



Board of Executive Directors

Simplified Procedure

On or after 18 January 2017

PR-4472
3 January 2017
Original: English
Public
Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Suriname. Proposal for a loan for the "Paramaribo Urban Rehabilitation Program"

Basic Information: Loan type Specific Investment Operation (ESP)
Borrower Republic of Suriname
Amount up to US\$20,000,000
Source Ordinary Capital

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Remarks: Management has determined that this loan proposal meets the requirements for presentation by Simplified Procedure, in accordance with Part III, Section 2 (paragraph 3.29(b)) of the Regulations of the Board of Executive Directors and document GN-1838-1, paragraph 2.

Under the provisions set forth in document AB-2990, "Enhancing Macroeconomic Safeguards at the Inter-American Development Bank" (paragraph 2.4), the disbursement of Bank financing will be subject to the restrictions indicated in this loan proposal.

Reference: GN-1838-1(7/94), DR-398-17(1/15), GN-2849(3/16), AB-2990(5/14), AG-9/14

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

PARAMARIBO URBAN REHABILITATION PROGRAM

(SU-L1046)

LOAN PROPOSAL

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In accordance with the Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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ELECTRONIC LINKS	
REQUIRED	
1.	Pluriannual Execution Plan (PEP)
2.	Annual Operational Plan (AOP)
3.	Monitoring and Evaluation Arrangements
4.	Environmental and Social Management Report (ESMR)
5.	Procurement Plan
OPTIONAL	
1.	Economic Analysis
2.	Environmental and Social Assessment
3.	Selected Projects for Component 1
4.	Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS	
AOP	Annual Operational Plan
CC	Climate Change
ERR	Economic Rate of Return
ESA	Environmental Social Assessment
ESC	Emerging and Sustainable Cities Program
ESHS	Environmental and Social, Health and Safety
ESMM	Environmental and Social Management Manual
ESMR	Environmental and Social Management Report
GIS	Geographic Information System
ICOMOS	International Council on Monuments and Sites
IDB	Inter-American Development Bank
MESC	Ministry of Education, Science and Culture
MOF	Ministry of Finance
OC	Ordinary Capital
PA	Procurement Plan
PEP	Pluriannual Execution Plan
PFMS	Public Financial Management Systems
PIU	Program Implementation Unit
PMR	Progress Monitoring Report
POD	Proposal for Operation Development
POM	Program Operating Manual
PPP	Public Private Partnerships
PWHS	Paramaribo World Heritage Site
SBHF	Suriname Built Heritage Foundation
SPF	Safeguard Policy Filter
SSF	Safeguard Screening Form
TC	Technical Committee
UNESCO	United Nations Educational, Scientific and Cultural Organization
WHC	World Heritage Committee
WHS	World Heritage Site

PROGRAM SUMMARY
SURINAME
PARAMARIBO URBAN REHABILITATION PROGRAM
(SU-L1046)

Financial Terms and Conditions				
Borrower: Republic of Suriname			Flexible Financing Facility ^(a)	
			Amortization Period:	25 years
Executing Agency: Ministry of Education, Science and Culture (MESC)			Original WAL:	15.25 years
			Disbursement Period:	5 years
Source	Amount (US\$)	%	Grace Period:	5.5 years
IDB (OC) ^(c) :	20,000,000	100	Supervision and Inspection Fee:	(b)
			Interest rate:	Type
Total:	20,000,000	100	Credit Fee:	(b)
			Currency of Approval:	U.S. Dollar chargeable to the Ordinary Capital (OC)
Program at a Glance				
Program Objective/Description: the program's objective is to contribute to the socio-economic revitalization of Paramaribo historic center. The specific objectives are: (i) attract new residents and commercial activities; (ii) restore to value its cultural heritage; (iii) reduce traffic congestion; and (iv) strengthen the institutional framework for managing its sustainable development.				
Special contractual conditions prior to the first disbursement: according to the terms and conditions previously agreed with the Bank: (i) the establishment of the Program Implementation Unit (PIU), the appointment of the Program Coordinator, and the selection of its minimum staff (¶3.3); (ii) the establishment of the Technical Committee (TC) (¶3.4); (iii) the adoption and entry into effect of the Program Operating Manual (POM), including the Environmental and Social Management Manual (ESMM) (¶3.2); and (iv) the presentation of an initial report, including, the Program's Pluriannual Execution Plan (PEP), the Procurement Plan (PA), the Financial Plan and the Results Matrix (¶3.5).				
Special contractual execution conditions: compliance with the environmental and social conditions established in Section VI of the Environmental and Social Management Report (ESMR) (¶2.6).				
Exceptions to Bank Policies: none				
Strategic Alignment				
Challenges ^(d) :	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Cross-Cutting Themes ^(e) :	GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) 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 considering such requests, the Bank will take into account operational and risk management considerations.

^(b) 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.

^(c) Pursuant to Document AB-2990, the disbursement of Loan resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the Loan operation is approved by the Board of Executive Directors (¶2.2).

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 Paramaribo, Suriname's capital is a city of 243,556 inhabitants, which corresponds to 45% of the country's population. Its historic center (48 ha. of a core area plus 100 ha of a buffer zone) was designated in 2002 as a World Heritage Site (WHS) by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Developed during the 16th and 17th centuries, the historical center is considered an exceptional example of the fusion of European and Indigenous South American culture, architecture and construction techniques. This concentration of historical and cultural heritage buildings, monuments, and urban sites holds a significant potential to contribute to the sustainable and equitable development of the city. However, the area is afflicted by physical, social and economic deterioration, which hinders such potential and threatens its physical condition. This also compromises its UNESCO's designation as a WHS.
- 1.2 **Issues affecting the historic center.** In the course of the last three decades, Paramaribo's central area has seen a gradual change in its urban functions, from a vibrant city center to an area with more specialized urban functions. The central area has become an administrative and commercial hub, losing most of its permanent residents, who have moved to newer, better serviced and more dynamic urban sub centers away from the central area. Based on recent estimations by the SBHF, there are only 250 residents in the core area of the historic center (a decline from the 417 that resided in 2010) mainly middle-income property owners and low income tenants. The loss of residents and retail businesses has led to the occupation of the majority of buildings in the central area by governmental offices and less sophisticated retail locations (shops, restaurants and other food handlers). Indeed, 70% of the 495 buildings located in the Historic Core Zone are currently used for government offices and public services, 18% for commercial purposes, and 12% for residences or remain empty. The limited permanent population has generated a perception of abandonment, particularly at night, when the center is practically deserted. Moreover, lack of physical improvements, low quality of the infrastructure and inefficient public services have contributed to a general state of urban decay in the central area, with repercussions such as the deterioration of existing historical buildings. The following paragraphs present the main issues currently affecting the area and their causes.
- 1.3 **Physical deterioration of buildings, lack of quality public spaces and vulnerability.** The city center's urban landscape and the historical buildings that give it its heritage value are in a state of decline. In 2009, according to the Monument List of Suriname,¹ 168 buildings located in the historical center (including its core area and buffer zone) are considered of historic value and

¹ The list is prepared by the Monuments Commission in cooperation with the Suriname Built Heritage Foundation (SBHF) following instructions from the Minister of Education, Science and Culture.

have been classified as “Monuments”.² Most of these buildings are made of wood, poorly maintained and many have been lost in fires or collapsed. Indeed, between 1998 and 2016, 36 historic buildings located in the core area were lost (six due to fire, and 30 due to collapse or demolition). Today, of all historic buildings classified as “Monuments” in the core area, 20 are in very bad condition and face an imminent risk of collapse. These buildings are equally publicly- and privately- owned.

