

SURINAME

**DECENTRALIZATION AND LOCAL GOVERNMENT STRENGTHENING PROGRAM II
(DLGP-II)**

(SU-L1011)

LOAN PROPOSAL (LP)

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Annexes

PRINTED ANNEXES

- ANEXO I: Results Framework
ANEXO II: Procurement Plan (PP) – Summary Table

Electronic Links

REQUIRED

1. Annual Work Plan (AWP)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1728897>
2. Monitoring & Evaluation Arrangements
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1728216>
3. Procurement Plan (PP) – Detailed
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1729579>
4. Safeguard and Screening Form for Screening and Classification of projects (SSF)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1777965>

OPTIONAL

1. Draft - Operating Regulations and Guidelines (ORG)
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1730028>

ABBREVIATIONS

AWP	Annual Work Plan
CIC	Citizens Information Centers
CIP	Capital Investment Projects
CLAD	Government Accounting Office
CPC	Citizen Participation Committees
CPP	Citizen Participation Plan
DEF	District Equalization Fund
DLGP-I	Decentralization and Local Government Strengthening Program
DLGP-II	Decentralization and Local Government Strengthening Program II
EW	Existing Work
FDIL	Fiscal Decentralization Interim Law
GOS	Government of Suriname
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IJ	Informed Judgment
MOF	Ministry of Finance
MRD	Ministry of Regional Development
NC	Neighborhood Communities
NGO	Non Governmental Organization
NIMOS	National Institute for Environment and Development
ORG	Operating Regulations and Guidelines
OTA	Office of Tax Administration
PAC	Program Advisory Council
PIU	Program Implementation Unit
POD	Proposal for Operation Development
POP	Promotion and Outreach Plan
PP	Procurement Plan
PS	Project Study
SSF	Safeguard and Screening Form for Screening and Classification of Projects
TFMOF	Task Force of the Ministry of Finance
TFMRD	Task Force of the Ministry of Regional Development
TOR	Terms of Reference
WAN	Wide Area Network

SURINAME

DECENTRALIZATION AND LOCAL GOVERNMENT STRENGTHENING PROGRAM II (DLGP-II) (SU-L1011)

PROJECT SUMMARY

Financial terms and conditions			
Borrower: Republic of Suriname		Amortization period:	25 years
Executing agency: Ministry of Regional Development		Grace period:	5 years
		Disbursement period:	5 years
Source	Amount (US\$)		
IDB (OC)	13,500,000	Supervision and inspection fee:	*
Local	1,500,000	Interest rate:	Libor-based**
		Credit fee:	*
Total	15,000,000	Currency:	US Dollars
Project at a glance			
Project objective/Description:			
<p>The objective of the Program of DLGP-II is to continue supporting Suriname's local government decentralization. The Program will contribute to the attainment of a core legal framework, and will assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo to obtain adequate institutional capacity for fiscal self-management and for managing capital investment. Furthermore, DLGP-II will also assist certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne in the implementation of community-based basic infrastructure investment projects and local services.</p>			
Special contractual clauses:			
<p>Prior to first disbursement: (i) evidence that the Executing Agency has opened special accounts to deposit the Loan resources as well as the local counterpart resources, respectively; (ii) first Annual Work Plan for the Program has been approved by the Bank; and (iii) the Operating Regulations and Guidelines have been approved by the Bank. Conditions prior to the disbursement of Bank resources for the financing of the activities referred to in paragraphs 1.27 and 1.28: evidence that the District Tax Law and the State-District Financial Coordination Law have been approved by Parliament, respectively.</p>			
Exceptions to Bank policies: None.			
Project qualifies for: Non Applicable.			
SEQ[] PTI[] Sector [] Geographic[] Headcount []			

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

**The Government will confirm to the Bank the use of a Libor-based or adjustable rate prior to the first disbursement.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and justification

