction in the program's coverage would not be an appropriate solution as it would compromise the Corridor (Paramaribo–Albina) link and regional integration objectives of the program (¶1.3, ¶1.6); (v) the additional financing is needed to ensure that the original objectives of the project are met. The supplementary financing does not adversely affect the project's environmental, institutional, economic and financial feasibility (¶2.2, ¶2.5), the revised economic appraisal showed a positive return and the updated environmental and social review confirmed significant compliance on environmental issues; (vi) the GOS does not have access to additional financing sources that offer transaction costs and maturities comparable to those provided by the Bank (¶1.32). In addition, GOS values the benefits of the technical assistance and operational and environmental management processes that accompany the Bank's financial instruments, and as such is interested in completing the program investments with the IDB financial assistance (¶1.20); and (vii) the GOS is up to date on its payments to the Bank.
- 1.31 **Partial exception to policy OP-310.** This operation complies with OP-310 with the exception of condition (vii), which requires maintenance of the financing ratios (local counterpart to IDB financing) approved in the current loan. The original *pari-passu* was set at 49% Bank financing and 51% counterpart contribution, to be fully funded by grants and concessional lending from the EU and AFD, respectively (¶1.8). The proposed supplementary financing would have a *pari-passu* of 74% Bank financing and 26% as counterpart contribution, to be funded from the GOS sovereign budget.
- 1.32 It is important to note that the Bank's policy regarding the proportion of counterpart financing would have allowed 100% IDB financing when the original loan financing was approved in November 2008. However, GOS mobilized an attractive financing package from the EU and the AFD that covered about half of the project costs. There was no need for any direct contribution to local counterpart from the sovereign budget. Currently, external financing,<sup>13</sup> with comparable terms and conditions is no longer available to the

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<sup>13</sup> Efforts are currently being made to explore the opportunity for support funding from the OPEC Fund for International Development (OFID) for part of the GOS counterpart contribution.

GOS for supplementary financing. For this reason, the proposal to introduce a significant counterpart contribution from the GOS budget not only reflects the high priority assigned to the completion of this project, but also constitutes effective compliance with the spirit of the Bank's policy on supplemental financing with regard to maintenance of financing ratios. Accordingly, Management recommends approval of a partial exemption to the letter of the policy: "Additional financing of cost overruns for operations in progress" (GN-2329 reflected in OP-310) regarding the proportion of local counterpart funding.

- 1.33 **Bank's Country Strategy with Suriname.** The recently approved Bank's Country Strategy (CS) for Suriname for the period 2011-2015, identifies the transport sector as one of the seven priority areas targeted. The CS (GN-2637-3) focuses on assisting Suriname with transitioning to a more structurally sustainable economic model. Specifically, the CS includes an operation to provide supplementary financing for the MACRP in its indicative loan pipeline for the period 2011-2015.
- 1.34 **Justification.** The MACRP is aligned with the Development Plan of Suriname (DPS) for 2012-2016, which considers infrastructure as a priority to create expanding opportunities for economic development. MACRP is conceived as one of the key projects to connect Suriname with French Guiana, Guyana and Brazil. In addition, the supplementary financing is consistent with the priorities of the CS, in which it has been included accordingly. Finally, the project is also in line with the Bank's institutional priorities as outlined in the Ninth General Capital Increase for the IDB (GCI-9) (AB-2764), as the Meerzorg-Albina corridor is a strategic integration corridor for trade between Georgetown (Guyana), Paramaribo and Cayenne (French Guiana) ports. It thus contributes to regional cooperation and integration through IIRSA and increases the Bank's output of inter-urban paved road coverage. The project also contributes to the GCI-9 priority to support small countries.
- 1.35 **Coordination with other donors.** Cooperation through regular donor meetings has continued to oversee project execution, joint supervision missions, project inspections and interactions with the Borrower and the EA on critical implementation issues, with the Bank taking the lead role in this coordination. The Bank, the AFD and the EU have maintained participation over the years in the ongoing dialogue with the GOS on accompanying measures for the transport sector. This active level of collaboration among the donors will be sustained until the completion of the MACRP.

**C. Objective, expected results, components and cost**

- 1.36 **Objective.** The main objective of the project is to improve access to important economic zones and facilitate tourism and regional integration for the country, as well as to lower transport costs and improve road safety through the rehabilitation and improvement of the Meerzorg-Albina Corridor.
- 1.37 **Expected results.** These include: (i) reductions in transport costs, through reductions in vehicle operating costs and travel times, contributing to economic growth and social development; (ii) reduction of future periodic road maintenance costs, due to improved road conditions; (iii) improved road safety conditions in the interurban road system, leading to reductions in accidents; and (iv) institutional strengthening in the areas of planning and implementation of projects.
- 1.38 **Components.** The proposed financing will support the completion of the following components of the Loans 2062/BL-SU and 2063/OC-SU viz.:

- 1.39 *Component 1. Civil Works (US\$47.6 million).* This component will increase the Civil Works budget including price escalation. Bank's resources will be only used for Lots 2A, 2B, 2C and 3, while Lot 1 works financing will be covered entirely by counterpart resources.
- 1.40 Lot 2C, the rehabilitation of Stolkertsijver Bridge includes widening of its carriageway to 7.2 m and upgrading of its load-carrying capacity to comply with the Corridor's regional integration standard. Pedestrian walkways on both sides will also be included. MPW has resumed the procurement process for the upgrading of the bridge.
- 1.41 *Component 2. Implementation Support (US\$5.4 million).* This component will augment financing for Component 2 of the MACRP. It will finance the continuation of consulting services for the supervision of the civil works in Component 1 until the end of the defects liability period for all contracts.
- 1.42 *Component 3. Institutional Strengthening (US\$0.6 million).* This component will augment the institutional strengthening budget of the MARCP in order to: (i) support the RA in the strengthening of its organizational structure, financing mechanisms and maintenance management system; (ii) conduct an axle load survey, draft legislation on axle load control and purchase of axle weighing equipment; and (iii) support the MPW in the preparation of a national road safety strategy and action plan. These activities are complementary to those originally planned under Component 3 of the MARCP, and are intended to further increase the capacity of the GOS and will contribute to the sustainability of the outcomes of the project, particularly in terms of reduced transport costs, reduced maintenance costs, and improved road safety.
- 1.43 *Component 4. Financial Audit, Monitoring and Evaluation (US\$0.2 million).* Includes: (i) additional financial audits that will be required until the conclusion of the program; and (ii) activities included in the Monitoring and Evaluation Plan.
- 1.44 **Cost and additional financing.** The proposed financing has been priced at US\$40 million with an anticipated US\$13.8 million from the GOS to cover the funding gap resulting from the additional costs of completing the project. Table 4 presents the breakdown of costs.<sup>14</sup>

Table 4: Cost and additional financing

Category	Original funding			Supplementary funding			Consolidated budget		
	IDB	GOS	TOTAL	IDB	GOS	TOTAL	IDB	GOS	TOTAL
<b>1. Meerzorg–Albina Corridor Rehabilitation</b>	<b>52.20</b>	<b>56.65</b>	<b>108.85</b>	<b>35.20</b>	<b>12.40</b>	<b>47.60</b>	<b>87.40</b>	<b>69.05</b>	<b>156.45</b>
Civil Works	52.20	56.65	108.85	35.20	12.40	47.60	87.40	69.05	156.45
<b>2. Implementation Support</b>	<b>6.00</b>	<b>0.25</b>	<b>6.25</b>	<b>4.00</b>	<b>1.40</b>	<b>5.40</b>	<b>10.00</b>	<b>1.65</b>	<b>11.65</b>
Supervision	5.25	-	5.25	4.00	1.40	5.40	9.25	1.40	10.65
PEU Costs	0.75	0.25	1.00	-	-	-	0.75	0.25	1.00
<b>3. Inst. Strengthening</b>	<b>0.20</b>	<b>0.30</b>	<b>0.50</b>	<b>0.60</b>	<b>-</b>	<b>0.60</b>	<b>0.80</b>	<b>0.30</b>	<b>1.10</b>
<b>4. Financial audit and M&amp;E</b>	<b>0.30</b>	<b>-</b>	<b>0.30</b>	<b>0.20</b>	<b>-</b>	<b>0.20</b>	<b>0.50</b>	<b>-</b>	<b>0.50</b>
<b>5. Contingencies</b>	<b>1.90</b>	<b>3.60</b>	<b>5.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.90</b>	<b>3.60</b>	<b>5.50</b>
<b>6. Price Escalation</b>	<b>1.90</b>	<b>3.60</b>	<b>5.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.90</b>	<b>3.60</b>	<b>5.50</b>
<b>TOTAL</b>	<b>62.50</b>	<b>64.40</b>	<b>126.90</b>	<b>40.00</b>	<b>13.80</b>	<b>53.80</b>	<b>102.50</b>	<b>78.20</b>	<b>180.70</b>

<sup>14</sup> The balances of funds available (at October 25, 2012) under the original funding, by source, are AFD: Euro 12.2 million, EU: Euro 11.4 million and IDB: US\$7.2 million.

## **D. Key results indicators**

- 1.45 A comprehensive monitoring and evaluation system will assess and refine the program's impact. The expected outcomes of the project are: (i) reductions in generalized transport costs, through reductions in vehicle operating costs and travel times, contributing to economic growth and social development; (ii) reduction of future periodic road maintenance costs, due to improved road conditions; (iii) improved road safety conditions in the interurban road system, leading to reductions in accidents; and (iv) increased capacity of the GOS in the areas of planning, programming and implementation of projects. The key outputs of the project include: (i) 140 km of road rehabilitated; and (ii) institutional strengthening activities and studies.
- 1.46 The proposed indicators and means of verification maximize the use of information that the MPW is collecting during the execution of the project. All the proposed indicators have baseline data, and most of those previously included in the MACRP have measures of achieved levels for 2011. The baseline is the reference point for the evaluation of the program. All the output indicators will be measured directly by the MPW; the outcome indicators will be either measured directly by the MPW, or indirectly by the Police in the case of road accidents. These measures and estimates will be compared with the expected outputs and outcomes presented in the Results Matrix. (Annex II).
- 1.47 Overall, the rehabilitation of the Meerzorg-Albina corridor will reduce: (i) travel time from 4 hours to 2.5 hours; (ii) vehicle operation costs by an estimated 22%; and (iii) road accidents by 15%. Measures of these indicators taken in 2011 have shown the following interim achievements: (i) travel time reduced from 4 to 3 hours; (ii) vehicle operation costs reduced by 13% on the 45 km where the asphalt course has been applied; and (iii) road fatalities reduced from 9 in 2008 to an average of 8 for 2010 and 2011.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 The proposed supplementary financing, like the original program, will be implemented as a specific investment project. The financing from the Bank will draw upon Ordinary Capital (OC) resources, with amortization and grace periods of 25 years and 3 years respectively. The planned disbursement period of this operation is 36 months. Table 5 shows the tentative disbursement schedule, in Ms of US Dollar.