- 1.4 The city center presents a marked deficit of quality open spaces. The few public open spaces available are poorly organized, have few amenities, and are inefficiently connected to the rest of the city.³ Although the historic center holds two of the largest and most symbolic public open spaces in the city, i.e., Independence Square and the *Palmentuin* (Palm Garden), suitable for institutional events and large festivals, lack adequate amenities and urban furniture. The waterfront – a 300-meter-long urban area that connects the Suriname River with the historic center – is a busy but disorganized area, lacking adequate services and amenities. This is due to the absence of a coherent urban plan for the area and the lack of investment in its maintenance. The waterfront holds an enormous potential as a prime public space, recreational area and transportation hub⁴ for the city. As such, it is an ideal site for triggering the revival of downtown Paramaribo.
- 1.5 Because of these conditions – and despite its heritage value and urban potential – the historical center is largely underused, particularly during weekdays after workhours and on weekends, when the area becomes almost deserted. Another problem affecting this area is its vulnerability to flooding during the rainy season. This risk is currently mitigated by a flood control mechanism and by a retaining wall which was partially built along the waterfront. However, Climate Change (CC) effects will tend to increase this risk, since modeled scenarios⁵ predict higher incidences of flooding in the city due to sea level rise, storm surges and increased frequency of heavy rainfall events.
- 1.6 **Mobility, accessibility and traffic congestion.** The city center faces a wide range of mobility problems. Traffic congestion, unregulated parking, inadequate sidewalks and lack of infrastructure for alternative modes of transportation such as bicycle paths, are issues encountered by everyday users. Since becoming an administrative and commercial hub, the inflow of vehicles into the city center has increased significantly. Indeed, from 2005 to 2011, private car trips to and from work increased from 40% to 60% in the modal split.⁶

² Buildings are designated as “Monuments” by the Minister of Education, Science and Culture, according to Article 3 of the 2002 Monuments Act. “Monuments” have a protected status by Law.

³ In a recent participatory urban planning workshop (July 2016), undertaken as part of the Emerging and Sustainable Cities (ESC) program’s base studies, participants identified the lack of recreational areas and quality public spaces in the historical center as one important reason for their decision to move to other areas of the city.

⁴ It currently serves as a transportation node for small passenger boats crossing the river and for urban and inter-urban buses.

⁵ Amatali, M. A. (2012): Technical paper Future Profile - Sector: Water Resources. Report prepared for the Ministry of Labor, Technological Development and Environment. Paramaribo, Suriname.

⁶ Ministerie Van Openbare Werken (2012): Verkeerscirculatie Binnenstad. Paramaribo, Suriname.

- 1.7 This emerging mobility pattern has worsened traffic congestion in the city center. The structure and design of Paramaribo's road network makes traffic through the city center almost inevitable. Approximately 65% of vehicular traffic in the center consists of through traffic, putting unnecessary pressure on the road network and creating congestion and pollution. The capacity of the roads in the inner city is also limited due to the existing street pattern, with badly designed intersections and bidirectional street pattern. Three of the seven key intersections show average waiting times greater than 80 seconds, thus scoring the lowest grade in the Level of Service index.⁷ Increase in private car usage has tended to worsen these conditions, especially because of inefficient management of on street parking and use of parking spaces. Currently, there are around 5,800 parking spaces in the city center, of which 3,200 are on street parking and 1,100 are paid public parking and the rest is private parking. Parking regulations are not enforced and on street parking is free, hence illegal parking on sidewalks and driving lanes is a common practice. There is an urgent need for a strategic plan to reorganize traffic flow in the city center and to improve accessibility. Likewise, management strategies to organize parking in the area and its implementation in cooperation with the private sector are key priorities.
- 1.8 Additionally, pedestrian infrastructure is precarious, as the sidewalks are poorly connected, and in many cases, in a state of disrepair. These conditions make pedestrians circulation difficult (especially for persons with special needs). Moreover, despite the exceptional and unique examples of vernacular architecture in the area, there is no pedestrian infrastructure that stimulates their enjoyment and appreciation by foot, as it is fostered through the creation of pedestrian streets in many other cities with emblematic historic buildings. Also, even though the concentric urban structure, climate and the topography favor biking, there are no bicycle lanes leading to and in the historic center.⁸
- 1.9 **World Heritage Site status at risk.** Given the combination of the above conditions, the Historic Inner City of Paramaribo is at risk of losing its WHS status. In 2013, an Advisory Mission⁹ by the International Council on Monuments and Sites (ICOMOS),¹⁰ recommended that the World Heritage Committee (WHC) to place the Paramaribo World Heritage Site (PWHS) on the List of World Heritage in Danger,¹¹ if the Surinamese State Party did not take urgent measures for heritage protection. Since then, the WHC has been monitoring the state of management and conservation of the PWHS and recommended the Government of Suriname to take a series of actions to preserve the city's WHS status. In the last Committee Decisions of July 2016, the WHC: (i) commends the adoption of

⁷ Highway Capacity Manual 2000, Transportation Research Board, Washington DC, United States.

⁸ The share of trips on bikes to and from work in 2011 was as low as 5% in the whole city of Paramaribo.

⁹ The Mission, held between July 28th and August 1st, 2013, was triggered by the news received by UNESCO on a real-estate redevelopment of Paramaribo's waterfront, with the potential to affect the outstanding universal values of the site.

¹⁰ ICOMOS is an international non-governmental organization associated with UNESCO. It is an advisory body of the World Heritage Committee (WHC) for the implementation of the World Heritage Convention of UNESCO.

¹¹ The List of World Heritage in Danger is compiled by the UNESCO through the WHC according to Article 11.4 of the World Heritage.

the PWHS Management Plan 2011-2015 and the Emergency Action Plan 2014;¹² (ii) urges the strengthening of the management authority; (iii) expresses very serious concerns about the proposed real-estate development at the waterfront and strongly urged the withdraw of licenses granted for its redevelopment;¹³ and (iv) welcomes this IDB's urban rehabilitation program, which supports the implementation of part of the required measures.¹⁴

- 1.10 **Lack of coordination among public agencies.** The weak management structure of the historic center has been a critical factor for its deteriorated state. As a central city hub, the historical center urban management falls under the responsibility of several agencies. The protection of Paramaribo's inner city as a WHS lies primarily with the Ministry of Education, Science and Culture (MESC), which exercises it mainly through the Suriname Built Heritage Foundation (SBHF), an institution within its structure that was created to support on this responsibility. Moreover, other government entities have key roles in providing services in the area. The Ministry of Public Works is responsible for the execution of infrastructure projects, including street paving, sanitation and drainage, construction and maintenance of public buildings, among others. The Ministry of Transports, Communication and Tourism is responsible for the regulation and management of the public transport sector and for the policy development and monitoring of tourism. The Ministry of Justice and Police is responsible for traffic legislation and traffic enforcement. The Ministry of Regional Planning, in charge of overall national planning, appoints the two District Commissioners of Paramaribo (with functions similar to a limited local government). This situation, plus the lack of an updated management plan for the preservation of the area, hinders the agreement on a common vision for the historic center, affects the quality of public services and generates conflicting operational goals for these agencies.
- 1.11 Of particular interest is the role of the SBHF, with its formal function as coordinator of the public interventions in the area and regulator of private heritage-related activities. The role of this management agency is critical for the revitalization and long-term sustainability of the historical center as a WHS. However, the foundation is currently underfunded and understaffed, lacking the basic tools for performing this planning and coordinating role. To perform this function adequately it requires additional trained personnel and key planning tools. Accordingly, the present program will finance the updating of the current site's management plan (which is a UNESCO requirement) and the implementation of a Geographical Information System to provide useful

¹² The Emergency Plan 2013-2014 for the safeguard of the historic inner city of Paramaribo, approved on January 18th, 2014, comprises a list of short term emergency measures for the Paramaribo World Heritage Site (PWHS) conservation, including: (i) management of the PWHS; (ii) definition of the Legal Framework; (iii) improved urban planning for the site - through the strengthening the SBHF and financing the planning instruments; (iv) conservation of the WHS, by supporting the rehabilitation of public and private owned historic buildings and monuments; and (v) improving traffic and parking, by projects to improve urban mobility. In reality only few of these recommendations were implemented.

¹³ The ICOMOS mission, held between July 28th and August 1st, 2013, was triggered by the news received by UNESCO on a real-estate redevelopment project on Paramaribo's waterfront with the potential to affect the outstanding universal values of the site.

¹⁴ WHC, 40th session (Istanbul, 2016), Decision 40 COM 7B.9.

information for its management and planning and to allow a proper follow up of the development activities in the area.