- 1.1 **Background.** Suriname has a high demand for greater local government self-management. This is so, on the one hand, due to its geographically dispersed and ethnically diversified settlement pattern, and on the other hand, due to the national government's limited capacity to deliver local services. Suriname is divided into ten districts: Marowijne, Commewijne, Paramaribo (subdivided into South-West and North-East), Para, Wanica, Coronie, Saramacca, Nickerie, Brokopondo and Sipaliwini. Within each district, there are 62 sub-district jurisdictions (known as *Ressorts*), each with its own popularly elected representative body, the *Ressort* Council.
- 1.2 The Government of Suriname (GOS) has taken measures to address the need of greater local self-management. In 1987, the revised Constitution defined for the first time districts as an official level of government. In addition, in 1989, the Law of Regional Bodies defined the functions and responsibilities of district governments, as well as preliminary mechanisms for local revenue generation and financial management. Clearly, the GOS has shown commitment to empower local governments to assume direct initiative and accountability for basic fiscal functions (budgeting, planning, and revenue generation), as well as the delivery of core public services.
- 1.3 However, by 2001 basic elements of fiscal self management were still absent, even though both the Constitution and the Law of Regional Bodies put in place some important building blocks of local governance (legally approved service delivery mandates and more electorally accountable District Councils). For example, the districts lacked the capacity to produce autonomous budgeting and to generate their own-source revenue mechanisms. In this context, the Bank supported the GOS with the loan identified as "Decentralization and Local Government Strengthening Program" (DLGP-I; 1343/OC-SU) to strengthen local government efforts in order to achieve fiscal self-management and local investment skills.
- 1.4 The objectives of DLGP-I were to: (i) facilitate fiscal decentralization reform legislation; (ii) improve the institutional capacity in five districts (Wanica, Para, Nickerie, Commewijne, and Marowijne¹); and (iii) provide financial resources for capital investment projects. DLGP-I is expected to end its implementation in November 2008 having achieved its main goals. Details of DLGP-I attainments are described below.
- 1.5 One of the key achievements of DLGP-I was to support the design and approval of the Financial Decentralization Interim Law (FDIL) in 2003 and a package of

¹ These districts will be referred in the document as the "certified districts".

- Ministerial decrees, which enables districts to prepare and execute their own budget, and gives them financial and limited legislative authority.
- 1.6 The districts participating in DLGP-I reached two levels of certification. **Level 1 certification** required: (i) installation of core administrative, budgetary and financial management; (ii) installation of tax administration systems; and (iii) contracting of a District Administrator. **Level 2 certification** is the Program's standard for core district capacity, which requires Level 1 certification plus: (i) formulation and approval of Program Implementation Plans for each district; (ii) achievement of benchmarks for district revenue generation; (iii) adoption of a Citizen Participation Plan; and (iv) preparation of a first Expenditure Plan.
 - 1.7 Certified districts have improved their institutional capacity enabling them to manage tasks at the local level. These districts may currently collect the rental value tax on behalf of, and transfer collected funds to the National Government. While certified districts provide licenses for public entertainment, the Office of Tax Administration (OTA) collects the revenue from these licenses. Other tax and non-tax revenues collected by the districts are transferred to the OTA, including the betterment and special assessment tax, market fees, business licenses, and liquor license fees.
 - 1.8 According to the FDIL, the National Government provides financial transfers to the districts from the general budget on a quarterly basis. It is expected that in 2009 certified districts will start sending the rental value tax bills to taxpayers (currently sent by the OTA), and will collect this tax, as well as the entertainment tax, as allowed by the FDIL. They will also be able to alert reluctant taxpayers on the need to comply with their tax obligations. Non-tax revenue will be collected and kept by the districts. In addition, according to the FDIL, the National Government will finance with transfers the gap between districts own income and their budget approved by the Parliament, which may produce, in some cases, disincentives for the districts to collect their own revenues.
 - 1.9 Once certified, the districts also implemented ten trial capital investment projects, mainly road rehabilitation and maintenance, which enabled them to start working with their new institutional capabilities.
 - 1.10 DLGP-I strengthened the Ministry of Regional Development (MRD) through the creation of technical capacity for managing the decentralization process. As a result, a task force is already integrated within the MRD as a technical counterpart of the Program, along with an existing task force created within the Ministry of Finance (MOF) under DLGP-I.
 - 1.11 **Problems addressed.** DLGP-I supported the creation of a preliminary legal framework for decentralization, however, some legislation is waiting for Parliament approval and still additional work is needed for completing a permanent legal framework. Specifically, it still needs: (i) changes in legislation to allocate tax-collection control functions to districts; and (ii) improvement or

