

Board of Executive Directors No-Objection Procedure

Expires on 10 July 2019

PR-4703 26 June 2019 Original: English Public Simultaneous Disclosure

То:	The Executive Directors						
From:	The Secretary						
Subject:	Suriname. Loan proposal for the project "Improving Transport Logistics and Competitiveness in Suriname"						

can type	Specific Investment Loan (ESP)
orrower	Republic of Suriname
mount	up to US\$45,000,000
ource	Ordinary Capital
r	oan type orrower nount ource

- Inquiries to: Armando Crotte (telephone Country Office in Mexico 525-59138-6223) or Krista Lucenti (telephone Country Office in Trinidad and Tobago 868-822-6438)
- **Remarks:** Management has determined that this loan proposal meets the requirements for presentation by No-Objection Procedure, in accordance with Part III, Section 2 (paragraph 3.29 (b)) of the Regulations of the Board of Executive Directors and Part III, paragraph 3.5 of document GN-1838-3.

The Executive Directors are requested to inform the Secretary, in writing, no later than **10 July 2019**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors, and a record to that effect will be made in the minutes of a forthcoming meeting.

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-1838-3(6/18), DR-398-18(8/18), GN-2948(2/19), AB-2990(5/14), AG-9/14



PUBLIC SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

IMPROVING TRANSPORT LOGISTICS AND COMPETITIVENESS IN SURINAME

(SU-L1057)

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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	REQUIRED ELECTRONIC LINKS (REL)			
REL#1	Pluriannual Execution Plan (PEP) / Annual Operational Plan (AOP)			
REL#2	Monitoring and Evaluation Arrangements			
REL#3	Environmental and Social Management Report (ESMR)			
REL#4	Procurement Plan (PP)			

OPTIONAL ELECTRONIC LINKS (OEL)		
OEL#1	Analysis of project cost and economic viability	
OEL#2	Diagnosis current situation and proposed interventions	
OEL#3	Program Operations Manual (POM)	
OEL#4	Video Suriname project	
OEL#5	Road pre-design Plans	
OEL#6	Regional Integration	
OEL#7	Lessons Learned - Single Window	
OEL#8	Road traffic analysis and simulation for intervention	
OEL#9	Pre-design of roads	

ABBREVIATIONS				
AOP	Annual Operations Plan			
CBA	Cost-Benefit Analysis			
CC	Climate Change			
CRPD	Convention on the Rights of Persons with Disabilities			
IDB	Inter-American Development Bank			
ESHS	Environment, Social, and Health and Safety			
ESMP	Environmental and Social Management Plan			
ESMR	Environmental and Social Management Report			
FFF	Flexible Financing Facility			
GDP	Gross Domestic Product			
GoS	Government of Suriname			
GTC	Generalized Travel Costs			
HHI	Herfindahl-Hirschmann Index			
IFMIS	Integrated Financial Management Information System			
IPCC	Intergovernmental Panel on Climate Change			
ICT	Information and Communication Technology			
LAC	Latin America and the Caribbean			
LoS	Level of Service			
MOU	Memorandum of Understanding			
MPWT&C	Ministry of Public Works, Transport and Communications			
PACI	Institutional Capacity Analysis Assessment			
PCR	Project Completion Report			
PCS	Port Community Systems			
PEFA	Public Expenditure Financial Accountability			
PEP	Pluriannual Execution Plan			
PEU	Project Execution Unit			
POM	Program Operations Manual			
PP	Procurement Plan			
PwD	People with Disabilities			
RAMS	Road Asset Management System			
SBD	Standard Bidding Documents			
SCM	Synthetic Controls Method			
TEU	Twenty-foot Equivalent Unit			
VOC	Vehicle Operation Costs			
VTT	Value of Travel Time			
WEF	World Economic Forum			

PROJECT SUMMARY SURINAME **IMPROVING TRANSPORT LOGISTICS AND COMPETITIVENESS IN SURINAME** (SU-L1057)

Financial Terms and Conditions						
Borrower	3orrower Flexible Financing Facility ^(a)				Facility ^(a)	
The Republic of Suriname			Amortization Per	riod:	25 Years	
Executing Agency			Disbursement Pe	eriod:	5 Years	
Ministry of Public Works, Tra Communications (MPWT&C)	nsport and		Grace Period:		5.5 Years ^(b)	
Source	Amount (US\$)	%	Interest rate:		LIBOR Based	
			Credit Fee:		(c)	
IDB (Ordinary Capital) ^(d) :	45,000,000	100	Inspection and stree:	upervision	(c)	
			Weighted Averag	ge Life (WAL):	15.25 Years	
Total:	45,000,000	100	Currency of App	roval:	Dollars of the United States of America	
Project at a Glance						
Project Objective/Description: The general objective of the operation is to enhance Suriname's competitiveness and logistics performance by improving efficiencies and reducing both costs and time to clear goods at the primary port facility in Suriname. The specific objectives of the program are: (i) improving the infrastructure and operations of the Port of Paramaribo through the provision of port efficient infrastructure, and the acquisition and implementation of equipment and digital platforms to facilitate trade logistics and goods clearance processes; (ii) improving the level of service, capacity, and resilience of adjacent roads and access to the port; and (iii) strengthening institutional capacity to ensure optimal execution, sustainable asset management, and adequate operation. Special Contractual Clauses Prior to the First Disbursement: (i) establishment of the Project Execution Unit (PEU) and the selection of its key personnel, in accordance with the terms previously agreed with the Bank, including the: (a) program manager; (b) road specialist; (c) procurement specialist; and (d) financial specialist (¶3.1); and (ii) approval and entry into effect of the Program Operations Manual (POM) in the terms previously agreed with the Bank (¶3.5). Special Contractual Clauses of Execution: (i) prior to the disbursement of the loan resources for Component 1, the Memorandum of Understanding (MOU) between the Ministry of Public Works, Transport and Communications (MPWT&C) and the Port Authority shall have entered into effect (¶3.6). For other special contractual clauses of execution see Annex B of the Environmental and Social Management Report (ESMR) (REL#3). Exceptions to Bank Policies: None.						
Challengeo ^(e) :	01	Strateg				
	51		۲I	•		
Cross-Cutting Themes ^(f) :	GD	✓	CC	✓	IC 🗌	

(a) Under the Flexible Financing Facility (FFF) (FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

Under the flexible repayment options of the FFF, changes in the grace period are possible as long the Original WAL and the last payment date, (b) as documented in the loan agreement, are not exceeded.

The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the (c)

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 relevant policies. Disbursement Restrictions. Pursuant to AB-2990, the disbursement of Bank resources (OC) 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 (¶2.3). SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration). GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law). (d)

(e)

(f)

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 **Background.** The Republic of Suriname is in the northeastern Atlantic Coast of South America and bordered by French Guiana, Guyana, and Brazil. The country has a total population of nearly 560,000 people, residing within a 30 kilometers wide coastal region. The capital city, Paramaribo, and its suburbs are home to approximately 70% of the population whilst *Nieuw Nickerie* is the second city of the country in terms of population and economic activity (General Bureau of Statistics, 2018).
- Economic context. Suriname's economy is highly open and dependent on the 1.2 extractive sector. Exports of crude oil and gold accounted for roughly 7% of the Gross Domestic Product (GDP), 88% of merchandise exports and 24% of fiscal revenue in 2017. The country's economic growth averaged 4.4% from 2001-2014, due mainly to favorable commodity prices accompanied by large-scale investments in the mining sector. In 2015, a decline in commodity prices of both gold and crude oil, plus the cessation of alumina production in 2015 contributed to a drastic change in economic performance. Real GDP contracted by 8.9% from 2014 to 2016, accompanied by relatively large fiscal and external imbalances, high double-digit inflation and a rapid buildup of debt. The Government of Suriname (GoS) implemented some measures such as cuts to expenditure, adjustments to the exchange rate, and the cessation of monetary financing. These measures together with an improvement in the mining sector's output have contributed to a period of economic stability since 2017. Nevertheless, the economic recession revealed longstanding structural challenges which adversely affects productivity and competitiveness.
- 1.3 Suriname needs to increase its competitiveness, productivity, and economic diversification. Suriname has an overall score of 3.7 out of 7 in the Global Competitiveness Index, ranking 110 out of 144 countries according to the World Economic Forum (WEF).¹ The quality of infrastructure for roads and ports are ranked 84th and 54th respectively (WEF, 2016). Suriname also ranks 165th out of 190 countries in the World Bank's Ease of Doing Business Score. The ranking highlights the need for improving trading across borders and lowering logistic costs, which are higher than those of other Caribbean and neighbor economies (e.g. Guyana, Haiti, and Trinidad and Tobago) (Doing Business, 2018). Regarding economic diversification. Suriname has а score of 0.20 on the Herfindahl-Hirschmann Index² (HHI), which implies a less diversified export portfolio than other countries in the Caribbean and similar economies³ (World Bank, 2016). Therefore, improving the efficiency of infrastructure and logistics

¹ Suriname was not included in 2017 and 2018 issue of the Global Competitiveness Report (WEF).

² A low HHI implies a highly diversified portfolio of export products. The Bahamas: 0.17, Trinidad and Tobago: 0.15, and Barbados: 0.10.