- 1.12 **Other considerations.** The historical center role as a space for leisure greatly diminished in recent years. Traditionally, the historical center was the most important gathering place for both the local population and visitors alike. Due to its historical heritage and privileged location, the city center still presents an important potential not only as a cultural/recreational area for the city's residents, but also as a prime urban destination for visitors. So far, tourist potential has been underexplored, since most visitors are attracted by activities out of Paramaribo. In 2012, 240,000 international tourists visited Suriname (a 131% increase over eight years), staying an average of 12 days. However, most of their time was spent in the interior on eco-tourism related activities. A reason for this situation is the lack of appropriate planning and promotion of tourist and cultural activities. Tourism represents an untapped source of local economic development, particularly through the urban upgrading of its historical center. It also offers an opportunity to increase female participation in the local economy, as tourism offers employment opportunities in the service sector for female workers.¹⁵
- 1.13 **Justification.** The purpose of historic center revitalization efforts is to develop a holistic set of actions that safeguard cultural heritage while improving the quality of life of its residents and generating benefits for the entire city. This approach embodies a strategy that has been proven to contribute to the sustainable and equitable development of cities with rich historical heritage. Revitalizing Paramaribo's historic center will require a multisector approach that combines strategic urban infrastructure, social and economic interventions, and leadership by a management structure with the capacity to articulate the activities of the various public, private civil society stakeholders. This approach should attract new residents and businesses and generate significant economic benefits¹⁶ which together with cultural heritage preservation and social benefits for the local population, constitute the key justifications for the present operation.¹⁷
- 1.14 **Program Strategy.** The program is based on the premise that the revitalization of the historic center is a critical step for promoting Paramaribo's sustainable and equitable development. To that end, this program will use historic preservation as a catalyst for economic and social progress, by promoting strategic interventions aimed at triggering a private sector-driven revitalization process. Recognizing that revitalization is a long-term process, the program will focus on the most urgent problems affecting the historic center, both in terms of physical infrastructure and urban management issues, and develop and test new models

¹⁵ Currently female participation within the formal sector is just over a half of that of males (UNDP, 2014).

¹⁶ Licciardi, G. and R. Amirtahmasebi (Eds) (2012) *The Economics of Uniqueness*. World Bank, Washington, D.C.; Listokin, D., and Listokin, B. Lahr, L. (1998). *The Contributions of Historic Preservation to Housing and Economic Development*. Housing Policy Debate 9(3) 479-485. Mason, R. (2005) *Economics and Historic Preservation: A Guide and Review of the Literature*. A discussion paper. Brookings Institution Metropolitan Policy Program, New York.

¹⁷ In the light of the current fiscal situation of the country, the program seeks to promote short term construction employment, incentivize private investment (particularly in real estate development) and, in the medium term, increase tourism revenues.

for housing production and business development to be expanded at later stages. The continuing dialogue with the Government on the basis of the positive results of this operation could contemplate additional financial support from the Bank in order to consolidate the revitalization process.

- 1.15 **Sector Knowledge and Bank's experience.** The program's design builds upon the lessons learned from experience in the preservation of WHS worldwide. The program design will also build upon lessons learned from the Bank's experience with historic centers revitalization and urban development programs.¹⁸ Some of the lessons that have been incorporated in this program include: (i) historic preservation is a driver for urban development and management, and it needs to be implemented through a multisector approach; (ii) incentives to encourage private sector investment in the rehabilitation and reuse of historic buildings are essential; (iii) involvement and commitment of the local residents and businesses is key to reach social sustainability; and (iv) historic preservation is a long-term commitment that requires political leadership and clear institutional responsibilities.
- 1.16 The operation's design has benefitted from the cooperation and articulation with: (i) the Bank's Emerging and Sustainable Cities Program (ESC), currently preparing an urban sustainability action plan for Paramaribo. ESC's baseline studies,¹⁹ baseline indicators and public opinion survey offered key inputs to design this operation. Additionally, the ESC program contributed financial support to develop (pre-feasibility level) studies of additional strategic urban interventions in the city center;²⁰ and (ii) the MIF operation Youth Job Skills Training in Suriname (SU-M1015), provided important information on successful local economic development strategies and is currently developing a project proposal to develop innovative culture-based enterprises in the historical center that could take advantage of restored buildings and improved urban conditions.
- 1.17 **Alignment to Country Strategy.** This operation is included in the 2016 Operational Program Report (GN-2849), and it is consistent with: (i) the Urban Development and Housing Sector Framework Document (GN-2732-6) for it contributes to the dimension of habitat improvement by revitalizing degraded areas and preserving historical heritage; (ii) the Transport Sector Framework (GN-2740-7) contributing to the dimension of supporting countries to develop effective and sustainable urban transportation systems; and (iii) the Climate Change Sector Framework Document (GN-2835-3) as it will incorporate CC mitigation and adaptation considerations into planning, design, construction, operation and maintenance of infrastructure.

¹⁸ For example: Valparaíso Urban Rehabilitation and Development Program (1703/OC-CH); Quito historic center rehabilitation program (822/OC-EC); Rehabilitation of Historical Downtown Quito, Second Stage (1630/OC-EC); Heritage Preservation Program (1952/OC-CH); Preservation of Urban Historical and Cultural Sites (Monumenta Program) in Brazil (1200/OC-BR), among others.

¹⁹ Namely: (i) climate change, vulnerability and disaster risks; (ii) greenhouse gas emission inventory; and (iii) urban footprint. In addition, a city mobility study will be also developed which will adopt a special focus on the historic center to incorporate alternative modes of transportation (pedestrian and cycling).

²⁰ Implementation of the Emerging and Sustainable Cities Initiative in Paramaribo (ATN/OC-15158-SU).

- 1.18 The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenge of: (i) productivity and innovation, by contributing to the revitalization of the historic center through a multisectorial approach that impacts property values within the area of influence. It is also aligned with the cross-cutting themes of: (i) climate change and environmental sustainability, by promoting CC adaptation measures and ensuring that the interventions will endure the negative impacts CC, while not aggravating the negative economic, technical and social consequences of these impacts; and (ii) institutional capacity and the rule of law by supporting the strengthening the agency in charge of implementing the historic center's management plan. Additionally, it will contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) on the following indicators: (i) property value within project area of influence, by improving public spaces, urban mobility and rehabilitating key historic buildings within the area of intervention; and (ii) roads built or upgraded, by improving the quality of specific arteries within the historic center. This is also aligned with the CRF on the following indicators: (i) households benefitting from housing solutions, by increasing the number of families living in renovated buildings; and (ii) government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery, by strengthening the SBHF with Geographic Information System (GIS), among other tools. According to the [joint MDB approach on climate finance tracking](#), an estimated 60% of total IDB funding for this program is invested in climate change mitigation and adaptation activities. This contributes to the IDBG's climate finance goal of 30% of combined IDB and IIC operational approvals by year's end 2020.

B. Objective, Components and Cost

- 1.19 **Program Objective.** The program's objective is to contribute to the socio-economic revitalization of Paramaribo historic center. The specific objectives are: (i) attract new residents and commercial activities; (ii) restore to value its cultural heritage; (iii) reduce traffic congestion; and (iv) strengthen the institutional framework for managing its sustainable development. The program – which is a specific investment operation –²¹ comprises three components:
- 1.20 **Component 1 - Urban Interventions (US\$15.0 million).** This component will finance the design and implementation of strategic urban interventions intended to revert the physical deterioration of the historic center and trigger a sustainable revitalization process. The component will apply a climate-smart infrastructure approach, to integrate adaptation and mitigation aspects to their design.²² All urban interventions' design will incorporate state of the art scenarios of CC.²³ It

²¹ Technical documents of [Selected Projects for Component 1](#).

²² Climate smart measures will include the piloting of a revised building code with climate change considerations, measures to manage higher ambient air temperatures (e.g. design for natural ventilation), strong winds (e.g. metal fasteners that fasten walls to roofs to avoid uplift, installing outward-opening doors) and flooding (e.g. check valves in building drains, elevation of mechanical and electrical equipment), energy efficiency (e.g. energy efficient lighting, air conditioning and thermal insulation) and water efficiency and conservation measures. In addition the design of the waterfront will incorporate the results of the Sea Level Rise and flood risk modeling in accordance with climate change scenarios for Paramaribo.