**Table 5: Disbursement schedule**

<b>Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
IDB (OC)	14.9	15.9	9.2	40.0
GSU	7.1	5.2	1.5	13.8
<b>Total</b>	<b>22.0</b>	<b>21.1</b>	<b>10.7</b>	<b>53.8</b>

### **B. Environmental and Social Safeguard Risks**

- 2.2 The Bank policies applicable to this operation include access to Information Policy (OP-102), the Resettlement Policy (OP-710) and the Environmental and Social Compliance Policy (OP-703, directives B.02, B.03, B.04, B.05, B.06, B.07, B.09, B.11, B.12, B.14 and B.17). Given that this operation will cause local and short term environmental and social impacts for which mitigation measures are readily available, the team has classified the operation as a Category "B".
- 2.3 During the preparation of the original loan in 2008, an Environmental and Social Assessment (ESA) was prepared by an expert team of specialists. The proposed operation



does not vary from the approved technical designs and there will be no changes in the environmental strategy prepared for the previous operation. The ESA developed for the prior operation concluded that the project was not anticipated to generate permanent, widespread or irreversible significant negative impacts.

- 2.4 As part of the preparation for this operation, an environmental and social review was conducted that confirmed no environmental liabilities remaining from the previous loan and that the compensation activities had been conducted in accordance with Bank's policies. The review recommend the strengthening of the communications component and to continue environmental monitoring with emphasis on appropriate management procedures for natural habitats. Additional information is included in the Environmental and Social Management Report (ESMR). ([ML#4](#)).

### C. Key issues and risks

- 2.5 **Economic feasibility.** The economic assessment was updated on the basis of the new forecasted costs, observed traffic counts during the construction of the project and direct benefits of road improvements including: (i) savings in vehicle operating costs; (ii) savings in road maintenance expenditures; (iii) time savings to passengers and freight; (iv) reduction of road accidents as a result of widening of road, shoulders and sidewalks ; and (v) residual value of the road structure at the end of the evaluation period. To assess the economic feasibility of this project, the conventional cost-benefit technique was adopted and applied with the Highways Development and Management model 4 (HDM 4-v.2.04). The indicators utilized for the comparison with the without project alternative are: (i) Net Present Value (NPV) of the benefits accruing to road users minus cost increase incurred by the road agency, discounted at a rate of 12% per year; and (ii) Economic Internal Rate of Return (EIRR). The evaluation of this rehabilitation project resulted in a NPV of US\$27.8 million, and an EIRR of 14%; the project is thus feasible and at the end of its lifecycle, it will yield a positive impact.
- 2.6 This economic evaluation was complemented by sensitivity analyses, so as to assess the impact of the reduction of projected traffic and the increase of capital and recurrent costs; the combined impact of traffic reduction and costs increase was also tested. The sensitivity tests shows that: (i) a 15% increase in capital and recurrent costs results in an EIRR of 12.8%; and (ii) 15% reduction traffic volume results in an EIRR of 13.1%. These figures confirm the robustness of the project, which would still be feasible in those scenarios.
- 2.7 **Fiduciary risk.** The MOF has financial recording and reporting responsibilities as well as signing of all contracts and managing the Bank's and AFD accounts at the Central Bank of Suriname. Following the change in Administration in August 2010 the Project Executing Unit (PEU) was reduced and disbanded in February 2011 and reinstated in late June 2011. An institutional capacity assessment was performed in March 2012 and has determined a medium fiduciary risk level since mitigation actions previously identified have already been implemented, such as measures to strengthen the internal control environment, the accounting and financial reporting systems as well as the external control capacities in view of the GOS commitment to improve Public Financial Management systems as identified in the Public Expenditures and Financial Accountability exercise conducted in April 2011 (see [Annex III](#)).
- 2.8 To support the foregoing mitigation actions the Borrower will meet the following

**conditions prior to disbursement: (i) the ratification of a revised MOU between the MOF, the MPW and Ministry of Labor, Technological Development and Environment regarding execution responsibilities for the Project; (ii) the ratification of the operations, finance and administration manual, prepared during the mid-term evaluation of the current loan; and (iii) the appointment of a full-time contracts officer to the PEU.**

- 2.9 **Execution risks.** This supplementary operation has low construction risk since road works are currently well advanced. The identifiable risks are primarily in Lot 1 and Lot 2C. Lot 1 being peri-urban, the road construction is liable to requests from utility companies and property owners giving rise to additional work. There are no identifiable risks in Lot 2A and Lot 2B; the former is virtually completed and the latter is on course for completion in February 2013. Lot 3 has very low risk since the contractor has made very significant improvement in recent months and had delivered additional resources to effectively accelerate physical progress. The application of liquidated damages and focussed management by GOS-PEU/Supervisory Engineer Consultant /Donors should enable completion by mid-2013.
- 2.10 In the case of Lot 2C, upgrading of the Stolkertsijver Bridge, postponement on procurement decisions could lead to delay in the overall completion of the Corridor. In order to mitigate this identified risk, the Borrower will have to meet the following **special execution condition: obtain the Bank's no objection to the bid documents for Stolkvertsijver Bridge upgrading by July 1, 2013, having incorporated in the bid documents the ESMP, specifications and requirements for supervision as stipulated for all civil works carried out within the MACRP as set forth in Section 3.04 of the Special Conditions to 2062/BL-SU and 2063/OC-SU.**
- 2.11 **Residual risks:** Contractors' claims received to date total US\$21.4 million and US\$7.9 million for price escalation and additional costs for extension of time respectively. Both the Supervisor and the specialized adjudication consultant hired by the Bank have produced price escalation projections that are consistent, totalling approximately US\$11.7 million and US\$7.3 million that reflect contract's extension of time already granted. The amounts included in the Supplementary Financing are based on the allowances by the Supervisor for price escalation and other claims in his final forecast cost. (¶1.28) **Accordingly, the Borrower in the event that additional claims are received by the contractors will cover in full any eventual payout through local counterpart resources.**
- 2.12 Discussions between the Supervisor, the employer and contractors on these claims are ongoing and will be concluded as the Bank-funded civil works contracts currently in execution are completed (2013), the defects liability periods have elapsed (2014), and final accounts thereafter are determined (2015). The degree of uncertainty is reduced due to the overall physical execution of the Bank-funded contracts having reached 75% to date with revised designs that have been agreed by all the parties and therefore additional quantities and variations are not expected. Nevertheless this situation will require focused management. The appointment of a full-time contracts officer to the PEU (¶2.8) has been included as a condition prior to the first disbursement. The Bank's Supervision Management Plan also includes the retention of a contracts expert and a dispute adjudicator to closely monitor and analyse claims. The effect of the devaluation of the SRD early in 2011 is currently being considered as a possible counterclaim by the