- implementation of new financial and fiscal relations between central and local governments.
- 1.12 Under the current legal framework, District Councilors are elected on a second-degree system by *Ressort* Councilors, which in turn are elected by popular vote. With DLGP-I support, the Government submitted to the Parliament a Constitutional amendment and a reform proposal for the Regional Bodies Law. The new law will allow the District Councilors to elect their Speaker, instead of having a District Commissionaire appointed by the Government. The Commissionaire will continue heading the District Executive Body and acting as a representative of the National Government in the district. The Councilors will also appoint the members of the District Executive Body, which will be comprised of the heads of the various district departments, instead of the current ministry representatives. The institutional arrangements proposed by these legal instruments would allow improving accountability of local public officials and responsiveness to their communities. The districts will need further institutional strengthening to cope with new responsibilities.
 - 1.13 A District Tax Law has been submitted by the Government to the Parliament that will allow districts to fiscalize taxpayers and apply penalties for non-compliance with tax laws. In addition, a State-District Financial Coordination Law has been presented to the Parliament, which, if approved, will create a District Equalization Fund (DEF) to be managed by the MOF and the MRD. The DEF will be funded from the general national budget and distributed among the districts by a formula that includes indicators such as: population, territorial surface, roads, irrigation and drainage availability, public land used by community and entertainment facilities, and economic activity. This law will eliminate the funding of district fiscal gaps by the National Government, which may improve the collection of local revenues.
 - 1.14 The districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo² still lack the capacity to manage their own budget and have no functioning financial systems. Thus, they are behind the certified districts in areas such as: (i) preparing and executing their own budget; (ii) managing their district fund with transfers from the MRD; and (iii) managing revenues from the rental value tax and the public entertainment tax.
 - 1.15 Although some progress has been made, supported by DLGP-I, citizen participation is still weak in Suriname. Levels of organization are very low, which prevents local stakeholders to be actively engaged in the decision making process. Best practices in other countries show that citizen participation is a key factor to achieve greater transparency and accountability in the districts.
 - 1.16 DLGP-I focused on creating the capacity to manage and maintain basic infrastructure and financing pilot road projects. However, despite progress, there

² These districts will be referred in the document as “new pilot districts”.

is still a need for: (i) consolidating management of basic infrastructure projects and services; (ii) strengthening financial administration and revenue collection in certified districts; and (iii) building capacity in the new pilot districts.

- 1.17 **Justification.** In the design of DLGP-I, it was foreseen a second phase to ensure that all Suriname's districts would improve their institutional capacity to manage tasks at the local level under the same operating standards. Given the degree of success reached by DLGP-I, it is expected that the new pilot districts will attain certification under the same mechanism used in DLGP-I.
- 1.18 DLGP-II's (the Program) objective is aligned with the Public Sector Modernization pillar of the Bank's Country Strategy with Suriname (GN-2459). Through this Program, the Bank continues supporting GOS efforts for: (i) simplifying administrative procedures and regulations that impose high transaction costs; and (ii) improving the provision of public services, and the effectiveness and efficiency of the civil service.
- 1.19 Furthermore, the government is committed to reach the Millennium Development Goals. The decentralization of local infrastructure provision to the districts, which DLGP-II will support, should contribute to reach these objectives.

B. Objective, components and cost

- 1.20 **Objective.** The objective of DLGP-II is to continue supporting Suriname's local government decentralization efforts. The Program will contribute to the attainment of a core legal framework, and will assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo to obtain adequate institutional capacity for fiscal self-management and for managing capital investment. Furthermore, DLGP-II will also assist certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne in the implementation of community-based basic infrastructure investment projects and local services.
- 1.21 **Components.** The Program will have four components: (i) legal framework; (ii) financial, planning, and administrative capacity; (iii) citizen participation and program outreach; and (iv) capital investment capacity building and investment program.
- 1.22 **Component I – Legal framework (IDB: US\$85 thousand).** The purpose of this component is to continue supporting changes in legislation that are necessary to improve fiscal relations between central and local governments, including: (i) preparation of draft laws on Traditional Authority; and District Cadastre; (ii) design of District Ordinances regulating financial accounting standards and procedures³; and (iii) update laws included in Article 4 of the FDIL, dealing with transfer of revenues to the districts. The Program will provide consultancy services and training at the local level on decentralization-related laws.