²³ Project design and development for this component's main interventions will be finance by the Technical Cooperation (SU-T1080) and will be carried out post program approval.

will have three subcomponents: (i) redevelopment of public spaces: it will finance the redevelopment of the waterfront area, which has been prioritized by various studies due to its current state of underuse and decay and its potential to trigger economic and residential development in the historical center. The project will include comprehensive street and public space improvements, as well as the enhancement of recreational and cultural facilities;²⁴ (ii) rehabilitation of heritage buildings: it will finance the rehabilitation and reconstruction of publicly-owned heritage buildings, selected due to their state of decay, emblematic character and strategic location, which will be put into residential and/or commercial use.²⁵ Selected projects include the reconstruction of the National Assembly Building and the renovation of two adjacent buildings located on the riverfront, at Waterkant 30-32;²⁶ and (iii) urban mobility: it aims at implementing traffic management and infrastructure solutions to improve mobility both within the historic center and in its connection with the rest of the city. The interventions include the upgrading of transit corridors to divert traffic from the historic center, creation of bicycle lanes, implementation of pedestrian streets, and the development of a parking policy and a PPP model aimed at regulating and increasing parking supply in the downtown area. All interventions will be based on a strategic mobility plan for the historic center currently under development.²⁷

1.21 **Component 2 - Residential and Business Development (US\$2.2 million).**

This component aims at attracting new residents and businesses to the historic center to make it a lively part of the city.²⁸ By restoring and reusing privately owned heritage buildings,²⁹ ³⁰ the program will develop and test new housing models and business development strategies. It includes three subcomponents: (i) financial instruments: it will support the design of a financial scheme (e.g. trust fund) to incentivize the participation of the private sector in the renovation of buildings for commercial and residential use; (ii) pilot residential projects: it aims at promoting the production of housing in the historical center. It will finance the rehabilitation of heritage buildings that can be put back into residential use while testing the financial models of housing supply (developed in the previous subcomponent). Partnerships with the private sector and the promotion of mixed-income and affordable housing, as well as alternative modes of tenure (e.g. rental) will be actively pursued; and (iii) pilot commercial projects.³¹ It will support the renovation of heritage buildings that will be put into productive uses based on financial schemes previously developed. New uses would include

²⁴ The Master Plan for the Waterfront area is currently under development with financial support from the technical assistance (ATN/OC-15158-SU).

²⁵ The complete selection criteria were as follows: (a) degree of physical deterioration, (b) preference for non-occupied buildings, (c) agreement by the building's owner (governmental entity) on its renovation, posterior alternative use (other than public offices) and to provide adequate maintenance, and (d) location in areas prioritized by the program (i.e., waterfront, pedestrian streets).

²⁶ The design of the National Assembly Building was developed with public funding.

²⁷ The plan will be concluded during the second semester of 2017

²⁸ The projects financed under this component will incorporate climate friendly technology in the design and construction, promote low-carbon solutions, and adapting to CC.

²⁹ Building selection criteria include: (a) degree of deterioration, (b) non occupied buildings, (c) formal commitment of its owner to properly maintain and upkeep buildings after renovation, and (d) buildings located in areas prioritized by the program (i.e., waterfront, pedestrian streets).

³⁰ Articles 10 and 11 of the Monument's Act establish that public funds (subsidies) can be granted to private owners to rehabilitate heritage buildings, when following set conditions.

³¹ The development of private business models will include gender-based strategies.

culture-base business incubators and business clusters. Strategic partnerships with local and international cultural institutions will be sought.

- 1.22 **Component 3 - Institutional Strengthening (US\$1.25 million).** This component will finance the strengthening of the SBHF and the development of key planning instruments to guide the historic center's revitalization process in a sustainable manner. The component will have three subcomponents: (i) management framework: it will provide support for the SBHF to better perform its responsibilities both as the management agency for the historical center and the entity in charge of the implementation of the present program. This support will include technical training, consulting services and the implementation of a project management system adapted to the needs of the present operation; (ii) planning instruments: the subcomponent will finance the update, modernization and development of planning instruments that will facilitate the management of the PWHS, including the updating of PWHS Management Plan (which will include a CC adaptation plan), modernization of the IT System to include a GIS, and the development of a tourist plan; and (iii) communication and social engagement: This subcomponent will finance the design and implementation of a communication plan, based on a communication strategy designed to involve key stakeholders in the revitalization process, and to raise public awareness about the historic center's cultural heritage.

- 1.23 **Program Administration (US\$1.55 million).** This category will finance: (i) the personnel and other recurrent costs required for supporting the program's administration during its implementation; (ii) auditing costs and those related to monitoring and evaluation activities; and (iii) environmental and social impact assessments and mitigation plans for infrastructure works and urban interventions, as specified by the program's Environmental and Social Management Manual (ESMM).

C. Key Results Indicators

- 1.24 The main results expected from the program are: (i) increase in the value of properties in the program's area of influence; (ii) increase in % bicycle trips through downtown; (iii) increase in the number of families living in renovated buildings; and (iv) increase in the number of business firms established in renovated buildings. The specific values of the results indicators, as well as, the products indicators can be found at Annex II Results Framework.
- 1.25 **Economic Analysis:** An economic analysis of the program's interventions was undertaken using the cost benefit method. On the cost side the program's total investments and the incremental operation and maintenance costs were included. To convert these costs to economic value, those that do not reflect a real resource costs to the economy, such as taxes, were excluded. Costs were converted to economic costs using shadow prices. The economic benefits were quantified using the expected increases in the values of properties located in the historic center as a result of the program's interventions.
- 1.26 This analysis resulted in Net Present Value of US\$3.8 million and an Economic Rate of Return (ERR) of 31.8% for the program, which demonstrates its economic viability. In addition, a sensitivity analysis of the assumptions used was

undertaken to see how much these assumptions would need to change for the ERR of the program to fall below the 12% cutoff. The analysis found out that the increment in property values would have to go from 25% to 20 % for this to occur. On the other side, investment costs would need to increase by 22% for the ERR to fall below 12% (See [Economic Analysis](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The program will be financed by a loan from the IDB with a total value of US\$20 million. The financing instrument is a specific investment operation chargeable to the Ordinary Capital (OC), distributed according to cost Table 1:

Table 1. Program Costs and Financing (in US\$000)

Components	Bank	%
1 - Urban Interventions	15,000	75.0
1.1 Redevelopment of Public Spaces	6,000	
1.2 Rehabilitation of Heritage Buildings	5,500	
1.3 Urban Mobility	3,500	
2 - Residential and Business Development	2,200	11.0
2.1 Financial Instruments	200	
2.2 Pilot Residential Projects	1,000	
2.3 Pilot Commercial Projects	1,000	
3 - Institutional Strengthening	1,250	6.3
3.1 Management Framework	250	
3.2 Planning Instruments	500	
3.3 Communication and Social Engagement	500	
Program Administration	1,550	7.7
Personnel and other recurrent costs	1,000	
Auditing costs, Monitoring and evaluation	250	
Environmental and social impact assessments, mitigation plans	300	
TOTAL	20,000	100

- 2.2 Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the borrower has been notified of the same in writing. The disbursement period will be five years, as follows in Table 2:

Table 2. Disbursement Schedule (in US\$000)

Source	Year 1	Year 2	Year 3	Year 4	Year 5
IDB	1,300	3,100	5,600	6,200	3,800
Local	0	0	0	0	0
%	6.5	15.5	28.0	31.0	19.0
Total	1,300	3,100	5,600	6,200	3,800