³ HHI is 0.15 for small commodity exporting economies (World Bank, 2016).

services, and enhancing cross-border procedures, will lower overall trade costs and increase economic activity in existing and new sectors.⁴

- 1.4 **The importance of logistics infrastructure and the Port of Paramaribo**. Freight transport in Suriname involves several aspects of the existing infrastructure (roads, airports, and port facilities) as well as logistic services. However, the Port of Paramaribo (hereafter the port), its adjacent road network and related services are the main factors that determine logistic performance and costs for international trade along economic value chains. The port facilities represent the main import/export gate and trade node for all relevant production locations in the country, especially for agricultural, forestry, fishing and mining production areas.
- 1.5 The port is administered by a public company that acts as the port landlord. Two terminal operators, under lease contracts, are responsible for the handling of the cargo (*Verenigde Surinaamse Holdingmij* VHS and Dubai Port DP) and the operation of port facilities while sharing 600 meters of the river-facing berth. It handles almost 90% of the country's import and export seaborne traffic, excluding oil and alumina. Nearly all the containerized agricultural exports exit the country from this port; the rest is transported either by private terminals or air cargo. Currently, the port has an annual throughput capacity of approximately 100,000 TEU,⁵ 200,000 tons of breakbulk and 160,000 tons of liquid bulk yearly. The facility has regional relevance since its trade dynamics are mainly regional, in 2017, 90% of ships came from Latin America and the Caribbean (LAC). Other origins include European countries with a smaller share. Imports arrive at other ports (Guyana, Panama and Trinidad and Tobago) before reaching Suriname.





Source: Havenbeheer, 2018.

1.6 **The problem of traffic congestion in Paramaribo.** At the urban level, transport is heavily dependent on single occupancy vehicles as reflected in the high motorization rate of the country - 420 vehicles/1,000 persons (the average of LAC

⁴ Agriculture, forestry and fisheries are key export sectors, after extractives (Observatory of Economic Complexity, 2016). Gold is an export product not handled by the port.

⁵ TEU: Twenty-Foot Equivalent Unit.

⁶ Recession period: decline in commodity prices, the closure of the bauxite industry and the reduction in foreign and fiscal revenue (¶1.2).

is roughly 200 vehicles/1,000 persons), (General Bureau of Statistics, 2015). Public transport also plays a key role in urban mobility, especially in Paramaribo and neighboring districts. However, the poor organization and management of the more than 500 existing bus permits, most of which run along redundant routes, also contributes to increased congestion in the city.

- 1.7 The port is embedded in the urban area of the city and the access of trucks to it is done through the same road corridor that connects important districts with the city center, where the financial, commercial and administrative activity of the country is concentrated. In the surrounding areas of the port, urban traffic is one of the characteristics that describe the "last-mile" conditions for exports and "first-mile" conditions for imports. *Van 't Hogerhuysstraat* has an average daily traffic of more than 50,000 vehicles, of which 93% are private and single/occupancy cars, 4% are public transport buses and motorcycles, and 3% are heavyweight trucks. The Level of Service (LoS)⁷ as measured by the flow of cars is below acceptable standards of performance, where vehicles take up to 80 seconds to cross an intersection, at speeds lower than 10 km/h (Deloitte, 2019).
- 1.8 On average, 175 trucks arrive every day to pick up import cargo, while 94 enter the port to unload export containers. This modal mix of heavy vehicles, public transport and a large number of private cars, added to the poor conditions of the road corridor, cause huge queues to enter and leave the port, in addition to long travel times for people who travel in the mornings to the city center and return in the afternoon. Adjacent road infrastructure is therefore critical for the port operation. The adjacent roads to the port consist of the following: *Van 't Hogerhuysstraat*, the *Jules Wijdenboschbrug*, *Willem Campagnestraat*, *Hernhutterstraat*, *Slangenhoutstraat*, *Zwartenhovenbrugstraat*, and *Molenpad*.

⁷ The LoS is a measure of the magnitude of the delay at an intersection. A short delay to cross an intersection means that there is a good LoS and vice versa. There are different categories of delays, from signalized to unsignalized intersections. The classification is based on the time delay for both intersections: in both cases, A means traffic conditions close to free flow and F means limited flow.



Figure 2. Common trucks route to access the port

- 1.9 **Transport infrastructure and sector institutions in Suriname.** The road network follows the population distribution across the country. It consists of 4,570 km of roads, of which 1,300 km are paved primary roads. The principal corridors are the East-West Corridor, the *Nieuw Nickerie* and the North-South Corridor (Road Authority, 2017; and Inter-American Development Bank [IDB], 2012). The road network also has a relevant inventory of bridges (189 in 10 districts). Most of this infrastructure is in the districts of Paramaribo, *Wanica, Commewijne, Nickerie*, and *Para* (Suriname Statistics Bureau, 2015).
- 1.10 The Ministry of Public Works, Transport and Communications (MPWT&C) is responsible for the upgrading/major rehabilitation of the roads, including those adjacent to the port. Nonetheless, routine maintenance is performed by the Road Authority. The MPWT&C is currently implementing, with funding from EXIM Bank (China), the Dalian project, which involves the rehabilitation of approximately 130 km of roads and bridges in the districts of Paramaribo, *Wanica, Para*, and *Saramacca*. The works to be financed with this new IDB operation are adjacent to important segments of primary roads already rehabilitated in Paramaribo.
- 1.11 **Vulnerability to Climate Change (CC).** According to the fifth assessment report of the Intergovernmental Panel on Climate Change (IPCC),⁸ Suriname is in an area with high vulnerability to expected anomalies in climate stressors (sea level, temperature, and precipitation) for the period 2019-2050. The country is heavily exposed to significant changes in the duration, intensity, and frequency of rainfall (<u>IPCC, 2014</u>). In fact, Suriname is anticipated to be one of the developing

⁸ The IPCC is an organization that presents scientific evidence on CC, as well as guidelines to address mitigation and adaptation needs. Its main publication, the Assessment Report, presents considerations on climate stressors (precipitation, temperature and sea level rise) for different countries. The consideration on climate adaptation are consistent with what is presented in Suriname's First <u>NDC</u>.

economies in the Caribbean to suffer the greatest economic losses. Because of its exposure to CC, it is estimated that the country will have to invest a total of US\$247 million annually in capital maintenance under an optimistic scenario, roughly US\$600 million under a moderate scenario, and more than US\$1 billion under the most critical scenario (<u>UNDP, 2010</u>). Among the different capital classifications, the resilience investment required for the port and road network will represent 15% of total capital investments to secure climate resilience. According to the IPCC, flood management practices, early warning systems, land use management, and flood hazard assessment need to be followed to guarantee climate resilience to vulnerabilities related to hydrologic extremes (IPCC, 2014).

- 1.12 Social vulnerability context. Suriname is considered a low-income country with poverty and income inequality challenges (Gini coefficient of 0.53) (IDB, 2016; UNDP, 2018; and UNDP, 2013). Given the economic context and dependence on extractives and related activities, job opportunities are scarce and labor dynamism is limited to a few productive sectors. Furthermore, job market segregation is significant. Men participate mainly in those industries with high productivity performance (mining, energy, construction, high-gualified services), while women tend to be more represented in sectors with low remuneration and productivity rates, such as social services, restaurants and hotels, and health services.⁹ In sectors such as transportation, logistics, and warehousing, women represent only 18% of the labor force, equivalent to 1.2% of the total female labor force in the country. This operation will carry out a more in-depth assessment of the social and economic context of local households during the execution of civil works, and design. Furthermore, it will execute gender-oriented initiatives to empower women in the logistics sector (see ¶1.22 and Result 5 of Annex II). Suriname does not have up-to-date statistics on the employability of persons with disabilities (PwD); however, in March 2017 it ratified the United Nations Convention on the Rights of Persons with Disabilities (CRPD). Consistent with this public policy, the program will promote initiatives to increase PwD's participation in jobs related to the port's logistics activities.
- The problem. The main problem to be tackled is the low-efficiency performance 1.13 of the port and the road infrastructure that serves it, which ultimately affects productivity and competitiveness for different economic value chains, especially agriculture, and generates inefficiency and higher costs in the transport of people and goods. Specifically, several logistic bottlenecks can be identified in the port operation and adjacent road infrastructure. Effects of logistics bottlenecks are mainly evidenced in the process of imports and exports. For instance, trucks turnaround time is five hours, of which less than 20% is related to operational procedures within the port's terminal (Deloitte, 2019). That is, around 80% of the time spent to deliver or pick up cargo can be considered as Idle Time. The main performance obstacles are consistent with the main challenges identified for ports in the region, inefficiencies and increasing waiting times are associated with low productivity (Suarez et al., 2015). When comparing the idle time of trucks with other ports with similar performance in other developing regions, the port is significantly above the average of 19% (Herrera and Suarez, 2016). Inefficiencies are not only related to manual and time-consuming procedures, but also to the time

⁹ Based on Household Surveys for Suriname, 2017 and on data harmonized by the IDB.

coordinating the transition between processes. Currently, there are eight manual processes prior to entering the port that could be reduced to zero with the implementation of a Port Community Systems (PCS)¹⁰ and digitalization of compliance procedures (Deloitte, 2019). Additionally, traffic congestion along the *Van 't Hogerhuysstraat* and limited space for maneuvers add up travel times for logistics processes as detailed in the causes of the problem. Productivity is therefore significantly affected since transportation companies (trucking companies, port agencies, among others) would otherwise increase their throughput with the same installed capacity and truck availability. All inefficiencies, represent a virtual distance between Suriname and its trading partners that can be translated into productivity losses or increasing costs of trading goods across borders (<u>Clark et al., 2004</u>; and <u>Doing Business, 2019</u>).