³ *District Comptabiliteitswet.*

- 1.23 **Component II – Financial, planning, and administrative capacity (IDB: US\$1,650 thousand; Local: US\$250 thousand).** The objective of this component is to develop a core capacity in the new pilot districts to manage their own budget and financial systems. Specifically, the Program will assist these districts in: (i) creating a District Administrator position; (ii) installing core financial and tax systems; (iii) providing human resources training; (iv) providing appropriate software and hardware; and (v) providing equipment and rehabilitating district offices, which are necessary to install new financial systems.
- 1.24 The set of core financial systems to be established in the new pilot districts will include: (i) administration and planning; (ii) budget and financial management; and (iii) local revenue generation. For all districts the Program will assist in: (i) creating an internal auditing capacity; (ii) installing an information and communication technology network that will connect the districts with both the MOF and MRD, via a wide area network (WAN) to facilitate cost-effective harmonization⁴ of financial systems and data transfer, as well as to facilitate taxpayers to pay in any location; and (iii) providing training, equipment, furniture, and remodeling of facilities to manage the WAN, supporting coordination, and technical cooperation activities of districts.
- 1.25 This component will also assist in the implementation of a simplified tax administration system in certified districts to manage the registration and collection process for all local taxes and fees. Activities supported by the Program will include: (i) training of tax administration personnel at the local and central level; (ii) revising and developing procedures for identifying and alerting reluctant tax payers; (iii) improving methods to ensure compliance of non-tax payers, including administration of fines for reducing evasion; and (iv) converting manual taxpayer's registry into an electronic form that will feed into the Financial Administration System.
- 1.26 When the new District Tax Law is approved, the Program will support the creation of methodologies and correspondent training for the districts to: (i) audit taxpayers records; (ii) adopt warrant measures in order to ensure the collection of tax and non-tax revenues; (iii) keep updated records; (iv) identify and define taxpayer's violations (arrears, fraud, evasion); and (v) apply interests, fines and other penalties. **The approval of the District Tax Law will be a condition prior to the disbursement to finance the activities referred to in this paragraph.**
- 1.27 Once the State-Districts Financial Coordination Law is approved, the Program will support the Government in: (i) collecting information needed to define the distribution parameters of DEF and ensure sustainability of data collection; (ii) creating a methodology and corresponding training for calculating the transfers of DEF to each District in the MOF and MRD; (iii) installing hardware and software needed to perform this task; and (iv) training personnel. **The approval of the State-District Financial Coordination Law will be a condition**

⁴ DLGP I produced the WAN project design, to be implemented with support of DLGP-II.

prior to the disbursement to finance the activities referred to in this paragraph.

- 1.28 The Program will also support the creation of an internal auditing capacity in the districts by: (i) supporting District Councils to approve appropriate regulations; (ii) training district personnel and the District Council; (iii) providing consultancies to define appropriate audit methodologies and procedures in accordance with the existing legal regulations; and (iv) providing appropriate hardware and software. The districts will be able to have their own internal auditors, or to pull resources so that they can create an audit office serving all or part of the districts.
- 1.29 The Program will support the implementation of the WAN in all the districts and in the MOF and MRD by providing: (i) infrastructure; (ii) hardware and software; and (iii) training.
- 1.30 **Component III – Citizen participation and program outreach (IDB: US\$670 thousand; Local: US\$170 thousand).** The purpose of this component is to engage citizens and stakeholders in the decision making process to achieve greater transparency and accountability in the districts. Therefore, this component will support: (i) creation of the citizen participation committees (CPC) at the district level in the new pilot districts and also the strengthening of those existing in the certified districts; (ii) creation and training of neighborhood committees at the community level to monitor and report progress of capital investment projects; (iii) creation and operation of the Citizens Information Centers (CIC) in all the *Ressorts*; (iv) provision of training to district trainers; (v) implementation of a promotion and outreach action plan by the CICs; and (vi) development and implementation of a strategy for consensus building of all central government stakeholders by the Program Implementation Unit (PIU) regarding the legal framework.
- 1.31 Under DLGP-I, a CPC committee was created in each of the certified districts to engage citizens in the selection and monitoring of district projects. The Program will continue this effort by creating a committee in each of the new pilot districts and by strengthening the existing committees. The CPC is comprised of representatives of non-governmental organizations and community based organizations and operates on a voluntary basis.
- 1.32 Furthermore, DLGP-I fostered the creation of five CICs at the district level. CIC is a local government institution that provides information and fosters citizen mobilization through various communication and dissemination activities. DLGP-II will support the creation of another five CICs in the remaining districts. The recurrent costs of CICs are financed by the districts with their general budget. After project termination, the districts will assume the recurrent as well as the future capital costs of CICs.