B. Environmental and Social Safeguard Risks

- 2.3 Given the nature of the proposed interventions, and their location in a WHS, it is anticipated that the environmental and social impacts and risks are likely to be mostly local and short term, for which effective mitigation measures are readily available. Therefore, a Category “B” classification has been assigned to the program in accordance with the IDB’s Environment and Safeguards Compliance Policy (OP-703). Additionally, the Program’s Disaster Risk Category is high due to the potential risk of flooding and extreme winds.
- 2.4 An Environmental and Social Assessment (ESA), including consultation summary has been presented to the Bank, and made public on its website. According to the ESA and consultation with local stakeholders, there is a series of positive and negative environmental and social impacts and risks mainly associated with the proposed urban interventions in Component 1. In relation to the proposed waterfront project, this includes: (i) positive changes to the urban landscape including more green spaces, recreational areas and urban amenities; (ii) temporary impacts on livelihoods during construction, particularly street vendors, business owners and shopkeepers³² (moderate); (iii) traffic disruption as a result of construction works (moderate); and (iv) general construction impacts (noise, dust, waste, and health and safety) (moderate). With respect to the rehabilitation and/or reconstruction of heritage buildings, the risks are mainly associated with the loss of the original character of the WHS and general construction impacts (noise, dust, waste, and health and safety). The urban mobility component is expected to have long term positive impacts on traffic; however, there may be short term disruption as a result of changes in the traffic systems. There are potential risks of damage to infrastructure with associated economic losses, as a result of flood/storm water (high) which could be exacerbated by CC.
- 2.5 The ESA includes plans for Livelihood Rehabilitation, Disaster Risk Management and Stakeholder Engagement and Consultation. The Livelihood Rehabilitation Plan proposes a series of mitigation measures based on the suggestions of business owners and traders, including cash compensation, provision of temporary alternative locations, capacity-building and technical training, among others. The Disaster Risk Assessment and Management Plan proposes a series of broader adaptation and mitigation measures including structural measures which address persistent risks to projects undertaken in Paramaribo, as well as specific measures to be included into the design of works in the Program itself, such as the use of wet-proofing, implementation of stormwater management plan, water quality monitoring, use of building codes, improvements in drainage, and implementation of flood warning and monitoring systems. As part of Component 3, the program includes the development of a communication strategy, and a consultation and an engagement plan that contains a grievance mechanism. Plans are available on the IDB website as an annex to the ESA. Project specific Environmental and Social Management Plans will be developed

³² The ESA has identified 150-200 businesses in the program area (both formal and informal businesses), including those located in the arts and crafts market on the waterfront (42 individual and mostly female vendors).

and implemented by the construction contractors. The program will mitigate potential risks related to the WHS through the update and implementation of the WHS Management Plan with close consultation with UNESCO. The Executing Agency will be required to develop and implement an Environmental and Social Management Manual that will be included as part of the Program Operating Manual (POM). The ESMM will ensure that the program complies with the IDB's Environmental and Social Safeguards. (See [ESMR](#) for more information).

- 2.6 The program includes special contractual environmental and social execution conditions which are established in Section VI of the ESMR.

C. Fiduciary Risk

- 2.7 The governmental entity responsible for implementing the program will be the MESC, through the SBHF. A Program Implementation Unit (PIU) will be established within the existing structure of the SBHF to carrying out all the program's fiduciary duties and obligations. The Bank's specialists will verify the fiduciary management capabilities when the PIU has been established. Considering that the SBHF/PIU has no previous experience with execution of Bank-financed projects, the program includes measures³³ to bring the high fiduciary risk to an acceptable level. These include the hiring of fiduciary professionals with proper backgrounds that will be updated continuously in IDB policies and procedures. Additionally, procurement processes will be supervised through the ex-ante review methodology given the stated fiduciary risk level. A follow up on the capabilities and internal controls specific to the program's fiduciary management will be conducted through Bank inspection visits, with the aim of making recommendations for further action and improvement, if deemed necessary.

D. Other Key Issues and Risks

- 2.8 In addition to the fiduciary risk, the delicate fiscal situation of the country was identified as a medium risk, since program investment costs may be negatively impacted by inflation, and fiscal restrictions may affect the programming of specific projects and activities. To mitigate this risk, the program has been designed with an inherent flexibility to enable the adjustment of its annual goals to available investment resources, without affecting its overall impact. The risk of lack of institutional coordination in program execution (also identified as a medium risk) will be mitigated through the creation of a Technical Committee (TC) comprising of relevant ministries and public agencies, to support the PIU. The risk of lack of private sector interest to participate in program activities will be mitigated by providing financial and regulatory incentives for residential and commercial development.

³³ Mitigation measures are in line with the Office of Evaluation and Oversight recommendations.

- 2.9 Maintenance of projects financed by the program will be the responsibility of the Ministry of Public Works.³⁴ The sustainability of the buildings renovated by the program is assured by the provisions in the eligibility criteria for their financing, which includes the owner's agreement to put them to residential and commercial use on a rental basis. Rent resources would cover maintenance costs.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 The borrower will be the Republic of Suriname. The governmental entity responsible for implementing the program will be the MESC, through the SBHF.³⁵ The PIU, to be established within the existing structure of the SBHF, will be responsible for program implementation and the SBHF's Director will serve as the program coordinator.
- 3.2 The PIU will be responsible for carrying out all the operational and fiduciary obligations (including procurement, financial management and social and environmental safeguards) necessary for program execution and for maintaining all formal communication with the Bank. Among other responsibilities, the PIU will be: (i) performing technical and operational coordination of the program; (ii) programming, approving and financing all projects and activities; (iii) supervising the formulation, execution, and evaluation all interventions; (iv) preparing and updating the Pluriannual Execution Plan (PEP), AOP, Procurement Plan (PA), Risk Matrix (RM), and the Progress Monitoring Report (PMR); (v) preparing Terms of Reference, tendering and procurements of goods, construction works, services and consultancies; (vi) submitting disbursement requests and preparing financial statements; and (vii) contracting and supervising the program's mid-term and final evaluation. The detailed responsibilities of the PIU will be presented in the POM, which define the rules, eligibility criteria, procedures and responsibilities during execution. **The adoption and entry into effect of the POM, including the ESMM according to the terms and conditions previously agreed with the Bank, is a special contractual condition prior to the first disbursement.**
- 3.3 To this end, the SBHF will be strengthened through the hiring of qualified and specialized personnel fully dedicated to the program. **The establishment of the PIU, the appointment of the Program Coordinator, and the selection of its minimum staff, according to the terms and conditions previously agreed**

³⁴ The Borrower and the Executing Agency undertake to ensure that the works and equipment included in the Program shall be adequately maintained, according to generally accepted technical standards. The Borrower, through the Executing Agency, shall: (a) prepare annual maintenance plans for each upcoming year; and (b) present to the Bank a report on the status of said works and equipment and an annual maintenance plan for that year, as part of the second semiannual progress reports, and during the 5 (five) years following the completion of the first works of the Program. If, from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the levels agreed upon, the Borrower and the Executing Agency shall undertake the necessary measures to fully correct these shortcomings.

³⁵ The SBHF is a semi-autonomous, public foundation registered on October 1, 1997 in the Registry of Foundations of Suriname.

- with the Bank, is a special contractual conditions prior to first disbursement.** The minimum staff shall include: a program administration specialist; a procurement specialist; a financial management specialist; a construction specialist; an environmental safeguards specialist; and a community liaison officer. Given the specialized nature of some of the construction works to be executed, the specialists in procurement and construction will be selected jointly with the Ministry of Public Works and will be financed with program resources.
- 3.4 A TC with representative of, *inter alia*, the Ministry of Finance, the MESC, Ministry of Public Works, Ministry of Transport, Communication and Tourism, Ministry of Spatial Planning, Land and Forest Management, and the District Commission will be established to coordinate the agencies involved in program implementation and guide the activities of the PIU. This TC will be responsible for providing technical advice and guidance to the PIU in matters related to the program's overall activities, implementation priorities (through the approval of the AOP), and for measures to facilitate coordination among the ministries and other entities involved. It can invite other governmental actors' representatives of other entities, such as civil society and private sector organizations to participate in their meetings for the revision of specific program interventions. The program coordinator will convene the TC meetings and record the decisions agreed upon. **The establishment of the TC, according to the terms and conditions previously agreed with the Bank, is a special contractual condition prior to first disbursement.**
- 3.5 Contracting and supervising of all projects and activities financed by Component 1 and 3 will be the responsibility of the PIU (under the supervision of the TC and the technical assistance of the ministries concerned). Implementation of Component 2 will be preceded by the hiring of a housing finance expert who will develop the financial mechanism to be employed in the rehabilitation of privately owned buildings, which will be established and managed accordingly. Private owners will be able to access these funds following the eligibility criteria set by the program. The PIU will supervise the implementation of these renovations and their posterior use. Construction works in all components will be carried out according the Bank's procurement regulations to be implemented by the PIU. **The presentation of an initial report, including, the Program's PEP, the PA, the Financial Plan and the Results Matrix, according to the terms and conditions previously agreed with the Bank, is a special contractual condition prior to first disbursement.**
- 3.6 **Procurement and contracting.** It will follow the Policies for the procurement of works and goods financed by the Bank (GN-2349-9), and the Policies for selection and contracting of consultants financed by the Bank (GN-2350-9), as well as the fiduciary arrangements included in Annex III.
- 3.7 **Disbursement and financial management.** The disbursement period is five years. The Bank will make disbursements in accordance with program liquidity needs as evidenced by its current and anticipated commitments and obligations following the advance of funds methodology. These advances, which will cover liquidity needs for a period not exceeding six months, will be calculated based on the semi-annual cash flow projections for the period. Subsequent advances may

be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank.