- 1.14 **Causes of the problem.** Import and export process can be analyzed by identifying all the sub-processes: from discharging containers to the departure from the port for imports; and from accessing the port and picking up the cargo until exiting the port for exports.
- 1.15 For imports, trucks face congestion along the Van 't Hogerhuysstraat road, the only access point to the port. Congestion is a result of: (i) lack of an appointment system for trucks awaiting discharged cargo; (ii) poor coordination between different stakeholders (port agencies, port management, and trucking companies); (iii) limited space for parking and performing logistic maneuvers or value-added services; and (iv) low LoS along the four-lane Van 't Hogerhuysstraat road.
- 1.16 Trucks coming southbound face inefficiencies since the bridge connecting *Dr. Martin Luther Kingweg* with *Van 't Hogerhuysstraat* is not suitable for freight traffic (load capacity of the truck), adding up to 30 minutes to travel times of cargo. Other delays are the result of manual processes in customs and transport agencies; lack of coordination between stakeholders and the port management; redundant validation processes to enter the terminal; and 100% container inspection regulation. After the cargo is cleared, drivers need to return to the terminal to receive a clearance validation, receive an exit note and exit the port towards the congested *Van 't Hogerhuysstraat*.

¹⁰ A PCS is a digital-based platform that allows a more efficient communication between every stakeholder of the logistic processes for imports and exports in port or logistic facilities.



Source: Deloitte, 2019.

1.17 For export processes, similar inefficiencies are identified: (i) uncoordinated processes between stakeholders and the port management; and (ii) unoptimized intersections and congestion on the *Van 't Hogerhuysstraat*. A major inefficiency consists of all trucks exiting the port having to turn left on *Van 't Hogerhuysstraat*, taking an unnecessary detour of 1.7 km when heading north and 4.1 km when going towards the south, creating demand on adjacent infrastructure.



Figure 4. Duration of export processes

- Source: Deloitte, 2019.
- 1.18 **Road infrastructure and port's adjacent road network.**¹¹ Multiple access routes converge in *Van 't Hogerhuysstraat* and *Willem Campagnestraat* as the main access points to Dr. Jules Sedney Port, thus making the road a mix of intersections

Figure 3. Duration of import processes

¹¹ See details in Table 1.

of urban traffic and freight transport. The road carries more than 50,000 vehicles/day and has in general, narrow driving lanes, insufficient traffic management, limited load capacity, poor junction geometry, inefficient drainage, and low safety standards (signaling, the separation between transportation modes, among others). The LoS of most of the intersections along the *Van 't Hogerhuysstraat* ranges between D and E, with speeds below 6 km/h at peak times.





Source: Deloitte, 2019.

- 1.19 **The proposed intervention.** This program will finance improvements in infrastructure and processes of the port and its adjacent roads. The program will be oriented towards the reduction of time for cargo operations at the port, in addition to reducing travel time and cost for all the users of the road corridor. It considers investments and activities throughout different inter-related areas: improvement of port access and land utilization (construction of a logistic center adjacent to the port in port-owned land), optimization of port operations and customs inspections, upgrading climate resilience of road infrastructure, bridges and secondary roads, and the modernization and optimization of traffic management on adjacent infrastructure.
- 1.20 **Empirical evidence related to the program**. Broad literature provides evidence of the positive impacts of infrastructure improvement on economic growth, Esfahani and Ramirez (2003) developed a structural model of infrastructure and output growth to assess the contribution of infrastructure services to GDP with a cross-country perspective. Their results are consistent with other studies. for example, Ismail and Mahyideen (2015), found with an augmented gravity model that general and specific port infrastructure has a significant effect on GDP, exports/imports in various countries in Asia. It supports the premise that Information and Communication Technology (ICT) infrastructure can trigger additional gains in trade and economic growth. On a regional perspective, Clark et al. (2004) suggested that transport costs are a greater barrier for most LAC countries to increase international trade than tariffs or other fixed trade regulations. They estimate a reduced form of a structural model to explain the determinants of the charges per transported weight unit and find that efficiency in ports - measured as a one-to-seven index (WEF indicator) - is a great determinant of costs and productivity. As improving the port efficiency from the 25th to the 75th percentile in the above-mentioned index is correlated with a reduction in shipping costs of about

12%. Similarly, <u>Djankov et al. (2006)</u> determined how time delays affect trade, by estimating a difference gravity equation for 98 countries and using data on the days it takes to move standard cargo from the factory gate to the ship, finding that each day of delay reduces trade by more than 1% (equivalent to a country distancing itself from its trade partners by roughly 70 km). Moreover, the determinants of efficiency, and thus the drivers of productivity, trade and growth gains, are studied by <u>Suarez et al. (2015)</u>, that carried out parametric and non-parametric analysis to prove that improvements in transparency and accountability, as well as private participation and enhancement in liner connectivity, increase the level of port efficiency in developing regions.

- 1.21 Based on previous studies, it can be concluded that gathering port data in a systematic way remains a challenge for LAC. Nonetheless, studies have overcome data obstacles by using cross-country comparison of available indicators (e.g., World Development Indicators, Doing Business, WEF Global Competitiveness Index, etc.) using proxy variables to assess the determinants in economic and development outcomes (Ismail and Mahyideen, 2015). Additionally, the use of other empirical strategies such as Synthetic Controls Method (SCM) is becoming more popular in policy and intervention analysis. IDB studies have addressed the need to provide empirical evidence of intervention and political reforms by using SCM, studying the impact of the expansion of the Panama Canal it was found that the improvement of logistics performance has a positive effect on general economic indicators and productivity. This program will make efforts to apply SCM to contribute to the knowledge of the effects of port and logistic intervention. In terms of data sources, a similar approach to Lanzalot et al. (2018) is going to be followed, considering the methodological aspects to apply SCM to comparative studies as suggested by Abadie and Gardeazabal (2003).
- 1.22 An opportunity to tackle social disparities through infrastructure investments. Given the social vulnerability context (see ¶1.12) and the technology components that will require high-skilled labor force, this program will target specific solutions to increase female and PwD participation in logistics, transport. and warehousing services. The program will promote productivity development initiatives related to transportation services by creating training opportunities and the development of new business models for value-added services, with a special focus on increasing women and PwD's participation in the labor force and the introduction of universal accessibility designs in the port and adjacent road network. The program will carry out the following gender activities: (i) trainings on the operation of PCS, Port Equipment Management, and Logistic Planning for Port Operation; and (ii) an entrepreneurship assistance program for new business models for value-added services operating within the Logistic Center. Both initiates will be carried out in close collaboration with the following stakeholders: Port Liability Company (Havenbeheer), MPWT&C, Port Terminal Operators (VHS and DP), the Ministry of Trade, Customs, and the Inter-American Development Bank Group (IDBG).¹² The gender-oriented initiatives will not be limited to women already employed in the sector; dissemination campaigns will be carried out through government entities inviting technical educational institutions to share information with the local community.

¹² IDB, IDB Invest (private sector arm of the IDB Group) and IDB Lab (innovation laboratory of the IDB Group).

- 1.23 **Innovation in the program**. During the preparation stages of the loan and the pre-feasibility designs for the road and port interventions, Drone Imagery is used to build orthomosaics, conduct vehicle counts and analyze traffic flows with Artificial Intelligence (AI) based engines for image recognition. Additionally, the program will finance the implementation of PCS, which will standardize information and further enhance analytical processes to improve the port's general performance. It is expected that the PCS will be the first step in the deployment of future technologies being deployed in other port's management systems such as the Internet of Things (IoT) and Blockchain. Additionally, the program will finance the implementation of Intelligent Signalizing and the installation of Intelligent Transport Systems (ITS) to optimize traffic flows on adjacent road networks in the port's neighboring area.
- 1.24 **Strategic alignment.** The operation supports the strategic area of Private Sector Development in line with the IDB Group's Country Strategy with Suriname 2016-2020 (GN-2873), by tackling logistic bottlenecks and improving road facilities enhancing competitiveness and diversification of export products, particularly agricultural exports. The intervention is consistent with IDB's Updated Institutional Strategy (UIS) 2010-2020 (AB-3008), aligned with the challenge of: (i) productivity and innovation, as it will improve infrastructure services that will increase the productivity of the agriculture sector and the economy through time savings and enhancement of communication technology services in the port and adjacent areas; and (ii) economic integration, as it will improve the flow of goods at the port, thereby strengthening connectivity to regional and global markets (OEL#6). It is also aligned with the cross-cutting themes of: (i) Climate Change (CC), as it will focus on delivering resilient logistic infrastructure, according to the Joint Report on Multilateral Development Banks' Climate Finance, approximately 12.23% of the operation's resources are invested in mitigation and adaptation to CC activities. These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of approvals by the end of 2020; and (ii) gender equality and diversity, as it will promote female participation in the labor force, and further strengthen the human capital of women. This intervention is also aligned with the IDB's Infrastructure Strategy "Sustainable Infrastructure for Competitiveness and Inclusive Growth" (GN-2710-5), and the Transportation Sector Framework Document (GN-2740-7), specifically with the principle of efficiency and competitiveness, as it will tackle logistic bottlenecks through transport infrastructure and services that will promote productivity gains. Lastly, the intervention is aligned with the Integration and Trade Sector Framework Document (GN-2715-6) through its objective of facilitating trade and logistics. The program includes measures in accordance with the General Framework of Sustainable Infrastructure,¹³ in particular regarding the pillars: (i) economic and financial sustainability by generating positive net economic return, lowering operation cost and time on the productive sectors using logistic services at the port; and (ii) environmental sustainability, by implementing measures to ensure resilience to CC and natural disasters. The operation is included in the 2019 Operational Program Report (GN-2948).

¹³ Technical note No. IDB-TN-1388. <u>A Framework to Guide Sustainability Across the Project Cycle</u>.