- 1.33 DLGP-I supported the development of Promotion and Outreach Plans (POP) to: (i) raise awareness and obtain active citizen participation for identification of project development; and (ii) identify issues during project execution. DLGP-II will support the implementation of POP in the new pilot districts and further implementation of POP in certified districts. POP will include awareness campaigns on the setting of new laws, taxation and auditing functions.
- 1.34 The Program will support the formulation and implementation of a Citizen Participation Plan (CPP) in the new pilot districts. The CPP will describe the measures that the districts will undertake to ensure adequate citizen participation in the administration of the affairs of the district. The envisioned CPP is subject to the district attaining a certification Level 2. The CPP includes a logical framework for citizen participation, a detailed description of specific activities, as well as guidelines and procedures for the CPC.
- 1.35 Finally, the Program will support the development of a strategy for consensus building of all central government stakeholders to facilitate inter-governmental coordination.
- 1.36 **Component IV – Capital investment capacity building and investment program (IDB: US\$9,150 thousand; Local: US\$700 thousand).** DLGP-I focused on: (i) creating the capacity to manage and maintain basic infrastructure in the certified districts; and (ii) financing trial road projects. DLGP-II will: (i) consolidate institutional capacity in the already certified districts; (ii) create institutional capacity for managing basic infrastructure projects and services in the new pilot districts; and (iii) finance basic infrastructure projects and services in the certified districts and trial projects for the new pilot districts, once they are certified at Level 2.
- 1.37 The PIU is carrying out a participatory methodology to identify, prioritize, and select beneficiary communities. A ranking system has been used in all 29 *Ressorts* in the certified districts considering the following indicators: (i) households size within the community; (ii) access to healthcare, utilities (electricity, potable water), education, and garbage collection; (iii) condition of the road network and drainage systems; (iv) agriculture activities; and (v) recreation facilities.⁵
- 1.38 In parallel to the ranking exercise, the districts with the support of the PIU have been conducting hearings with communities from all the *Ressorts*. Four priority sectors were identified: (i) secondary and tertiary road paving; (ii) basic drainage; (iii) solid waste collection; and (iv) public market upgrades. *Ressort* and District Councilors, also with support from PIU consultants, are expected to identify project initiatives by the end of 2008.

⁵ The project selection methodology will be included in the Operating Regulation Guidelines (ORG) which is in an advanced state of design and will be agreed between the Bank and the Government in the formal negotiation of the Loan Agreement.

- 1.39 Districts will select the priority projects based on: (i) ranked beneficiary communities; (ii) the four priority sectors; (iii) a cost-effectiveness analysis; and (iv) resources availability. All the projects will include provisions to achieve sustainability within the economic life of the project and define a clear plan for their maintenance.
- 1.40 The component will support the districts in formulating and evaluating the selected projects. It will also provide technical assistance for pre-investment activities, and the procurement and supervision of construction of the specific projects. Finally, the component will support the districts in formulating the necessary maintenance and operation plans, once projects are finished.
- 1.41 The estimated total Program cost is US\$15 million, of which US\$13.5 will be financed by the IDB from the Ordinary Capital (OC). The local counterpart will be US\$1.5 million.

**Table 1.1: Program's budget
(in US\$ Thousands)**

Categories	IDB	Local	Total	%
1. Program administration	1,500	244	1,744	11.6
Program implementation unit	1,350	0	1,350	9.0
PIU overhead (office rental, utilities, etc.)	0	244	244	1.6
Consultants	150	0	150	1.0
2. Direct Costs	11,555	1,120	12,675	84.5
Component I – Legal framework	85	0	85	0.6
Component II – Financial, planning, and administrative capacity	1,450	450	1,900	12.7
Component III – Citizen participation and program outreach	540	300	840	5.6
Component IV – Capital investment capacity building and investment program	9,480	370	9,850	65.7
3. Audit	75		75	0.5
4. Contingencies	370	136	506	3.4
Total	13,500	1,500	15,000	100
%	90.0	10.0	100.0	