- 3.8 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 the Bank's guidelines for financial reporting and external audit. The PIU will be responsible for contracting of an eligible auditing firm to perform the program audit as follows: (i) annual financial audit reports to be submitted within 120 days of the end of each fiscal year; and (ii) one final financial audit report to be submitted within 120 days after the date of last disbursement.

B. Summary of Arrangements for Monitoring Results

- 3.9 **Monitoring.** The program's monitoring is based on the standard Bank instruments: (i) the PEP and AOP; (ii) the PA; (iii) the Results Matrix and Monitoring Plan (MP); and (iv) the PMR. Semi-annual progress reports will be presented within thirty (30) days after the end of the corresponding semester and should include the outcomes and outputs achieved in the corresponding execution period according to the AOP, the Procurement Plan, the Results Matrix, a description of the status of compliance of the environmental and social obligations, and the budget and the human resources required for the execution the environmental and social obligations; all according to the terms and conditions of the ESMM and this Contract. The PIU will maintain an administrative information system to register all relevant events in program implementation. This system will furnish all the required information for completing the financial and administrative reports and will be a key instrument for program monitoring.
- 3.10 **Evaluation.** Two evaluations will be performed: a midterm and a final evaluation. The midterm report will include: (i) the outcomes of the physical-financial execution; (ii) the degree of fulfillment of targets in the Results Matrix; (iii) the degree of fulfillment of environmental requirements; (iv) a summary of the results of the audits and of the improvement plans; and (v) a summary of the main lessons learned.
- 3.11 The final evaluation will adopt a reflexive approach, comparing the status of indicators in the Results Matrix before and after the program's interventions. In addition, an ex post economic analysis will be conducted to verify whether the program actually achieved the economic rates of return estimated ex ante (See [Monitoring and Evaluation Arrangements](#)).

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes		-Productivity and Innovation -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law		
Regional Context Indicators				
Country Development Results Indicators		-Households benefitting from housing solutions (#) -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix				
Country Program Results Matrix		GN-2849	The intervention is included in the 2016 Operational Program.	
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
		9.1		10
3. Evidence-based Assessment & Solution		9.1	33.33%	10
3.1 Program Diagnosis		3.0		
3.2 Proposed Interventions or Solutions		3.6		
3.3 Results Matrix Quality		2.5		
4. Ex ante Economic Analysis		10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		1.5		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		8.2	33.33%	10
5.1 Monitoring Mechanisms		2.0		
5.2 Evaluation Plan		6.2		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)				
Non-Fiduciary				
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
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	The following technical cooperations have been funded: Implementation of the Emerging and Sustainable Cities Initiative in Paramaribo (ATN/OC-15158-SU); and Support for Paramaribo Urban Rehabilitation Program (SU-T1080).	
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				

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of this operation is to contribute to the socio-economic revitalization of Paramaribo historic center. The specific objectives are: (i) to attract new residents and commercial activities; (ii) to restore to value its cultural heritage; (iii) to reduce traffic congestion; and (iii) to strengthen the institutional framework for managing its sustainable development.

The loan proposal presents the problems to be addressed through the project, as well as their magnitudes and the factors that have contributed to them. The proposed interventions are linked to the problems identified in the diagnosis. The results matrix has vertical logic. All indicators are SMART, except one outcome indicator. All indicators have targets and sources of information, and all but one outcome indicator have baselines.

The project was analyzed using a cost-benefit analysis. The economic benefits were estimated using the incremental value of properties in the historic center of Paramaribo after the project interventions. These benefits were adequately quantified and the investment and incremental maintenance costs reflect real resource costs to the economy. The assumptions used were presented and a sensitivity analysis was undertaken by using the principal variables and assumptions.

The project has a monitoring and evaluation plan and it follows the DEM guidelines. The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis.

RESULTS FRAMEWORK

Project Objective:	The program's objective is to contribute to the socio-economic revitalization of Paramaribo historic center. The specific objectives are: (i) attract new residents and commercial activities; (ii) restore to value its cultural heritage; (iii) reduce traffic congestion; and (iv) strengthen the institutional framework for managing its sustainable development.
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EXPECTED OUTCOMES

Expected Outcomes	Unit	Baseline		Target		Means of verification	Observations
		Value	Year	Value	Year		
Average property values in the Historical Center of Paramaribo	\$/m2	US\$2,029	2016	Baseline x 1.25	2021	Household survey on Property Values Survey	The baseline survey was done during program preparation to provide data to undertake the cost-benefit analysis of the program. It will be repeated after project completion.
% of historical buildings in the historic city center which are highly deteriorated*	%	16%	2016	8%	2021	Monument list of Suriname	*Highly deteriorated refers to buildings with eminent risk of collapse.
% of vehicular traffic in the historic center that is through traffic	%	65%	2011	48%	2021	Ex post Traffic study ¹	
Vehicular travel time to cross historic center (from Tourtonnelaan/Henck Arronstraat to Knuffelsgracht/Waterkant)	Minutes	TDB	2016	75% of baseline	2021	Ex post Traffic study	Baseline will be obtained from the mobility plan funded by a Technical Cooperation to be approved with the project.

¹ End of Program Evaluation, to be conducted six months before last disbursement.

Expected Outcomes	Unit	Baseline		Target		Means of verification	Observations
		Value	Year	Value	Year		
% of population living in the historic center of Paramaribo	%	100% ²	2016	130%	2021	Registry of Office of the city of Paramaribo	
Formal businesses operating in the historic center (core area) of Paramaribo	#	57 - TBD	2010-2016	increase of 10 businesses	2021	Registry of Office of the city of Paramaribo	
% of occupancy in buildings renovated by the project	%	0	2016	100%	2021	Program Implementation Unit (PIU)	
% of residential occupancy in buildings renovated by the project	%	0	2016	80%	2021	PIU	
% of business occupancy in buildings renovated by the project	%	0	2016	20%	2021	PIU	
Participants in Workshops and training activities for Management Agency	#	0	2016	5	2021	PIU	
Participants in Workshops for Public Awareness of Historical Center	#	0	2016	60	2021	PIU	

² Population living in the historic center in 2016 = 250 (SBHF, 2016).

OUTPUTS

Outputs	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Final Goal	Means of Verification	Cost (US\$000)
Component 1 - Urban Interventions										15,000
1.1 Redevelopment of Public Spaces										
Green and Recreational Areas in the Waterfront Upgraded	M ²	0				5,000	5,000	10,000	Acceptance of Works (AW) by PIU	6,000
1.2 Rehabilitation of Heritage Buildings										
Parliament Building reconstructed	Building	0			1			1	AW by PIU	3,000
Historic buildings renovated	Building	0			2		2	4	AW by PIU	2,500
1.3 Urban Mobility										
Transit Corridors to and from historic city center improved	Lin.m	0			900	900		1,800	AW by PIU	1,800
Bicycle lanes constructed	Lin.m	0			700	700		1,400	AW by PIU	400
Pedestrian streets built	Lin.m	0			250	250		500	AW by PIU	650
Streets improved ³	Lin. m	0			1,000	1,000		2,000	AW by PIU	500
Model for Public Private Partnership Parking Developed	Model	0			1			1	Work Certification by PIU	150
Component 2 - Residential and Business Development										2,200
2.1 Financial Instruments										
Financial scheme to incentivize the participation of the private sector in the renovation of deteriorated building for residential and commercial use designed.	Report	0	1					1	Acceptance by PIU	200

³ Includes sidewalks, repaving and other improvements in local streets.