Employer and the contracts expert is to assess the currency exchange fluctuation in relation to the price escalation implementation issue.

- 2.13 **Sustainability risk.** Adequate road maintenance is necessary for the sustainability of the investments, allowing the roads to reach their complete design life. Routine maintenance funding is secure for roads currently under the RA's responsibility as well as for the Corridor (¶1.4). Mitigation measures in the form of institutional strengthening for the RA with respect to its organizational structure, financing mechanisms and management activities are included in the supplementary financing. Accordingly, **the Borrower will have to meet the following special execution condition: issue procurement documents for the maintenance management system, alternative financing options, axle load control and related road safety actions by January 31, 2013.**

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agencies.** The Borrower will be the Republic of Suriname, and the Executing Agencies will be: the MOF that will be responsible for all financial matters (Financial Executing Agency); and the MPW that will be responsible for all technical aspects of the project (Technical Executing Agency). The Executing Agencies through a dedicated PEU comprised of staff assigned from the MOF, MPW and NIMOS will have a similar structure to that currently in place for the ongoing program.
- 3.2 **Execution structure.** The parties involved in the execution of this project will have the following responsibilities: (i) the PEU through its MOF-assigned staff will be in charge of financial supervision of the program; (ii) the PEU through its MPW-assigned staff will be in charge of project monitoring, overseeing the contractors and supervisors, verifying all project activities before approval of payment certificates and works commissioning; and (iii) NIMOS will be involved in the monitoring and supervision of the ESMP.
- 3.3 **Procurement and disbursements.** Procurement will be carried out in accordance with IDB Policies (GN-2349-9 and GN-2350-9), both from 2011.
- 3.4 **Recognition of expenditures.** In accordance with the Bank's operational policy (OP-504) on recognition of expenditures, counterpart resources will be recognized retroactively up to US\$6 million. This recognition is justified considering that such expenses correspond to an ongoing Bank project with specific development objectives and needs for financing on an uninterrupted basis.

#### B. Summary of arrangements for monitoring results

- 3.5 The monitoring and evaluation arrangements ([ML#3](#)) include the following: (i) annual audited financial statements; (ii) Annual Operating Plans (AOP); (iii) Procurement Plans (PP); (iv) program execution plan; (v) semi-annual progress reports; (vi) Loan Results Report; (vii) administrative missions; and (viii) a final program evaluation. An external audit of the program will be performed by a firm of independent auditors acceptable to the Bank. The cost of the audits will be financed with program resources. Standard financial reporting requirements of the Bank will apply. An independent evaluator will be hired to perform an external evaluation after 90% of loan resources have been disbursed, to assess the extent to which the programs expected outcomes were attained and gauge its development impact.

Development Effectiveness Matrix				
		Summary		
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		The intervention contributes to (i) the lending program for small and vulnerable countries, and to (ii) the lending program to support regional cooperation and integration.		
Regional Development Goals		Paved road coverage (Km/Km²).		
Bank Output Contribution (as defined in Results Framework of IDB-9)		The intervention contributes to the following Bank output: Km of inter-urban roads build or maintained/upgraded.		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2637-3	The intervention contributes to support internal and regional integration through the rehabilitation and enhancement of the sustainability of the transport infrastructure.	
Country Program Results Matrix		GN-2661-4	The intervention is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		9.3		10
3. Evidence-based Assessment & Solution		9.7	25%	10
4. Ex ante Economic Analysis		10.0	25%	10
5. Monitoring and Evaluation		7.5	25%	10
6. Risks & Mitigation Monitoring Matrix		10.0	25%	10
Overall risks rate = magnitude of risks*likelihood		Medium-Low		
Environmental & social risk classification		B		
III. IDB's Role - Additionality				
The project relies on the use of country systems (VPC/PDP criteria)				
The project uses another country system different from the ones above for implementing the program				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment		Yes	The National Institute for Environment and development in Suriname (NIMOS) has initiated the process of procuring a consultant to prepare technical guidelines and specifications for the environmental management of transport projects.	
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes	Technical assistance was provided during the preparation of the project in order to prepare studies related to price escalation and the institutional challenges for the Road Authority and the National Road Safety Platform.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.				

The intervention is aligned with two dimensions of the lending program: i) lending to small and vulnerable countries, and ii) support regional cooperation and integration. The intervention contributes to the regional development goal to improve the infrastructure for competitiveness and social welfare. The specific output it contributes to is: Km of inter-urban roads build or maintained/upgraded. The project is aligned with the country strategy and it is also included in the Country Program Document.