C. Key results indicators

- 1.42 By the end of the Program a decentralization legislative package is expected to have been approved by the Parliament, including the passing of a Constitutional amendment, State-District Financial Coordination Law, and the reform of the Regional Bodies. As a result, a District Equalization Fund should be fully implemented and the District Councilors should elect their speaker and appoint district departments heads. A group of complementary laws and regulations should also be approved, including: (i) Traditional Authority Law; (ii) District

- Cadastre Law; and (iii) District Ordinances, regulating financial accounting standards and procedures; and (iv) update versions of laws included in Article 4 of the FDIL.
- 1.43 It is expected that at the end of DLGP-II, district governments of Paramaribo, Sipaliwini, Saramacca, Coronie and Brokopondo will have reached Level 2 certification and will be able to: (i) exercise fiscal self-management with a view to deliver basic local services; (ii) have financial systems established, that includes a fiscal base for own-source revenue generation, independent budgeting, and financial management systems; (iii) possess basic planning and administration methodologies implemented; and (iv) have the capacity to implement basic capital investment projects in public works involving citizen participation in the identification and control of those projects.
- 1.44 When DLGP-II is completed, it is expected that the certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne will have: (i) implemented their capital investment projects, which would contribute to the economic growth of their districts; and (ii) shown a degree of tax collection according to the legislation approved.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This Program is an investment loan with sovereign guarantee. The financial resources will come from the ordinary capital of the IDB. The borrower is the Republic of Suriname, and the executing agency is the MRD.

B. Environmental and social safeguard risks

- 2.2 There are no environmental or social risks associated with this Program. The investments foreseen in this Program are of small scale and will contribute to improve local environmental conditions. In accordance with the Environment and Safeguards Compliance Guidelines, this operation was classified as category “C”.
- 2.3 In order to strengthen environmental management in districts, the PIU and the National Institute for Environment and Development (NIMOS) will support the districts in developing their own environmental units.

C. Fiduciary risk

- 2.4 The main fiduciary risks identified in the new pilot districts are the same identified in the certified districts before DLGP-I: (i) weak core capacity to manage the district’s budget and financial systems; (ii) weak internal control systems in the districts; and (iii) lack of experience in supervision, project monitoring and project budgeting. One of the main objectives of DLGP-II is to strengthen these financial and fiduciary functions. To mitigate these risks, and

given the experience with DLGP-I, it is expected that DLGP-II will strengthen the district institutional and financial capacities and will make sure that investment projects in the districts will be identified and executed following technical guidelines approved by the Bank. The Program will provide training on contract administration and procurement for future operation of the districts, and the PIU will perform inspection visits of capital investment projects.

D. Other key issues and risks

- 2.5 **Political risk.** DLGP-I created a preliminary legal framework for decentralization. However, some legislation is waiting for parliament approval and still additional work is needed for completing a permanent legal framework under DLGP-II. Specifically, the legal framework still needs changes in legislation to regulate, improve or implement new financial and fiscal relations between central and local governments. The Program's objective can be achieved without the approval of the laws already sent by the Government to the Parliament to replace the FDIL. However, the Program aims at stimulating a wider decentralization process, for which the approval of these laws would be instrumental. The Government and the PIU are engaged in a consensus-building effort with the Parliament and it is expected the approval of these laws with a high degree of probability.
- 2.6 **Rotation of district administrators.** District administrators show a certain degree of rotation, which means that training and experience may be lost for district management over time. The Program will establish a training procedure for every new district administrator and will support the MRD to assume the delivery of such training during the Program's implementation.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary implementation arrangements

- 3.1 **The Borrower.** The Borrower for this operation will be the Republic of Suriname. The Borrower will deposit the resources of the loan into a special foreign exchange account to be established at the Central Bank of Suriname. The Government will also open a separate account in the Central Bank denominated in local currency, aimed at the transfer of the local counterpart resources. Transfers to the local currency account from the U.S. dollars account will be made using the exchange rate mechanism stipulated in the loan agreement between the Bank and the Government of Suriname. **Evidence that the Executing Agency has opened special accounts to deposit the Loan resources, as well as the local counterpart resources, respectively will be a condition prior to first disbursement.**
- 3.2 **Executing and participating entities.** The Program will be executed by the MRD, which is the central government authority responsible for the oversight of the decentralization process and the regulatory aspects of subnational

administration in Suriname. Direct beneficiaries of the Program will be the sub-national governments (10 districts). The Program execution will be carried out by the MRD with the support of a PIU established during DLGP-I, which will continue acting as executing and coordinating unit for the second phase of the Program (DLGP-II).