FIDUCIARY ARRANGEMENTS

COUNTRY: Suriname
PROGRAM N°: SU-L1046
NAME: Paramaribo Urban Rehabilitation Program
EXECUTING AGENCY: Suriname Built Heritage Foundation
FIDUCIARY TEAM: Rinia Terborg-Tel, Fiduciary Financial Management Specialist and Mariska Tjon A Loi, Fiduciary Procurement Consultant

I. EXECUTIVE SUMMARY

- 1.1 The program objective is to contribute to the socio-economic revitalization of Paramaribo historic center. The specific objectives are: (i) attract new residents and commercial activities; (ii) restore to value its cultural heritage; (iii) reduce traffic congestion; and (iv) strengthen the institutional framework for managing its sustainable development. The program execution period is five years. The program will be funded with IDB loan financing of US\$20 million. There is no local counterpart funding and no co-financing.
- 1.2 The governmental entity responsible for implementing the program will be the Ministry of Education, Science and Culture (MESC), through the Suriname Built Heritage Foundation (SBHF). A Program Implementation Unit (PIU) will be established within the existing institutional structure of the SBHF. The PIU will be responsible for financial management, procurement, and program management of the program. To this end, the SBHF will be strengthened with qualified and specialized personnel fully dedicated to the program.
- 1.3 The IDB carried out a fiduciary capacity risk assessment of SBHF using the Institutional Capacity Assessment tool. The procurement, financial management, internal and external control systems were evaluated and analyzed. The level of risk assessed is high in all areas of financial management, internal and external control and procurement and need to be substantially strengthened. This risk can be reduced with the implementation of mitigation measures, combined with on-going institutional strengthening. IDB will provide and conduct close fiduciary support and supervision on these institutional arrangements while providing continuous training and advice as stated on IDB's policies, procedures and practices. The level of the fiduciary risk will be monitored during the execution period of the program through a supervision plan designed for such purpose.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 SBHF is established under the supervision of the MESC. SBHF has in place an excel computer program for administering its activities, for reporting purposes the public and financial management system of the Government of Suriname is being used. The fiduciary context of the Government of Suriname and its line ministries are documented in the Public Expenditure Financial Accountability (PEFA) report of 2011 and the draft PEFA Report of 2014 indicating that the legal framework and practices for Public Financial Management Systems (PFMS) and procurement are outdated and not consistent with best practices and international standards. Based on the afore-mentioned, an off the shelf financial-accounting program is recommended to manage the technical assistance component of the Urban Rehabilitation Program adequately. Specific features of the SBHF financial management and procurement system are:
- a. SBHF board is composed of a Chairman, a Treasurer, a Secretary the latter position has never been filled to date and assumed by the Chairman). An Administrative Assistant is performing cross cutting general administrative functions within SBHF. There is no separate fiduciary FM and Procurement function. These responsibilities are carried out by the Chairman, due to the absence of the positions required to carry out these functions.
 - b. SBHF has a financial management and procurement administration that is not integrated into the structure of the Government of Suriname. The financial administration and accounting system are maintained in excel and have been developed in house as well as the processes around it. The budgeting and monitoring functions are done manual using excel worksheets, and they do not support the reporting processes. The information is periodically audited by the Centrale Landsaccountants Dienst (CLAD), in order to be included in Government of Suriname PFMS as a budget line item. SBHF has no specific financial manual of policies and procedures. It uses that of the Government of Suriname. The Government's internal controls are also extended to SBHF. The Government of Suriname financial statements are not completely aligned with current international standards such as International Financial Reporting Standards (IFRS) or International Public Sector Accounting Standards (IPSAS).
 - c. Therefore the current financial and accounting systems of SBHF cannot be used for the purposes of the program. It has been discussed and agreed with SBHF management that it will be necessary to deploy an accounting solution such as Quick Books for the accounting and recording needs of the program.
 - d. SBHF applies the government procurement principles for purchases and rehabilitation works. Only a few rehabilitation activities have been conducted and these were done through an architectural firm, which was responsible for the procurement. Thus far, SBHF's experience

with procurement has been limited to the procurement of goods for the daily operation and maintenance of the office. These purchases are done through the comparison of price quotations. Although the government's procurement procedures are applied, the approval of contracts through the government's approval process is not applicable to SBHF. There is no procurement personnel in SBHF, the chairman and the administrative assistant are in charge of these small procurements.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The overall fiduciary risk rating of the program is high. The implementation of the actions indicated below can mitigate the risk for the execution of the program. The main mitigation measures or fiduciary arrangements will include definition and establishment of the functions, roles and responsibilities of SBHF/PIU staff responsible for the sound execution of the program. Before eligibility date SBHF will secure: (i) appointment of a program administration specialist, a procurement specialist, a financial management specialist, a construction specialist, an environmental safeguards specialist; and a community liaison officer; (ii) training to the fiduciary team; (iii) the preparation of the program execution plan, the Annual Operational Plan (AOP), the Procurement Plan (PP) and Financial Plan (FP); (iv) the deployment of an accounting system QuickBooks for the recording and reporting of the program; and (v) preparation of the Program Operating Manual (POM) to be developed by SBHF with the support of a consultant.

Risks Identified	Risk	Mitigating Measures
Lack of formal assignment of functions and responsibilities for financial management and procurement responsibilities and functions.	High	<p>Establishment of a specific financial management structure with the following characteristics:</p> <ul style="list-style-type: none"> • Clear description of the coordination arrangements between Technical Committee and SBHF/PIU management • Specific fiduciary responsibilities that will include: Financial and Procurement Officers and their respective reporting line within the SBHF structure. • Overall policies, procedures and internal control requirements of the program areas of planning, budgeting, cash flow, accounting and reporting processes will be detailed in the POM • Financial planning activities for the IDB funding need to be clearly designed and finalized for eligibility of the financing. The financial plan will serve as the basis for the IDB's disbursement projections. • IDB fiduciary supervision plan will include initial semi-annual inspection visits to ascertain the proper financial management i.e. adequate functioning of the accounting systems, and the adequacy of the internal controls system and execution of procurement activities
Failure to comply with accounting and reporting requirements	High	An accounting system that will integrate and facilitate the financial reporting and budgeting under the program, according to source of funding and categories of investments (at a minimum) will be implemented for

Risks Identified	Risk	Mitigating Measures
		the program.
Poor execution due to inadequate technical capacity to execute procurement and financial management responsibilities	High	Hiring of adequately qualified and skilled fiduciary personnel to fulfill fiduciary roles
Lack of awareness of IDB procurement policies and procedures, disbursements and financial management and reporting procedures resulting in process errors and delays in program execution	High	Training on IDB's financial management and procurement procedures will be provided to the PIU established for implementing the program.
Lack of program management skills	High	Training in program management will be conducted to ensure that the execution of IDB Program is seamless by streamlining decision making within SBHF structure. Also, to set forth clear roles and accountabilities during execution stage.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

- 4.1 In order to move forward the contract negotiations by the program team, herein are those fiduciary arrangements that must be considered in the special conditions:
- a. Special contractual conditions prior to first disbursement:
 - i. The subscription and entry into effect of an agreement between the Ministry of Finance (MOF), MESC and the SBHF;
 - ii. The establishment of the PIU, the appointment of the program coordinator and the selection of the following minimum staff: a program administration specialist; a procurement specialist; a financial management specialist; a construction specialist; an environmental safeguards specialist; and a community liaison officer;
 - iii. The establishment of the Technical Committee (TC), with representative of, *inter alia*, the MESC, Ministry of Public Works, Ministry of Transport, Communication and Tourism, Ministry of Spatial Planning, Land and Forest Management, and the District Commission;
 - iv. The adoption and entry into effect of the POM, including the Environmental and Social Management Manual (ESMM);

- v. The presentation of an initial report, including, the Program's Pluri-annual Execution Plan (PEP), the Procurement Plan, the Financial Plan and the Results Matrix.
 - b. Exchange rate agreed on with the executing agency for accountability. The application of the exchange rate will be as follows:
 - i. Reimbursement of Expenses made: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Suriname;
 - ii. Reporting on Accounts or justification of the Advance of Funds: the effective rate of exchange used in the conversion of the currency of the operation to the local currency; and
 - iii. Disbursements in alternate currencies from the US Dollar and the Suriname Dollar: In cases of direct payment and reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.
 - c. Financial reports and audited financial statements. Semi-annual financial reports are to be included in the semi-annual progress report which will be submitted by the PIU to the Bank;
 - d. Annual financial statements of the program, audited by an independent external audit firm acceptable to the Bank, are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first program expenditures are incurred; and
 - e. Final financial statements, audited by an independent audit firm acceptable to the Bank, are to be submitted to the Bank within 120 days following the last disbursement date of the Program.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the program.