The main objective of this loan is to complete the strategic regional integration project Meerzorg-Albina Corridor, for which the original financing has been depleted as a result of price escalation, delays in execution, exchange rate variation and a higher than anticipated variations due to both post-contract design reviews and utilities relocation and renewal. The project should improve access to important economic zones and facilitate tourism and regional integration of the country through lower transport costs and improved road safety.

The results matrix presents the outcome and product indicators related to the objectives and components of the program. Outcome indicators presented in the matrix are SMART. The program includes an updated economic analysis. The monitoring and evaluation plan is supported on an ex-post cost benefit analysis to identify and quantify the project's impacts.

The risks currently identified in the risk matrix are reasonable and they include mitigation measures.

## RESULTS MATRIX

<b>Project objective</b>	As stated on the Proposal for a loan for the Meerzorg-Albina Corridor Rehabilitation (Original Loan 2062/BL-SU and 2063/OC-SU, approved in 2008), the main objective of the proposed supplementary loan is: to improve access to important economic zones and facilitate tourism and regional integration of the country, as well as to lower transport costs and improve road safety, through the rehabilitation and improvement of the Meerzorg-Albina integration corridor. The Program will improve transport reliability and driving conditions by rehabilitating the corridor
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Indicators	Baseline	Target	Comments
<b>Expected outcome: reduction of generalized transport costs, contributing to economic growth and social development</b>			
Vehicle operating costs (VOC) on rehabilitated sections.	100 (Base) (Measured for private vehicles. During execution, the indicator will also be measured for passenger buses, light trucks, and heavy trucks on each rehabilitated section.)	78 (2015)	Determined by MPW
Reduction in vehicle travel time	4 hours (2008)	2.5 hours (2015) <sup>2</sup>	Determined by MPW
Reduction in the economic damage of road accidents <sup>1</sup>	100 (US\$899.000 per year)	76 (US\$683.240 per year) (2015)	Determined by MPW
<b>Expected outcome: reduction of future periodic road maintenance costs</b>			
Percentage of road sections that are classified according to maintenance priorities.	0%	100%	Determined by MPW
Maximum IRI on rehabilitated and reconstructed asphalt-paved sections <sup>3</sup>	3.1 m/km+/- 15%	3.9 m/km+/- 15%	Determined by MPW

<sup>1</sup> Economic value of road accidents, takes into consideration the severity of the accident and assigns the following economic values (cost per year): Fatal accident US\$88,700, US\$Injury accident US\$5,400, damage only y US\$1100. See Economic Evaluation [Appendix 2 HDM4](#). This economic values have been estimated based on: (i) Fatal accident: Gross National Income (GNI) per capita discounted 20 years at a rate of 6%; (ii) Injury accident: 70% of one year of GNI per capital; (iii) Damage onlyl average consultant's estimate. GNI per capita US\$7,735 (2010) World Bank

<sup>2</sup> Measures of this indicator taken in 2011 show that travel time has reduced to 3 hours from 4.5 hours at the commencement of the project.

<sup>3</sup> Baseline and target values for the Maximum IRI on rehabilitated sections correspond to( i) the immediate situation after civil works have finished (baseline) and ii) the situation after 3 years of progress of the maintenance program (target).

Indicators	Baseline	Target	Comments
<b>Expected outcome: improve road safety conditions in the interurban road system</b>			
Accidents with fatal victims <sup>4</sup>	8 (in 2008)	15% reduction in accidents with victims at the East West Corridor Marowijne -Commewijne (2013)	PEU
Accidents with injured victims	18 (in 2008)	15% reduction in accidents with victims at the East West Corridor Marowijne -Commewijne (2013)	PEU
<b>Expected outcome: institutional strengthening in the areas of planning, programming and implementation of projects</b>			
Public Investment System	Not available	Improved planning, programming and monitoring of public investments in the transport sector. Systems implemented and in use.	Semiannual reports of operation SU-L1028.
Environmental and Social Management System for the Transport Sector	Not available	Improved planning, programming and monitoring of public investments in the transport sector. Systems implemented and in use.	Determined by MOF, MPW and NIMOS based on the semiannual progress report.
Definition of the needed road reserve areas, and development of a management plan inclusive of the rules and requirements for the use and occupancy of such areas	Not available	Improved planning, programming and monitoring of public investments in the transport sector. Systems implemented and in use.	

<sup>4</sup> The indicator available at present reports accidents with victims in the East West Corridor Marowijne -Commewijne. The method to be used for measuring and evaluating accidents that caused injuries will be perfected and expanded as part of program monitoring and evaluation.

Expected project outputs							
Component 1: Civil Works	Baseline (2009)	Year 1 (2010)	Year 2 (2011)	Year 3 (2012)	Year 4 (2013)	Year 5 (2014)	Comments
Rehabilitation of existing roads (km)	0	9	36	73	125	136.9	PEU semester progress reports.
Hydraulic structures (bridges/culverts)	0/0	0/10	5/40	11/70	12/75	13/78	PEU semester progress reports
Road safety works							To be completed once the information becomes available

Component 2: Implementation Support	Baseline (2009)	Year 1 (2010)	Year 2 (2011)	Year 3 (2012)	Year 4 (2013)	Year 5 (2014)	Comments
Supervision Monthly Reports	0	12	12	12	12	12	PEU

Component 3: Institutional strengthening	Baseline (2009)	Year 1 (2010)	Year 2 (2011)	Year 3 (2012)	Year 4 (2013)	Year 5 (2014)	Comments
Road Maintenance Management System approved and implemented (includes prioritization of maintenance per each road).	0	0	0	0	0	1	PEU
Road safety strategy and action plan approved and implemented.	0	0	0	0	0	1	PEU
Axle weighing survey study	0	0	0	0	0	1	PEU
Axle weighing portable machine	0	0	0	0	0	1	PEU
Public Investment System established	0	0	0	0	0	1	SU-L1028
Environmental and Social Management guidelines for projects in the Transport Sector developed.	0	0	0	0	0	1	PEU
Management plan for road reserve areas developed and implemented.	0	0	0	0	0	1	PEU