1.25 Lessons learned. The lessons learned from IDB's financing and involvement in the Meerzorg-Albina Corridor Rehabilitation Project (SU-L1006 and SU-L1021) as well as other similar Single Window environment operations in CCB (Caribbean) countries (e. g., BH-L1016, and TT-L1044), include the following: (i) project implementation requires the establishment of a dedicated Project Execution Unit (PEU) within the execution agency in order to strengthen execution capacity; (ii) when multiple institutional stakeholders are engaged, particularly in the implementation of a Single Window environment such as a PCS or Electronic Single Window for trade, the lack of coordination between stakeholders can affect the time and cost of execution; (iii) use of parametric costs of similar projects in Suriname, Guyana, Jamaica, Mexico, and Colombia to reduce risk of underestimation of project costs; (iv) on-site engagement of the utility companies to assess the quantity of their infrastructure to be relocated should be done during project design; and (v) for an optimal sequencing of civil works procurement, the supervisor should be hired with sufficient time to assess the designs prior to awarding construction contracts to minimize cost overruns. Lessons learned also confirm the need for strong and sustained political support, inter-institutional leadership and coordination, alignment of incentives among stakeholders, incremental step by step development, and a strong emphasis on training to streamline project implementation, ensure ownership by key actors and the sustainability of the results (OEL#7). As an added value of the Bank's participation in this program, there will be close and regular coordination between departments within the Bank that are preparing and executing development programs in the country, to share information on the progress of the operations, to provide technical expertise derived from similar operations, and to coordinate the approach to the stakeholders, avoiding duplication of key activities and investments.

B. Objective, components, and cost

- 1.26 **Objective.** The general objective of the operation is to enhance Suriname's competitiveness and logistics performance by improving efficiencies and reducing both costs and time to clear goods at the primary port facility in Suriname. The specific objectives of the program are: (i) improving the infrastructure and operations of the Port of Paramaribo through the provision of port efficient infrastructure, and the acquisition and implementation of equipment and digital platforms to facilitate trade logistics and goods clearance processes; (ii) improving the level of service, capacity, and resilience of adjacent roads and access to the port; and (iii) strengthening institutional capacity to ensure optimal execution, sustainable asset management, and adequate operation.
- 1.27 It is expected that the project will result in lower logistics and trade transaction costs, as well in a reduction in travel times, thus improving the flow of traded goods in key sectors such as agriculture. The operation will consider the need for improving resilience standards of road and port infrastructure. <u>EOL#4</u> is a video that describes the problem, objective and components of this operation.
- 1.28 **Component 1. Port interventions (US\$4.5 million).** This component will finance the development of: (i) a logistics center within the port for the classification of cargo and the development of value-added processes. This includes the construction of a truck center, offices and light parking (1.53 hectares) and warehousing facilities (container stuffing and stripping, cross-docking,

consolidation, sacking, etc.) (1.52 hectares) in compliance with the regulatory framework for PwD of Suriname or international standards; and (ii) implementation of a PCS to automate operational processes and improve documentary compliance for imports/exports.

- 1.29 Component 2. Interventions on port's adjacent road network (US\$36.2 million). This component will upgrade and improve the resilience and safety of the road sections in: Martin Luther Kingweg, Van 't Hogerhuysstraat, Industriewea Latourwea. Toekomstwea. Zuid. Industriewea Noord. Slangenhoutstraat, Jules Wijdenboschbrug, Willem Campagnestraat, Hernhutterstraat, Molenpad and Kankawastraat, (i) Van 't Hogerhuysstraat (between Latourweg and Molenpad), the Willem Campagnestraat (between Van 't Hogerhuysstraat and Hernhutterstraat); (ii) Slangenhoutstraat, Hernhutterstraat, and Molenpad; and (iii) the Van 't Hogerhuysstraat bridge, replacing the current three-lane (3-lane) bridge with an expanded six-lane (6-lane) bridge. It will also finance the detailed designs for the civil works and the supervision activities of the civil works and proposed interventions. This component will implement Intelligent Transport Systems for traffic control, planning, and enforcement, while integrating traffic lights and variable road signs for sections adjacent to the port and along the described road section. The intervention will ensure that the related infrastructure will comply with universal accessibility design.
- 1.30 Component 3. Institutional strengthening and administration (US\$0.7 million). This component will finance: (i) the development of a Road Asset Management System (RAMS) for the national road network, allowing systematic planning and execution of maintenance practices, the road authority oversees road maintenance and will be the final beneficiary of the RAMS; (ii) training related to project management, engineering, monitoring, and evaluation, and training for various stakeholders to be able to register and use the PCS; (iii) monitoring and evaluation; (iv) execution of a comprehensive gender approach, including training and empowering of women to conduct specialized logistic services and related activities under partnerships with stakeholders: and (v) initiatives targeting the inclusion of PwD in the labor force related to the economic activities of the port.

Road Sections	Length of road upgrades (km)	Length of road expansion works (km)	
Martin Luther Kingweg	1.52	1.52	
Van 't Hogerhuysstraat	2.16	1.52	
Latourweg	0.11	0.11	
Toekomstweg	0.25	0	
Industrieweg Zuid	0.2	0.2	
Industrieweg Noord	0.19	0	
Slangenhoutstraat	0.68	0	
Jules Wijdenboschbrug	0.28	0.24	
Willem Campagnestraat	0.78	0.37	

Road Sections	Length of road upgrades (km)	Length of road expansion works (km)		
Hernhutterstraat	1.19	0		
Molenpad	0.67	0		
Kankawastraat	0	0		

Source: preliminary designs for road intervention.

1.31 Administration, management, audit, and contingencies (US\$3.6 million). The program will also finance an Executing Agency (US\$1.895 million), the monitoring and evaluation (US\$25,000), an external audit (US\$80,000) and contingencies (US\$1.6 million).

C. Key results indicators

- 1.32 The beneficiaries of the program will be the freight transport users and other actors in the logistics chains that use the port,¹⁴ as well as the people using the road corridor on a daily basis to travel to and from the city center¹⁵ (see ¶1.18). The Results Matrix includes the main impact, outcome, and output (products) indicators of this program. Impact indicators are intended to measure the improvements of logistic performance, productivity, competitiveness, and ease of trade. Outcome indicators will measure: (i) reduction of cargo clearance times for exports and imports from the port; (ii) reduction in travel time for the road users; (iii) reduction of travel costs derived from the intervention; and (iv) institutional strengthening through capacity building. Outputs indicators will monitor the delivery of the products, including: (i) port facilities to be built; (ii) total kilometers of roads to be upgraded and new bridge sections to be built; (ii) implementation of the PCS; (iv) implementation of institutional capacity programs; and (v) employment opportunities for women and PwD.
- 1.33 Cost-Benefit Analysis (CBA). The CBA was conducted by analyzing the costs and benefits of two scenarios: with intervention and without intervention. The estimation of the benefits considers the reduction of Generalized Travel Costs (GTC) due to the implementation of the project. The GTC was estimated based on two main factors: the Value of Travel Time (VTT) based on the working time and the leisure time spent on transport; and (ii) Vehicle Operating Costs (VOC) are computed based on parameters of fuel consumption per vehicle type, average speeds, and non-fuel related costs. Furthermore, a sensibility analysis was conducted to assess different scenarios, including a 10% and 30% reduction in total benefits, and 10 and 30% increase in total costs (OEL#1).
- 1.34 The CBA shows that the project is feasible under a social perspective with an Internal Rate of Return of 27.99%, and a Net Present Value of US\$43.90 million with a discount rate of 12%. To have a robust measure, a microsimulation model was performed to allow for a higher degree of certainty about the impact of the project. Furthermore, the benefits of the project are robust to significant changes in both benefits and costs. The timeframe used for the analysis was 20 years.

¹⁴ In 2017, 814 companies exported in Suriname, Customs Authority.

¹⁵ Nearly 62,000 people use the roads near the port every day in different modes of transport, Deloitte (2019).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 This operation will be implemented as a specific investment loan of US\$45 million to be financed with resources from the Bank's Ordinary Capital (OC) under the Flexible Financing Facility (FFF). The execution activities along with the timeline and costs to be supported by the operation are in the Program Operations Manual (POM) (<u>OEL#3</u>). The execution plan projects for civil works, technology systems, and institutional strengthening activities will take sixty (60) months to complete, it is expected that the loan will be disbursed in five (5) years as shown in Table 2.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	2.25	6.75	13.50	13.50	9.00	45.00
Percentage of Disbursement %	5	15	30	30	20	100

Table 2. Disbursement schedule (US\$ million)

2.2 Table 3 provides the cost summary by investment categories and components according to section I, B.

Work Breakdown Structure (WBS)	Components/Products	IDB	%
1	Component 1: Port interventions	4,460,000	9.91%
1.1	Logistic Center	2,050,000	4.56%
1.2	Access Control System (equipment)	210,000	0.47%
1.3	PCS	2,200,000	4.89%
2	Component 2: Interventions on Port's Adjacent Road Network	36,200,000	80.44%
2.1	Primary urban roads	26,600,000	59.11%
2.2	Bridge over Saramacca canal at Van 't Hogerhuysstraat	9,600,000	21.33%
3	Component 3: Institutional strengthening and administration	700,000	1.56%
3.1	RAMS	200,000	0.44%
3.2	Technical training	400,000	0.89%
3.3	Programs for the participation of women in logistics services	100,000	0.22%
4	Administration, management, and audit	2,000,000	4.44%
4.1	Program administration (EU)	1,895,000	4.21%
4.2	Monitoring and evaluations of the program	25,000	0.06%
4.3	External audit of the program	80,000	0.18%
4.4	Contingencies	1,640,000	3.65%
	TOTAL	45,000,000	100.0%

Table 3. Summary of program costs (US\$ thousands)

2.3 **Disbursement restrictions.** Pursuant to Document AB-2990, the disbursement of Bank resources (OC) will be subject to the 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. These limits may not apply if the requirements established in the Bank's policy in this regard have been fulfilled,

provided that the borrower has been notified in writing. These periods will be counted from the time the loan operation is approved by the Board of Executive Directors.