A. Procurement Execution

- 5.2 Procurements for the proposed program 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, with the provisions established in the Loan Contract and the PP.

- a. Procurement of Works, Goods and Non-Consulting Services. The procurement plan for the Paramaribo Urban Rehabilitation Program covering the first 18 months of program execution will indicate the procedure to be used for the procurement of Goods, the contracting of Works and Non Consulting Services. The contracts for Works, Goods, and Non-Consulting Services¹ generated under the program and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBD) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of National Bidding Documents satisfactory to the IDB. Where these are not available, IDB' SBD will be used. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the Program.
- b. Procurement of Consulting Services. The procurement plan for the Paramaribo Urban Rehabilitation Program covering the first 18 months of program execution indicates the procedure to be used for the procurement of Consultancy Services, and the method of selecting Consultants. The Borrower is responsible for preparing the TOR, short lists, selection of Consultants, and awarding and subsequently administering the contract, with Bank supervision. Review of Terms of Reference (TOR) for the selection of consulting services is the responsibility of IDB's sector specialist.
- c. Selection of Individual Consultants. Individual Consultants will be selected for 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. 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 will be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.
- d. Recurrent Expenses. This category includes the cost of salaries of the PIU personnel ((i) a program administration specialist; (ii) a procurement specialist; (iii) a financial management specialist; (iv) a construction specialist; (v) an environmental safeguards specialist; and (vi) a community liaison officer) and other recurrent costs required

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank ([GN-2349-9](#)) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods.

for supporting program administration in its five year implementation period.

THRESHOLDS				
International Competitive Bidding Threshold*		National Competitive Bidding Range ** (Complex Works and non-common goods)		Consulting Services
Works	Goods	Works	Goods	International Short List
≥1,000,000	≥100,000	100,000 – 1,000,000	25,000 - 100,000	≥100,000

* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

** When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used
Country Thresholds Table (US\$) www.iadb.org/procurement

B. Procurement Plan (PP)

- 5.3 The PP indicates the procedure to be used for the procurement of Goods, the contracting of Works and 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 and the requirement for prior or post review by the Bank. The PP will be posted on the Bank's website and will be updated annually or whenever necessary, or as required by the Bank. To access the 18-month procurement plan, click [here](#).

C. Procurement Supervision

- 5.4 The review method for all procurement activities will be ex ante. If a procurement activity is moved to ex post, the ex post procurement supervision should take place at least once every 12 months, in accordance with the supervision plan of the program.

D. Records and Files

- 5.5 All records and files will be maintained by the PEU, according to accepted best practices, and be kept for up to three (3) years beyond the end of the operation's execution period.

VI. FINANCIAL MANAGEMENT

E. Programming and Budget

- 6.1 SBHF counts with a strategic planning process on the basis of Government of Suriname's annual budgeting process. The budgeting process as well as the monitoring are not automated and not entered in the accounting system of SBHF. The process is managed on a manual basis, using Microsoft Excel.
- 6.2 For the purposes of the program, the PIU will start with a strategic planning process that is the basis for the annual budgeting. It will prepare and implement an operational plan, which will include the budget plan, procurement plan and financial plan, consistent with a 12-month financial plan that will be required from

the EA on an annual basis. Additionally, the PIU will report on a semi-annual basis on implementation matters via a comprehensive report that covers actual versus planned operational, financial and procurement matters.

F. Treasury disbursements and flow of funds

- 6.3 SBHF counts with a treasury function that executes payments on the basis of the purchase orders entered in excel. Payments/expenditures completeness and all transactions are reviewed against Bank statements. Therefore, reconciling items are also incorporated in the accounting system based on Excel spread sheets. Bank account reconciliations are prepared on a regular basis.
- 6.4 The PIU, with the authorization of the MOF, will open separate bank account in SRD and USD in the Central Bank of Suriname for the management of the program resources. The financial plan will serve as the basis for the disbursement of funds to the PIU to cover the program's needs and for the purpose of maintaining IDB's projections. The main disbursement methodology will be the advance of funds to cover a period up to 180 days, based on liquidity needs of the program. The funds will be advanced through the Treasury Single Account. Other disbursement methodologies that will be used on a smaller scale are the reimbursement of payments made and direct payment to supplier. Disbursements will be reviewed ex post, except for requests for direct payment to suppliers and direct payment to borrower. The PIU will be responsible for the maintenance of adequate and original documentation to support the program expenditures and shall be made available for the ex post reviews.
- 6.5 Pursuant to Document AB-2990, the disbursement of loan resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the borrower has been notified of the same in writing.

G. Accounting and Information Systems

- 6.6 SBHF does not use an integrated financial system that produces a general ledger. The system does not support any reporting process. SBHF periodically provides information of all financial transactions to the Ministry in excel work sheets which is included in the Government of Suriname PFMS reporting purposes.
- 6.7 The PIU will procure and utilize an off the shelf accounting and financial management software for the accounting and financial reporting of the program. Financial Statements of the program will be prepared on the basis of IDB rules given that the PFM reform is still in process and it is foreseen that country systems will not be used until they have taken root, which is expected in 2020.

H. Internal Control and Audit

- 6.8 The Government of Suriname system is used for the SBHF. Internal control is conducted by CLAD.
- 6.9 For execution of the program, the PIU will establish an internal control system documented in the POM that should provide reasonable assurance that: (i) the program funds are used for their intended purpose; (ii) program assets are properly safeguarded; (iii) program transactions, decisions and activities are properly authorized and documented; and (iv) program transactions are executed in accordance with the established policies, practices 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.

I. External Control and Reporting

- 6.10 The SBHS external control and reporting is extended to the Government of Suriname annual reporting. There is a delay in the annual reporting by the Rekenkamer.
- 6.11 Findings of audits are reported to the MESC and followed up internally.
- 6.12 The external audit of the program will be performed by an independent audit firm acceptable to the IDB. Audits will be performed in accordance with IDB's Guidelines for Financial Reports and External Audit. The PIU will be responsible for contracting of an external auditor eligible to the IDB to perform the program audit as follows: (i) an annual financial audit to be submitted within 120 days of the end of fiscal year; (ii) semi-annual financial statements as part of the semi annual progress report of the program; and (iii) one final financial audit of the program to be submitted within 120 days after the date of last disbursement. The scope of the external audit can be modified according to the needs identified during program execution.

J. Financial Supervision Plan

- 6.13 IDB fiduciary staff will conduct inspection visits on a semi-annual basis to ascertain the proper functioning of the accounting systems, the adequacy of the internal control system and follow up the fiduciary risk initially assessed. During the first year of execution, a quarterly review of the execution of funds will also take place in order to support the update of the financial and procurement plan.

K. Execution Mechanism

- 6.14 A PIU will be established within the existing institutional structure of the SBHF. The PIU will be responsible for carrying out all the fiduciary obligations (including procurement, financial management and social and environmental safeguards) necessary for the program. To this end, the SBHF will be strengthened with qualified and specialized personnel fully dedicated to the program, including, inter-alia, a program administrator and specialists in procurement, financial

management, construction, environmental safeguards, and a community liaison officer, which will be financed with resources from the loan.

- 6.15 A TC, with representatives of, *inter alia*, the MESC, Ministry of Public Works, Ministry of Transport, Communication and Tourism, and the District Commission will be established. The TC will be responsible for providing technical advice and guidance to the PIU in matters related to the program's overall activities, priorities and promotion.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Suriname. Loan ____/OC-SU to the Republic of Suriname
Paramaribo Urban Rehabilitation Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Suriname, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Paramaribo urban rehabilitation program. Such financing will be for the amount of up to US\$20,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Program Summary of the Loan Proposal.

(Adopted on _____)