## **FIDUCIARY ARRANGEMENTS**

Country:	Suriname
Project:	SU-L1021: Supplementary Financing for Meerzorg – Albina Integration Corridor Rehabilitation Project (SFMAIRCP)
Executing Agency (EA):	Ministry of Public Works Development (MPW) Rinia Terborg-Tel, Fiduciary Financial Management Specialist;
Prepared by:	Lourdes Sanchez-Alvarez, Fiduciary Financial Management Sr. Specialist and Roy Parahoo, Fiduciary Procurement Lead Specialist

### **I. Executive Summary**

- 1.1 The original Meerzorg-Albina Corridor Rehabilitation Project (MACRP) - Loans 2062/BL-SU and 2063/OC-SU) - was approved in 2008 for 62.5 million USD financed by the Bank and with 64.4 million USD as counterpart from the Government of Suriname (GOS). A supplementary loan of 30 million USD from the Bank and 18 million USD from the GOS is proposed with the objective to meet the financial gap and to effectively complete the remaining road construction activities of the project in order to ensure that the project achieves its developmental objective.
  
- 1.2 The existing Executing Agency (EA) responsible for management of the current MACRP will be used to execute the supplementary financing. The current EA arrangement was established on the basis of a Memorandum of Understanding agreed upon between the Ministry of Public Works (MPW), Ministry of Finance (MOF) and the Ministry of Labor, Technical Development and Environment (MLTDE). The MOF has financial recording and reporting responsibilities as well as signing of all contracts and managing the IDB and AFD accounts at the Central Bank van Suriname therefore having authorized signatories. The MPW has been allocated the responsibilities for the contract management, directing the execution of the works and being in charge of the technical coordination of the supervision. An Institutional Capacity Assessment (ICASS) has been performed for the MARCP at its inception and it has been updated in March 2012 to assess the financial management capacities and therefore the current fiduciary risk level. This has been evaluated as medium risk. In order to mitigate the fiduciary risk level assessed, certain mitigating actions have been identified and developed., Some of these have been fully implemented already for the MARCP, such as the deployment of an accounting system for the recording and reporting processes. Staff of the EA have been trained in the management of the system. An operational, Financial and Administrative Manual that describes measures to strengthen the internal control environment will be formalized by the end of June 2012 Considering that the project management capacities and financial capacities are split into two different government institutions, it is important and expected that the communication and coordination among these two institutions is strengthened by the measures that are currently under implementation in the MARCP. In addition, the fiduciary arrangements will include continuous formal and informal training processes for the executing agency staff in charge of the fiduciary activities in



understanding and applying IDB's procedures and requirements. Finally, within one year of implementation of the supplementary financing project, an updated exercise of the ICASS will take place to confirm that the strengthening actions to mitigate the project fiduciary risk are effective.

- 1.3. The assessed medium risk on the MACRP fiduciary capacities is consistent with the country's public sector fiduciary context that was conducted in April 2011, through Public Expenditure and Financial Accountability (PEFA) exercise. The PEFA review found that Public Financial Management (PFM) systems in Suriname face structural, institutional and regulatory challenges. These challenges constitute a limitation to the efficiency, effectiveness and transparency needed for the management of public resources, including foreign contributions. The Bank policies for procurement will apply in accordance with the country thresholds referred to under Section V and VI "Procurement Execution".

## **II. Executing Agency's Fiduciary Context**

- 2.1 The fiduciary context of the EA is documented in the PEFA review. The relevant finding indicates that the legal framework for PFM is outdated and not consistent with best practices. The GoS has committed to improving the PFM and procurement systems with IDB support through the implementation of a modern legal framework and the establishment of effective mechanisms to perform these functions. The IDB Country Strategy 2011–2015 addresses the GoS priorities on streamlining (i) public investment management system; (ii) public procurement; and (iii) public financial management and audit through a three tier PBL - Strengthening of Public Capital Expenditure Management. The approach of the GoS points to the need of improved management tools to more effective projects implementation and execution. This includes a procurement system, which is competitive, effective, fair, efficient, non-obstructive, and transparent; a financial management system, which enables effective allocation of resources; and, a comprehensive and effective audit system, which will facilitate transparency and provide feedback regarding the quality of decision making and efficacy of the management process.
- 2.2 Until these interventions have taken root, country systems relating to accounting and financial reporting, internal control, external auditing, and procurement will not be used. In consequence , the portfolio of the Bank in Suriname is managed through the establishment of special project execution units set up within the line ministries and/or semi-autonomous institutions called parastatals. This is also in accordance with the GOS objective to build sustainable capacity within the government. The Bank provides and conducts close fiduciary support and supervision on these institutional arrangements and it provides continuous training and advice as needed on Bank's policies and procedures.
- 2.3 In regards to the Supplementary Financing project, the executing unit responsible for financial management of the MACRP project will be responsible for the fiduciary functions of the project. These functions were established on the basis of a Memorandum of Understanding signed on September 5, 2011 and agreed upon between the Ministry of Public Works (MPW), Ministry of Finance (MOF) and the Ministry of Labor, Technical Development and Environment (MLTDE).