B. Environmental and social safeguard risks

2.4 In accordance with the guidelines of the Environment and Safeguards Compliance Policy (OP-703), the proposed operation is classified as Category "B", as it is estimated to generate a majority of temporary, localized, negative and moderate Environment, Social, and Health and Safety (ESHS) impacts that can be mitigated with standard ESHS management during construction. Furthermore, the risk of community opposition to project interventions can be mitigated with the implementation of a grievance mechanism, and the risk of non-compliance with applicable environmental and social regulation will be mitigated with the appointment of a social and environmental specialist within the PEU and a penalty scheme in contracts. The existing port operations already follow some standard ESHS management systems, which will be enhanced as a result of an ESHS Review of its current operations. The project is currently fully compliant with all Bank policies and requirements applicable (REL#3). The program will implement an Environmental and Social Management Plan (ESMP), which includes the necessary management plans to address air, water, noise, and general pollution, and a Stakeholder Engagement Framework and Grievance Mechanism to guide the Borrower in the development and implementation of the respective specific plans that must be applied throughout project execution. Project interventions were carefully designed to avoid any physical or economic displacement, as well as negative impacts on the livelihoods of the communities adjacent to the access roads. Nevertheless, as a precautionary measure, a Livelihood Restoration Framework was developed as part of the ESMP. Given that the project area is fully urbanized, no physical cultural resources are expected to be affected during construction, but a Chance Finds Procedure is included in the ESMP as a precautionary measure. A meaningful public consultation was held on February 20, 2019, to discuss the Draft of the Environmental Assessment (EAS) and corresponding ESMP. The main concern expressed by the participants was about the temporary effects of works on traffic flow and commercial activity in the project surrounding areas. However, a Traffic Management Plan and the Stakeholder Engagement Plan will be implemented by the contractor, to mitigate these effects. Through its institutional strengthening component the program will support the creation of a PEU in the Borrower's Executing Agency, including an environmental and social specialist to assist in project supervision and promote compliance with the applicable ESMP during implementation.

C. Fiduciary risk

2.5 Based on the results of the Institutional Capacity Analysis Assessment (PACI) and the state of the country's public financial management procedures, the overall fiduciary risk is medium (Annex III). With respect to financial management the main monitoring and accountability risks identified relate to: (i) lack of internal controls, norms, and procedures during the execution of the program, mitigated with the hiring and training of personnel within the PEU with experience in IDB policies; and (ii) failure to comply with accounting and reporting requirements, mitigated with training in the use of an off-the-shelf accounting system. With respect to procurement, the main risks are: (i) limited scope and experience of procurement personnel with IDB policies; and (ii) lack of internal norms, procedures and fragmentation of procurement activities. The mitigation measures for these risks will include hiring and training personnel with experience in IDB procurement policies.

- 2.6 The results of PACI indicates that the fiduciary system in use by the MPWT&C does not entirely comply with the characteristics required for the implementation of projects financed by the Bank. For the establishment of the PEU, in addition to the program manager, and technical experts, a fiduciary officer with experience and knowledge related to IDB financial management and procurement policies are selected to guarantee that the beneficiary will be prepared to execute the project with a qualified fiduciary team.
- 2.7 The assessment indicates that there are specific fiduciary areas that require concrete institutional building and/or strengthening efforts. Even though, in most cases such factors will not affect the capacity of the MPWT&C to commit to program implementation, addressing such aspects would, over the medium-term improve and enhance the ministry's governance and institutional environment and ultimately contribute to enhanced decision-making capacities, optimal allocation of resources, and safeguard of the institution's resources.
- 2.8 It is recommended that the MPWT&C effectively coordinates, streamlines and integrates the functions of the fiduciary personnel of the PEU with the activities of the budgeting and financial affairs of the ministry and the Port Authority to allow for the continuous process of knowledge transfer, and the strengthening of its permanent institutional capacity.

D. Other risks and key issues

2.9 The bank has identified the following public management and governance medium risks and proposed a mitigation mechanism due to the lack of coordination between the principal actors, mitigated through the interagency coordination mechanism between the MPWT&C, the Port Authority, the Road Authority and other actors. In addition, the following medium development risks were identified: (i) delay in the execution of civil works, mitigated with the appointment of PEU personnel in charge for the supervision of works; and (ii) macroeconomic risk that could cause the GoS to change the priority over the operation or the project costs, mitigated supporting the accomplishment of eligibility conditions and proper design and budgetary estimations of works.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 **Beneficiary and Executing Agency.** The borrower will be the Republic of Suriname. The MPWT&C will implement the project through a PEU which will be responsible for general and technical coordination; planning, monitoring and evaluation; financial management; procurement administration; environmental, health and safety management; and communications activities. The PEU will be

financed by the project and will be composed, at least, of: program manager, road specialist, environmental and social specialist, a port specialist, a procurement specialist, and a financial specialist.

- 3.2 The Program Manager will be responsible for strategic planning and overall management, monitoring and supervision of the program. He/she will manage relations and accountability with the donors and the MPWT&C. The two Technical Coordinators, each one in his/her field, will be responsible for the good execution of the activities. They will support the planning of the activities, the negotiation and the management of the contracts. The Coordinator for environmental and social matters will be responsible for ensuring compliance with IDB's environmental and social policies. He/she will manage the technical assistance contract on environmental and social matters and will supervise the preparation and implementation of management and action plans for environmental and social safeguards, resettlement, gender mainstreaming and road safety.
- 3.3 The Office of the Permanent Secretary of MPWT&C will provide the institutional platform for effective institutional streamlining of project execution, decision-making support, a delegation of authority and responsibilities, and facilitating the support and coordination of/with relevant institutions. The PEU will also coordinate with stakeholder institutions participating in the program, including the Road Authority, Port Authority, NIMOS, Customs, and port operators. For inter-institutional coordination (MPWT&C Port Authority; MPWT&C Customs; and MPWT&C port operators), a consultative committee will be established as a strategic management and coordination entity that will be composed of high-level representatives with decision-making capacity of the key institutions involved in the program. The POM (¶3.4) will establish its integration, functions and coordination mechanisms.
- 3.4 **Operations manual.** Execution will rely on a POM that includes, among others, administrative, procurement, financial management policies, procedures, internal control requirements and the ESMP.
- 3.5 Special Contractual Clauses Prior to the First **Disbursement:** (i) establishment of the PEU and the selection of its key personnel, in accordance with terms previously agreed with the Bank, including the: (a) program manager; (b) road specialist; (c) procurement specialist; and (d) financial specialist (¶3.1); and (ii) approval and entry into effect of the **POM in terms previously agreed with the Bank.** These conditions assure that an adequate team, the rules of operation and supporting technology will be in place to initiate and conduct execution.
- 3.6 **Special Contractual Clauses of Execution:** (i) prior to the disbursement of the loan resources for Component 1, the Memorandum of Understanding (MOU) between the MPWT&C and the Port Authority shall have entered effect. This special condition is required to define in detail the responsibilities for each government agency, in order to avoid delays in the execution and to establish different levels of validation and approval processes
- 3.7 **Supervision.** The technical supervision of the civil works will be contracted with specialized firms to: (i) verify the quality of the civil works ensuring the achievement

of technical specifications; (ii) measure the progress of the activities of the contractors, including measures for the mitigation of environmental and social impacts; (iii) support the PEU in relation to general project management issues; (iv) advise on the needs to improve levels of activities; and (v) elaborate monthly reports of project progress, including issues related to the implementation of environmental and social mitigation measures.

- 3.8 **Procurement.** The Procurement Plan (<u>REL#4</u>), covering 60 months of program execution starting on the date of eligibility of the program, will be agreed by the MPWT&C and the Bank. The PP will be updated annually, whenever necessary or as required by the Bank, procurement for the proposed project will be carried out in accordance with: (i) Policies for the Procurement of Works and Goods financed by the Bank (GN-2349-9); and (ii) Policies for the Selection and Contracting of Consultants financed by the IDB (GN-2350-9).
- 3.9 **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the borrower prior to the date of the loan approval, to finance activities foreseen in Component 1 and 2, related to the hiring of consultants for the technical designs of road and port infrastructure, up to the amount of US\$2 million (4.4% of the proposed loan amount allocated for engineering designs and preparation stages), provided that requirements substantially similar to those established in the loan agreement have been met. These expenses must have been incurred on or after January 18th, 2019 (approval date of the project profile) and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.10 Auditing. The external audit of the project 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 PEU will be responsible for contracting of an external auditor eligible to the IDB as follows: (i) an annual financial audit to be submitted within 120 days of the end of each 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 last disbursement.
- 3.11 **Financial management.** Financial management of the project will be carried out in accordance with the Bank's Management Guidelines (OP-273-6). Financial programming will be carried out based on standard models included in the Bank's project disbursement guide. The Bank will determine the supervision procedures necessary to verify the success of the operation, including independent financial auditing performed in accordance with the guidelines for financial reporting and external auditing of projects financed by the Bank.

B. Summary of arrangements for monitoring results

3.12 **Planning on monitoring.** The monitoring and evaluation plan will be carried out during program execution in agreement with the goals and performance indicators identified in the result, MPWT&C will prepare a detailed Annual Operations Plan (AOP) 30 days prior to the conclusion of each calendar year during the execution project. The AOP for the following calendar year shall include: (i) projected disbursement schedule for the year; (ii) updated project plan; (iii) detailed

accomplishments related to planned activities, outputs and outcomes, etc.; (iv) environmental and social compliance report; (v) budget analysis, disbursement and financial plan; and (vi) output indicators and costs. The semi-annual progress reports and the Pluriannual Execution Plan (PEP) will be presented within 60 days after each semester of the year during the disbursement period and focusing on fulfillment of output indicators and progress achieving outcomes in the Results Framework, an analysis of problems encountered and proposed corrective measures. Within 60 days of the last disbursement date, the MPWT&C will prepare a final report, summarizing all the progress reports prepared during the program's life. The information of the final report will be an input to elaborate the Project Completion Report (PCR).

- 3.13 **Evaluation.** MPWT&C will submit to the Bank a final independent evaluation, within 90 days after the date on which 90% of the loan proceeds have been disbursed or after the Bank's official request. The evaluation report will assess the extent to which the outcomes were attained and gauge its development impact. The results will be evaluated in a single analysis using ex post and ex ante methodologies such as an ex post CBA. The expost CBA will replicate the model used for the ex-ante analysis, done as part of the feasibility studies.
- 3.14 **Impact evaluation.** An ex post impact evaluation will be carried out by the Executor to evaluate the impact on the performance of the port as a result of the improvements. The empirical strategy is based on the synthetic method and will compare the performance of the treated port versus a synthetic unit, generated from a group of ports with similar conditions and constraints. The assessment study will consider as a potential output the costs to import/export, as well as the hours of border compliance that can be found in the Doing Business Report, World Development Indicators, and World Integrated Trade Solutions Data Base. Other data provided by the Port Authority, Customs and data gathered during the pre-feasibility studies, as well as secondary data (World Development Indicators logistic aggregated performance information) will be considered to conduct the evaluation <u>REL#2</u>. The impact evaluation will be included as a part of the final independent evaluation report (¶3.13) and used as an input for the PCR (¶3.12).

Development Effe	ectiveness Matrix				
Summary	SU-L1057				
I. Corporate and Country Priorities					
1. IDB Development Objectives					
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change and Environmental Sustainability				
Country Development Results Indicators	-Public agencies' processing times of international trade of goods and services * -Formal employment of women (%) -Women beneficiaries of economic empowerment initiatives (#)* -Roads built or upgraded (km)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Ports built or upgraded (#)*				
2. Country Development Objectives					
Country Strategy Results Matrix	GN-2873	2.3 Increase agriculture productivity. See main doc paragraph 1.5-1.7, 1.25 and 1.26. Annex II, outcome indicators related to time and costs savings.			
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 Operational Program.			
Relevance of this project to country development challenges (If not aligned to country strategy or country program)					
II. Development Outcomes - Evaluability		Evaluable			
3. Evidence-based Assessment & Solution		8.9			
3.1 Program Diagnosis		2.4			
3.2 Proposed Interventions or Solutions		4.0			
4 Ex ante Economic Analysis		10.0			
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0			
4.2 Identified and Quantified Benefits and Costs		3.0			
4.3 Reasonable Assumptions		1.0			
4.4 Sensitivity Analysis		2.0			
4.5 Consistency with results matrix		1.0			
5. Monitoring and Evaluation		8.0			
5.1 Monitoring Mechanisms 5.2 Evaluation Plan		2.5			
III. Risks & Mitigation Monitoring Matrix		5.5			
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		В			
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:					
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	Through technical cooperation SU-T1005 technical assistance was provided to the Government of Suriname in the preparation of technical studies, analysis of alternatives, pre-designs, cost-benefit analysis, environmental evaluation, preparation of the Operational Manual and project documents. Support was also provided for a public consultation on the project and a risk workshop, as inputs for the preparation of the operation.			

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

The general objective of the operation SU-L1057 is to enhance Suriname's competitiveness and logistics performance by improving efficiencies and reducing both costs and time to clear goods at the primary Port facility in Suriname. The specific objectives of the program are: (i) improving the infrastructure and operations of the Port of Paramaribo through the provision of port efficient infrastructure, and the acquisition and implementation of equipment and digital platitate trade logistics and goods clearance processes; (ii) improving the level of service, capacity, and resilience of adjacent roads and access to the port; and (iii) strengthening institutional capacity.

The project identified the poor performance and low efficiency of the port as they primary problem it is seeking to address. Issues such as excessive wait times for trucks going to and from the port, as well as congestion along the roads leading to the port are the result of a series of bottlenecks related to port operation and adjacent road infrastructure. The program's three components - port interventions including the construction of a logistics center and introduction of automated systems; interventions aimed at widening and improving adjacent roads and bridge; and institutional strengthening – are consistent with tackling these problems.

The cost-benefit analysis of the project is adequate and shows a positive net present value in the central scenario as well as under a range of scenarios included in the sensitivity analysis. Given the relative scarcity of evidence of effectiveness for this specific type of operation, the project includes an impact evaluation. Appropriately for this type of intervention, the evaluation plan relies on non-experimental methodology (synthetic control). However, the plan is not sufficiently clear about all the details and assumptions used in the ex-ante calculation.

RESULTS MATRIX

Project Objective:	The general objective of the operation is to enhance Suriname's competitiveness and logistics performance by improving efficiencies and reducing both costs and time to clear goods at the primary Port facility in Suriname. The specific objectives of the program are: (i) improving the infrastructure and operations of the Port of Paramaribo through the provision of port efficient infrastructure, and the acquisition and implementation of equipment and digital platforms to facilitate trade logistics and goods clearance processes; (ii) improving the level of service, capacity, and resilience of adjacent roads and access to the port; and (iii) strengthening institutional capacity to ensure optimal execution, sustainable asset management, and adequate operation.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline Year	End of Project (Year 2024)	Means of verification	Observations
Suriname's quality of ports	index	4.4	2014 ¹	4.6	Evaluation: before and after. Source: the Global Competitiveness Report – <u>World</u> <u>Economic Forum</u> ² 2 nd pillar: infrastructure Indicator: quality of port infrastructure Frequency: yearly	The index varies from 1–7 (poor–excellent). The goal was estimated by comparison with the index for the Bank's countries within Central America and the Caribbean region with similar Gross Domestic Product (GDP) and sea cargo volumes ³ It will be evaluated by comparing the reported index vs the end of the project goal

Last report available including data for Suriname.
 The Global Competitiveness Report (GCR) is a yearly report published by the World Economic Forum. Since 2004, the GCR ranks countries based on the Global Competitiveness Index (GCI). The different aspects of competitiveness for each country are captured in 12 pillars, which compose the index. Quality of roads and ports indexes are part of the second pillar, infrastructure.
 ³ GCI Indexes: Barbados (5.3), El Salvador (4.7), and Dominican Republic (4.6).

Trading Across Borders Ranking (out of 190)	Position	87	2018	85	Evaluation: before and after. Source: Doing Business Survey Frequency: yearly Synthetic Control Method (SCM) impact evaluation (see <u>OEL#2</u> , section III)	The ranking of economies in the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the average of the distance to frontier scores for the time and cost for documentary and border compliance to export and import. The ranking compares 190 countries Goal: it is expected that in long-term Suriname's improvement in trade facilitation will be reflected in the country's ranking in the indicators by improving at least two positions
Cost to import (border compliance)	USD	658	2019	647.2	SCM, for more details refer to <u>OEL#2</u> , section III. Source: <u>Doing Business Survey</u> Frequency: yearly	Target is set based on the average for the region. Following <u>Abadie and</u> <u>Gardeazabal (2003)</u> and <u>Abadie et al. (2010)</u> , will follow an SCM to estimate the impact of the intervention by building a synthetic control group. Data to be used include yearly published Doing Business Indicators, World Development Indicators, and Global Competitiveness Indicators

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline Value	Baseline Year	End of Project (Year 2024)	Means of verification	Observations				
Specific objective: Improving the infrastructure and operations of the port										
Result 1. Reduction in	n cargo operatio	ns time								
Average time for cargo operations of trucks at the port ⁴ Specific objective: Im Result 2. Reduction in	minutes proving the leve	300 I of service, ca road users	2018 pacity, and rea	120 silience of adja	Evaluation: before and after Source and methodology: baseline values based on interviews with the Port Authority, port operators' personnel, and transport companies Goals values based on analysis of bottlenecks and optimization of processes according to international best practices See <u>OEL#2</u> , section III	Average time for cargo operation will be calculated based on the same procedures considered to calculate the baseline. The import process is the one presenting benefit if the inspection is carried out before the truck arrival				
Average travel time along the section Van 't Hogerhuysstraat (between Latourweg and Molenpad) from south to north Average travel time along the section Van 't Hogerhuysstraat (between Latourweg	minutes	12	2018 2018	9	Evaluation: before and after Source and methodology: as estimated for the baseline scenario, the average travel times will be estimated through a microsimulation process, entering vehicle counts, directions, turns, the geometry of roads, and other key characteristics, to model a traffic flow situation in a road	For the baseline, the software <u>Vissim</u> was used. Software with similar capabilities will be used for the ex post evaluation				
and <i>Molenpad</i>) from north to south Average travel time in <i>Willem</i> <i>Campagnestraat</i> circuit	minutes	9	2018	6	Collection of data for the microsimulation will be supported using in field pneumatic					

⁴ Includes the next processes: container discharge, customs inspection, pre-truck gate process, access to the port, truck gate in, entrance to the terminal and container loading, truck gate out, and departure from the port.