- 2.4 The MOF has the responsibilities for financial recording and reporting as well as the signing of all contracts and managing the IDB and AFD bank accounts at the Central Bank of Suriname therefore constituting the authorized signatories. The MOF has assigned a Financial Expert and a Financial Assistant to the executing agency. The Minister of Finance and the Head of the Joint Desk<sup>1</sup> are the authorized signatories for the operation.
- 2.5 The MPW has the technical responsibilities for, contract management, directing the execution of the works and being in charge of the technical coordination of the supervision. The MPW has assigned a Contracts Manager and Assistant Contracts Manager to the project on a part time basis.
- 2.6 Based on the arrangement previously described, an ICASS was performed for the PEU and assessed the fiduciary risk level as having a medium fiduciary risk for financial management and external audit, while the risk level for internal control is considered substantial. The risk level for procurement is medium .Through, the mitigating actions discussed in Section III the current level of risk can be leveraged to medium/low.

### III. Fiduciary Risk Evaluation and Mitigation Action.

- 3.1 For the current operation the overall financial management risk rating of the EA can be leveraged to medium/low with the full functioning of the mitigation actions mentioned below that are currently in progress and will be completed by the start of the SFMAICP.:

Risks Identified	Risk	Mitigating Measures
Financial management structure : - Absence of Operations manual describing roles, functions and processes. - Inadequate monitoring by project management	Medium	Formalization and implementation of an Operational, Financial and Administrative manual which includes the description of the policies, procedures and internal control requirements, for adequate operational and financial project management. Financial planning activities clearly designed and implemented, to facilitate the adequate cash flow needs for the execution of project. Improved preparation of the project execution plan (PEP), Annual operation plan (AOP), procurement plan (PP) and financial plan (FP) to facilitate effective and efficient project management
- Proficiency in IDB procurement, disbursements and financial reporting procedures	Medium	Staff formally assigned to fiduciary duties will be trained continuously on Bank's financial management and procurement procedures on a continuous basis.
Poor internal communication and coordination among project management team members that is comprised of officials representing the MoF, the MoPW, MATM,	Medium	Operations manual formalizes the following: information and documentation flow as well as roles, authority level and frequency of communication among different ministries involved in project execution..
Monitoring and control activities. Major current activities are currently supervised by a -consultant –nonmember of the EA	Low	Strengthening of the monitoring capacities within the EA. on the execution of major contracts.

<sup>1</sup> Special Unit created by the MoF for the coordination and monitoring for external cooperation

Slow execution of project's activities due to lack of full commitment of the executing unit	Medium	Bank fiduciary staff will maintain its inspection visits on a quarterly-annual basis to ascertain that the formal arrangements in the operations manual and other governing documents are being implemented and functioning: accounting systems, internal controls system. Core PEU staff (project coordinator , financial expert and contracts manager) formally assigned responsibility for project implementation, planning, coordination and –financial- administration are dedicated full time to the project.
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**IV. Aspects to be considered in the Special Conditions of Contract: N/A**

**V. Requirements and Agreements for Execution of Procurement**

- 5.1 All records and files will be maintained by the Executing Agencies, according to accepted best practices, and be kept for up to three (3) years beyond the end of the operation's execution period. Application of procurement policies for goods, works and non-consulting services: For applicable procurement policies for goods, works and non-consulting services please refer to document "Policies for the procurement of Goods and Works and Non-consulting Services Financed by the Inter-American Development Bank, GN-2349-9". Application of policies for the selection of consulting services: For applicable procurement policies relating to the selection of consultants, refer to document "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank, GN-2350-9".
- 5.2 Methods and threshold amounts to be applied to works, goods, non-consulting services and consulting services: The IDB thresholds table for Suriname will apply.

**VI. Special agreements regarding procurement: None.**

- 6.1 Use of electronic on-line systems for the publication and management of the procurement plans: The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) introduced in Suriname in 2010 will be used for the publication and updates of the procurement plan. It is expected that the executing agency will use the SEPA program for management of its procurement activities.
- 6.2 Use of national or other documents than the Bank standard documents for competitive bidding: None.
- 6.3 Procurement Execution: Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), of March 2011, and with the provisions established in the procurement plan. In addition, for all projects, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice.
- 6.4 Procurement of Goods, Works, and Non-Consulting Services: The procurement plan for the Program, covering the duration of project execution is summarized in Annex III, and indicates the procedure to be used for the procurement of goods, the contracting of works

or non-consulting services. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the operation.

- 6.5 Procurement of IT systems: None.
- 6.6 Procurement of Consulting Services: The procurement plan for the operation, covering the duration of project execution is summarized in Electronic link #5, and indicates the procedure to be used for the procurement of consultancy services, and the method of selecting consultants. The Borrower is responsible for preparing and implementing the project, and therefore for preparing the TORs, shortlists, selecting the consultants, and awarding and subsequently administering the contract.
- 6.7 Sole Source Selection and/or Direct Contracting: to be used only in exceptional circumstances and is based on the Bank's no objection to the justification.
- 6.8 Selection of Individual Consultants: Individual consultants are employed on assignments for which: (a) teams of personnel are not required; (b) no additional outside (home office) professional support is required; and (c) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required and consultants do not need to submit proposals.
- 6.9 Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.
- 6.10 Training: The detailed procurement plan indicates to which consultancy services training and workshops are applicable. As per GN-2350-9 if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant's contract and in the budget for the assignment.
- 6.11 Recurring Expenses: Include payment of utilities and other office operating expenses of the PEU, if any.
- 6.12 Advance Contracting/Retroactive Financing: Section 1.9 of the procurement policies allows for retroactive financing and advance contracting where the procurement procedures, including advertising, are in accordance with the procurement policies in order for the eventual contracts to be eligible for Bank financing. The Bank shall review the process used by the Borrower. A Borrower undertakes such advance contracting at its own risk.
- 6.13 Domestic Preference: Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 par. 1-6.
- 6.14 Other Requirements: Use of national or other documents than the Bank standard documents for competitive bidding: None