Indicators	Unit of measure	Baseline Value	Baseline Year	End of Project (Year 2024)	Means of verification	Observations
Average travel time in Latourweg, Molenpad, and Jules Wijdenboschbrug circuits	minutes	13	2018	8	counters, manual counting, and drone flights	
Result 3. Reduction in						
Generalised Travel		Car: 0.28		Car: 0.21	Evaluation: before and after	The costs quantified were the
section Van 't	US\$/km	Bus: 1.04	2018	Bus: 0.76	Source and methodology: travel costs will	parameters for Suriname
(between Latourweg	000	Truck: 0.23	2010	Truck: 0.19	as for the baseline scenario, based on the	VTT estimated using the
South to north		Moto: 0.14		Moto: 0.11	and Vehicle Operation Costs (VOC)	methodology. ⁵ This model was further developed by the
		Car: 0.24		Car: 0.20	See <u>OEL#1</u>	Mexican Transport Institute
Hogerhuysstraat	LIS¢/km	Bus: 0.90	2018	Bus: 0.76		estimation based on the working time spent on
and Molenpad)	039/km	Truck: 0.22		Truck: 0.19		transport and the leisure time spent on transport. This
North to south		Moto: 0.13		Moto: 0.11		method considers the minimum wage, the number
		Car: 0.26		Car: 0.19		of average working hours in a week by employed citizens,
GTC along Willem	LIS\$/km	Bus: 0.96	2018	Bus: 0.70		and an adjustment factor based on the times the
<i>Campagnestraat</i> circuit	000/111	Truck: 0.22	2010	Truck: 0.18		a vehicle type occupant
		Moto: 0.14		Moto: 0.10		VOC based on parameters of fuel consumption by vehicle
GTC along other		Car: 0.28		Car: 0.20		type per average speed and non-fuel related costs by
access (<i>Latourweg</i> , Molenpad, and Jules	US\$/km	Bus: 1.09	2018	Bus: 0.75		vehicle type per kilometer. These inputs were obtained
Wijdenboschbrug)		Truck: 0.22		Truck: 0.19		from the California Life-Cycle Benefit-Cost Analysis Model

⁵ Available in <u>link.</u>

Indicators	Unit of measure	Baseline Value	Baseline Year	End of Project (Year 2024)	Means of verification	Observations		
		Moto: 0.14		Moto: 0.11		for the 2018 BUILD Applications ⁶		
Specific objective: Strengthening institutional capacity								
Result 4. Institutional	strengthening							
Ministry of Public Works, Transport and Communication (MPWT&C) and Road Authority strengthened in road asset management and project management	Public employees certified	0	2018	30	Evaluation: before and after Source: training and certifications reports	Certification will be given to participants who pass a minimum score in the course's tests See <u>OEL#2</u>		
Key stakeholders of port ⁷ trained in the use of Port Community Systems (PCS) and port processes	Port operators and users certified	0	2018	100	Evaluation: before and after Source: training and certifications reports			
Result 5. Increase of v	women in the lat	oor force						
Employment opportunities for women in logistics activities in the port improved	Increase of women hired (%)	0	2018	15	Evaluation: before and after Source: surveys to port stakeholders to collect statistics on women hired vs positions opened	Pro-gender		
Result 6. Increase Peo	ople with Disabil	ities (PwD) ⁸ in	the labor forc	e				
Employment opportunities for PwD in logistics activities in the port improved	Increase of PwD hired (%)	0	2018	2	Evaluation: before and after Source: surveys to port stakeholders to collect statistics on people with disabilities hired vs positions opened			

 ⁶ Available in <u>link</u>.
 ⁷ Includes Port Authority, port concessionaries, port operators, logistic and transport companies, and truck drivers.
 ⁸ Disabilities is an umbrella term, covering impairments, activity limitations, and participation restrictions. An impairment is a problem in body function or structure; an activity limitation is a difficulty encountered by an individual in executing a task or action; while a participation restriction is a problem experienced by an individual in involvement in life situations (World Health Organization).

OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Observations ²
Component 1. Port interve	entions			•		•					
Product 1: Logistic center built	ha	0	2018		1.53				1.53	Report from the Project	
Product 2: Access control system installed	system	0	2018		1				1	Execution Unit (PEU) based on the certificate of completion by the supervision firm	include drainage systems and Climate Change (CC) adaptation measures
Product 3: PCS implemented	system	0	2018			1			1	Report from the PEU; notification of system launch	
Component 2. Interventio	ns on port's	adjacent road	<u>d network</u>								
Product 4: Primary urban roads rehabilitated	km	0	2018			3	5		8	Report from the PEU	
<u>Milestone 1</u> : Designs approved by PEU	unit	0	2018		2				2	based on the certificate of completion issued by the supervision firm	For roads and the bridge
<u>Milestone 2</u> : Primary roads widened and paved	km	0	2018			3	5		8		Includes the sections: (i) Van 't Hogerhuysstraat (5.46 km); (ii) the Willem Campagnestraat circuit (4.33 km); and (iii) other access roads (5.18 km)
Milestone 3: Drainage systems built	km	0	2018			3	4.35		7.35		Improvement of drainage system

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Observations ²
											considering the effects of CC
<u>Milestone 4</u> : Dedicated lanes for pedestrians and bikes built	km	0	2018			7	8.3		15.3		Includes adequate signalization for non-motorized users
Milestone 5: Intelligent Traffic System installed	system	0	2018				1		1		
Milestone 6: Signage and road safety measures installed	system	0	2018				1		1		Designs will include engineering measures for reducing the probability and effects of traffic accidents
<u>Product 5</u> : Bridge over Saramacca canal at Van 't Hogerhuysstraat built	m	0	2018			120	120		240		It will be designed considering the effects of CC
Component 3. Institutiona	al strengthen	ing and admi	nistration								
Product 6: Road asset management system in operation	system	0	2018			1			1	Reports from PEU and Road Authority	
Product 7: Technical training implemented	#	0	2018	1	1	1	1	1	5	Reports from PEU and Road Authority Attendance lists	Training in: (i) road design and maintenance; (ii) project management; and (iii) use of the PCS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Observations ²
<u>Product 8</u> : Programs to improve the participation of women in logistics services, implemented	#	0	2018			2	2	2	6	Report from PEU	Pro-gender

FIDUCIARY ARRANGEMENTS

Country:	Suriname
Project Name:	Improving Transport Logistics and Competitiveness in Suriname
Project Number:	SU-L1057
Executing Agency:	Ministry of Public Works, Transport and Communication (MPWT&C)
Prepared by:	Bhagirath Vikash, fiduciary financial management consultant; and Mariska Tjon A. Loi, fiduciary procurement specialist

I. EXECUTIVE SUMMARY

- 1.1 The objective of this program is to contribute to enhancing Suriname's logistic productivity by improving the performance and reducing logistics costs of the main port facility in Suriname. The fiduciary assessment of the program is based on the Institutional Capacity Analysis Assessment (PACI) of the Ministry of Public Works, Transport and Communications (MPWT&C) which was conducted in February 2019 based on consultations with the staff of the ministry.
- 1.2 The program will be funded entirely with Inter-American Development Bank (IDB) loan financing of US\$45,000,000.
- 1.3 The results of the PACI indicate that the fiduciary system in use by the MPWT&C does not entirely comply with the characteristics required for the implementation of projects financed by the Bank. To this end, for the establishment of the Project Execution Unit (PEU), in addition to the program manager, road specialist, environmental and social specialist, a port specialist, a procurement specialist and financial specialist with experience and knowledge relating to IDB financial management and procurement policies are to be selected in order to guarantee that the borrower will be prepared to execute the program with a qualified fiduciary team in the Executing Agency.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

2.1 The fiduciary context of the Republic of Suriname and its line ministries are documented in the Public Expenditure Financial Accountability (PEFA) report of 2011¹ indicate that the legal framework and practices for Public Financial Management Systems and procurement are outdated and not consistent with best practices and international standards.

¹ Suriname has carried out a PEFA assessment in 2011 and in 2014/2016. The report of 2014 was not accepted by the Government of Surinam (GoS). It was followed by the report in 2016 with a limited number of indicators updated. It was approved by the GoS but faced challenges in getting approval by the PEFA Secretariat due to inconsistencies in the coverage of the fiscal years.

- 2.2 In summary, the results of PACI indicate that the MPWT&C does not present the necessary fiduciary institutional capacity to execute the program. In particular, the weaknesses of the ministry's financial and internal control systems reduce the overall control capacity and the risk level assessed is categorized as medium.
- 2.3 Some specific fiduciary features of the MPWT&C are:
 - With regards to procurement: (i) the ministry does not have a centralized a. procurement unit that ensures necessary internal controls with appropriate and efficient segregation of responsibilities and functions throughout the procurement administration cycle. As the procurement processes are spread across a number of agencies and units within the ministry, with a lack of human resources with the requisite knowledge to execute the procurement activities of such a program. Furthermore, the ministry does not have specialized procurement officers who are trained in the Bank's procurement regulations; (ii) lack of an annual Procurement Plan (PP) to guide the overall procurement administration and process for goods, services and works; and (iii) legal framework for conducting public procurement is based on article 9 and 18 of the Budget law of 1952, and no separate public procurement law in place. The public procurement framework consists of state decrees which complement the budget law procurement articles. For conducting procurement of works the documents "Conditions for the Execution of Works in Suriname" (Uitvoeringsvoorwaarden Werken in Suriname - UWS, 1996) and the "Rules and Regulations for the Tender of Works in Suriname" (Aanbestedingsreglement Werken in Suriname - AWS, 1996) form the basis. The document Procurement Policies for Purchasing Services and Goods (ADS, acronym in Dutch) is used, however, this document has no formal or legal basis. It is a manual but nevertheless used widely in government procurement; the PACI further presents that the MPWT&C staff responsible for procurement within the ministry has no experience using the policies and procedures of International Financial Institutions.
 - b. With respect to financial reporting and monthly preparation of revenue and expenditure reports that are prepared by the MPWT&C, it is noted the budgeting and accounting system Integrated Financial Management Information System (IFMIS) has not been fully deployed and is not yet able to execute programs/projects in accordance with the IDB standards. It presents concrete limitations with respect to required formats and templates, which determines that financial reports are prepared in Excel, from information obtained in IFMIS. Therefore, the PEU must employ another off-the-shelf accounting software. In addition, also a limited number of licenses/authorizations for the IFMIS accounting system are issued to the MPWT&C.
 - c. The lack of internal processes and procedures can lead to ambiguities in the management and decision-making structures, including those related to the internal control systems. Satisfactory implementation of corrective actions identified by the Central Accounting Agency is recommended, as well as yearly audits.

d. With respect to external controls, the compliance with the yearly external audit requirements and follow-up on recommendations as defined in the legislation and carried out by the *Rekenkamer* (Supreme Audit Institutions).

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The overall fiduciary risk rating of the program is deemed medium. The PACI analysis indicates that there are specific fiduciary areas that require concrete institutional building and/or strengthening efforts. Even though, in most cases such factors will not affect the actual capacity of the MPWT&C to commit to program implementation, addressing such aspects would, over the medium-term improve and enhance the ministry's governance and institutional environment and ultimately contribute to enhanced decision-making capacities, optimal allocation of resources, and safeguard of the institution's resources.
- 3.2 It is recommended that the MPWT&C effectively coordinates, streamlines and integrates the functions of the fiduciary personnel of the PEU with the activities of the budgeting and financial affairs of the ministry and the Port Authority allowing the continuous process of knowledge transfer, as well as the strengthening of its permanent institutional capacity.

Risks Identified	Risk Level	Mitigating Measures
Financial management: Lack of internal control norms and procedures: (i) formal assignment of functions and responsibilities for financial management and procurement responsibilities (FM and PRM) and functions; and (ii) internal norms and procedures, process flows for planning, organizational and FM and PRM.	Medium	 Establishing specific fiduciary functions and responsibilities in the PEU assigned to financial and procurement specialist. Overall policies, procedures and internal control requirements of the program areas of planning, budgeting, cash flow, accounting, procurement, and reporting processes will be detailed in the Program Operations Manual (POM). IDB fiduciary supervision plan will include semi-annual inspection visits to ascertain the proper financial management (i.e. accounting systems, and internal control system) and procurement activities. Financial management and procurement training provided by the IDB to ensure adequate financial and procurement management.

Table 1. Risks and Mitigating Measures

Risks Identified	Risk Level	Mitigating Measures	
Accounting and Reporting Requirements (ARR) failure to comply with ARR (the IFMIS system is only partially installed and is not suitable for bookkeeping of IDB financed projects.	Medium	An off-the-shelf accounting system that will integrate and facilitate the financial reporting and budgeting under the program will be implemented.	
Procurement: Lack of internal norms, procedures, process flow charts, procurement manuals, and PP to guide the procurement activities; as well as fragmentation of procurement activities at the departmental level with limited control and coordination from within the purchasing unit.	Medium	 PEU will include a procurement specialist. The POM will contain the administrative and internal control processes for procurement management, including target processing times for each procurement modality. IDB-conducted training on procurement policies. 	
Limited scope and experience of procurement personnel, especially personnel with experience with IDB procurement policies.	Medium	 Ex ante procurement review methodology for all procurement processes in the first 12 months of execution. After that, upon review of the procurement capacity of the PEU, and satisfactory findings, low-risk procurement activities can be moved to ex post review modality. Close procurement supervision by IDB. 	

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

- 4.1 The fiduciary arrangements that must be considered in the special conditions are:
 - a. 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) 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 or letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.
 - b. **Financial reports and audited financial statements:** (i) semi-annual financial reports are to be included in the semi-annual progress report which will be submitted by the Executing Agency to the Bank; (ii) annual financial statements of the project, 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

project expenditures are incurred; and (iii) 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.

c. 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 not apply if the requirements established in the Bank's policy in this regard have been fulfilled, provided that the borrower has been notified in writing.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.
- 5.2 **Procurement execution**. Procurements for the proposed program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (GN-2349-9) of March 2011, and the Policies for the Selection and Contracting of Consultants Financed by the IDB (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.** Procurement under the program will be governed by the policies contained in GN-2349-9 Policies for the Procurement of Goods and Works.² The PP indicates the procedures to be used for the contracting of works, goods and non-consulting services under the program. Procurement processes subject to International Competitive Bidding will be executed using the Standard Bidding Documents (SBD) issued by the Bank. Processes subject to National Competitive Bidding may be executed using other documents satisfactory to the Bank. Where these are not available the Bank's SBD will be used. The review of technical specifications is the responsibility of the project sector specialist.
 - b. **Procurement of consulting services.** Procurement of consulting services will be conducted in accordance with GN-2350-9. The PP indicates the procedures and methods to be used for the procurement of consultancy services. Review of the terms of reference for consultants is the responsibility of the project sector specialist.
 - c. **Selection of individual consultants.** Individual consultants will be selected in accordance with the policies for the selection and contracting of consultants (GN-2350-9) referenced above and may be done by three Curriculum Vitae comparison of qualifications, Single Source Selection or open advertisement.

² GN-2349-9 Paragraph 1.1: the services different to consulting services have a similar process as procurement of goods.

- d. **Recurrent expenses.** This category includes the payment of salaries of the PEU staff.
- 5.3 **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the borrower prior to the date of the loan approval, to finance activities foreseen in Component 1 and 2, related to hiring of consultants for the technical designs of road and port infrastructure, up to the amount of US\$2 million (4.4% of the proposed loan amount), provided that requirements substantially similar to those established in the loan agreement have been met. These expenses must have been incurred on or after January 18th, 2019 (approval date of the project profile), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

a. Thresholds

Table 2.	Thresholds	(in	US\$)
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International Bidding T (ICE	Competitive Threshold BT)*	NCB 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 ICBT, 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\$)
- 5.4 **Procurement Plan (PP) and supervision.** The PP covering the duration of the program indicates the procedures to be used for the various categories and types of procurement. It also indicates the estimated cost of each contract or group of contracts and the requirement for prior or post review by the Bank. Ex ante supervision will be maintained for high risk/value activities. Where ex post review is applied, reviews will be performed at least once per year but may be more frequent if the volume of activities warrants. The ex post review process will include at least once physical inspection visit. The PP will be updated annually or as necessary as required by the Bank.

VI. FINANCIAL MANAGEMENT

6.1 **Programming and budget.** The PEU 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, PP and financial plan, consistent with a 12-month financial plan that will be required from the PEU annually. Additionally, the PEU will report on a semi-annual basis on implementation matters via a comprehensive report that covers actual versus planned operational, financial and procurement matters.

- 6.2 **Treasury disbursements and flow of funds the PEU.** The PEU will establish adequate banking arrangements through the Ministry of Finance at 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 PEU to cover the program's needs and for maintaining IDB's projections. The main disbursement methodology will be the advance of funds to cover a period up to 180 days, based on the liquidity needs of the program. The funds will be advanced through the Treasury Single Account. Other disbursement methodologies on a smaller scale are the reimbursement of payments made and direct payment to the supplier. Disbursements will be reviewed ex post, except for requests for direct payment to suppliers and direct payment to the borrower. The PEU will be responsible for the maintenance of adequate and original documentation to support the program expenditures and shall be available for the expost reviews.
- 6.3 **Accounting and information systems.** The PEU 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 based on IDB rules because the Procurement and Financial Management Reform is still in process and it is foreseen that country system will not be used until they have taken root.
- 6.4 **Internal control and audit.** The PEU 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, segregation of duties, approval authority levels for the signature of contracts, the commitment of funds, reception of goods and services and payment to suppliers and beneficiaries should be arranged adequately.
- 6.5 **External control and reporting.** 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 PEU 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 each 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 per the needs identified during program execution.
- 6.6 **Financial supervision plan.** 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.

VII. EXECUTION MECHANISM

7.1 A PEU will be established within the MPWT&C and coordinate its activities with the Port Authority through a Memorandum of Understanding (MOU) and other relevant departments of the ministry. The PEU will be responsible for carrying out all the planning, fiduciary and technical responsibilities. To this end, the PEU will be composed of a project manager, road specialist, environmental and social specialist, a port specialist, a procurement specialist, and a financial specialist at a minimum.

VIII. RECORDS AND FILES

8.1 All records and files will be maintained by the PEU, in accordance with accepted best practices, and be kept for up to three years beyond the end of the operation's execution period.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/19

Suriname. Loan ____/OC-SU to the Republic of Suriname Improving Transport Logistics and Competitiveness in Suriname

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 the program "Improving Transport Logistics and Competitiveness in Suriname". Such financing will be for the amount of up to US\$45,000,000 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 Project Summary of the Loan Proposal.

(Adopted on ____ 2019)

LEG/SGO/CCB/EZSHARE-171363792-4951 SU-L1057