- 6.15 Procurement Plan and supervision (PP): The procurement plan for the operation covering the duration of project execution is summarized in Appendix IV. It indicates the procedures to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank. The procurement plan will be updated annually or whenever necessary, or as required by the Bank.
- 6.16 Country Threshold: Table (US\$ Thousands) [www.iadb.org/procurement](http://www.iadb.org/procurement)

THRESHOLDS ('000)						
WORKS			GOODS			CONSULTING SERVICES
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	Short list solely by Nationals
≥1,000	100 – 1,000	<100	≥100	25 - 100	<25	<100

## VII. Fiduciary Arrangements for Financial Management

- A. Programming and Budget.** For the purposes of the program, - the EA and the Bank are currently in the process of preparing a Program Execution Plan, AOP, which will include the budget plan, procurement plan and a financial plan, consistent with a 12-month financial plan that will be required from the EA on an annual basis.
- B. Treasury: Disbursements and flow of Funds.** The EA will open the necessary bank accounts in Surinamese Dollars (SRD) and in US Dollars (USD) at the Centrale Bank van Suriname for the management of the program resources and a listing of authorized signatures will be provided to the Bank.

Given the characteristics of the executing arrangements, the current medium risk level of the EA , the Bank will apply during the first year of implementation two main disbursement modalities:

- Quarterly Advance of Funds to cover the program's minor and recurrent administrative needs.
- Direct payments to major suppliers (Works Component) according schedule of works

The EA will be responsible for the maintenance of adequate and original documentation to support disbursement requests.

After an updated ICASS is performed the frequency of the advance of funds could be increased as well to include in the AOF modality major components, therefore relying on strengthened financial management capacities.

- C. Accounting and Information Systems.** The EA utilizes an off the shelf accounting and financial management system for the accounting and financial reporting of the IDB funded project, that is adapted to the program's needs. The cash basis of accounting will be used for reporting purposes.
- D. Internal Control and Audit.** The internal control system established by the EA should provide reasonable assurance that: (i) the project funds are used for their intended purpose; (ii) project assets are properly safeguarded; (iii) project transactions, decisions and activities are properly authorized and documented; and (iv) project transactions are executed in accordance with the established policies and procedures delineated in the legal agreements. In addition proper segregation of duties, approval authority levels for signature of contracts, commitment of funds, reception of goods and services and payment to suppliers and beneficiaries should be arranged adequately.
- F. External Control and Reporting.** The external audit of the Program will be performed by an independent audit firm acceptable to the Bank. Audits will be performed in accordance with Bank's Guidelines for Financial Reporting and Audit Guide.
- G. Financial Supervision Plan.** Bank fiduciary staff will conduct inspection visits on a quarterly basis to ascertain the proper functioning of the accounting systems, and the adequacy of the internal controls system.
- H. Execution Mechanism.** The project executing mechanism, of the MACRP, managed by the Ministry of Planning and Development Cooperation (PLOS) and the MPW was changed in 2011 by the new government that came into office in August 2010 whereby PLOS has been incorporated in the Ministry of Finance (MOF), requiring an adjustment of the organization structure and execution of the MACRP. As a result an MOU was signed on September 5, 2011 between the MOF, the MPW and the MATM, establishing a new EA for the execution, monitoring and supervision of the project.

Under the new execution mechanism the Ministry of Public Works (MPW) is responsible for: (i) contract management and technical project implementation; (ii) joint coordination with the MOF the cooperation and negotiation with the IDB, the European Commission (EC) and the AFD; (iii) is the state legal person responsible for directing the execution of the work; (iv) is in charge of the technical coordination of the supervision; and (v) assigning the following EA staff members on a part time basis: the General Coordinator, Assistant Coordinator; the Contract Manager Assistant Contract Manager, the Sector Coordinator; the Highway Engineer and Assistant Highway Engineer to the EA.

The MOF is responsible for (i) all financial aspects within the project and is also the state legal person who signs all contracts ; (ii) joint coordination with the MPW, the cooperation and negotiation with the IDB, the EU and the AFD; (iii) signing the loan contract with the IDB and the AFD; (iv) sign and manage as National Authorizing Officer (NAO) the contracts with EU; (v) managing the IDB and AFD accounts at the Centrale Bank van Suriname; (vi) for communication with the Bureau of State Debts, concerning the status of the loan, the disbursements and the loan payments; (vii) assigning the Financial Expert and Assistant Financial Expert; (viii) provide signatories for payments with regard to the implementation of the project. The Minister of Finance

and the Head of the Joint Desk are the authorized signatories. The MOF has assigned a Financial Expert on a full time basis and a part time Financial Assistant to the EA.<sup>2</sup>

The Ministry of Labor, Technological Development and Environment (MATM/NIMOS (National Institute for Environmental Development Suriname) is responsible for (i) reviewing the environmental and social impact assessment reports of the operation; and (ii) monitoring the contractors and the supervisor responsible for environmental management of the project. MATM is also responsible for assigning the environmental experts from NIMOS for the PEU. This part-time position is in place.

These executing arrangements will remain in place for execution of the Supplementary Financing for MACRP.

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<sup>2</sup> The Financial Expert manages the AFD and IDB account and the Financial Assistant manages the EC account, both on a full time basis. With the measures proposed in Section III for strengthening of the fiduciary capacity of the PEU, the current staffing arrangement is deemed adequate.