- 3.3 DLGP-II will be supported by a Program Advisory Council (PAC), which comprises one representative of each of the following ministries and departments: MRD, MOF, Directorate of the OTA, Ministry of Justice, Ministry of Home Affairs, and Ministry of Public Works. This Council will provide a consultative and problem-solving forum to the PIU and its functions are set forth in the Operating Regulations and Guidelines (ORG). The Program will support the DLGP task force created at the MOF (TFMOF) during DLGP-I. The TFMOF will continue to assist the PIU, the MRD and the districts in the process of certification aimed at assessing their capacity to manage the complete cycle of community based investment projects, as described in the ORG. A second task force will be established at the Ministry of Regional Development (TFMRD), which will participate in the implementation of DLGP-II as a counterpart in all matters related to the monitoring, evaluation and coordination of the implementation plans at district level.⁶ TFMOF and TFMDR are staffed by public servants and financed by the Government and act as a technical counterparts of the PIU. The creation of the TFMRD is a result of DLGP-I support to create technical capacity in the MRD in order to manage the decentralization process. The Government Accounting Office (CLAD) will also support the PIU in the district's certification process. **The Operating Regulations and Guidelines approved by the Bank will be a condition prior to first disbursement.**
- 3.4 Other participating entities at the local level will be the districts, as direct beneficiaries of all the legislative reforms, systems, technical assistance, equipment, infrastructure initiatives and training that will be provided by DLGP-II. District participation in the Program will be reached through a Letter of Intent approved by their respective District Council and the MRD, in accordance to specific terms agreed with the Bank. Also at this level, the Citizen Participation Committees, comprised of NGOs and community based organizations, will be responsible for assisting the districts in developing their Citizen Participation Plans. Districts will be eligible to participate in the Program once they have signed a Letter of Intent with the MRD by which they commit themselves to the execution and implementation of the technical assistance and capital investment projects in accordance with the terms of this Program.
- 3.5 An Annual Working Plan (AWP) for the Program was prepared by the PIU and, with previous approval by MRD, will be submitted for the Bank's non-objection. The AWP will cover an 18-month period and include all the activities that are part of the Program's implementation. The AWP will be reviewed for possible

⁶ The PAC was established by Executive Cabinet Decree No. 7271 on November 8, 2006; and the TFMRD will be established by Ministerial Decree.

adjustments, every six months, integrating the specific work-plans and activities of the PAC, TFMOF, TFMRD and other participating entities. Any modification to the approved AWP in execution will require the approval of MRD and have the written non-objection of the Bank. **The first AWP for the Program approved by the Bank will be a condition prior to first disbursement.**

- 3.6 **The Program Implementation Unit.** The PIU is headed by a Managing Director and assisted by four (4) Task Managers (Civil Works; Financial Planning and Administration; Citizen Participation; and an Information and Communication Technology (ICT) System Manager), a Financial Administrator and a secretary. The Manager Director reports to the Permanent Secretary of the MRD and is responsible for the day-to-day management of the Program, including all legal matters and institutional relations. The Task Managers will coordinate and supervise their corresponding responsibilities within the Program. The Financial Administrator is responsible for the general financial administration of the PIU and for ensuring that the procurement of goods and services is done in accordance with the Bank's procurement guidelines and policies. A detailed description of the PIU's staff's responsibilities, profiles and Terms of Reference (TOR) will be included as part of the ORG. The Program may provide consulting services to support PIU activities, for which the Bank's written non-objection will be needed.
- 3.7 **Execution and supervision.** The execution and supervision of the Program will be carried out at both the central government and district levels. At the central government level, the MRD will be responsible for the overall performance of the Program within the districts, and the MOF will be responsible for timely budget allocation. The scope of involvement of the MRD and MOF is to ensure that the Program adheres to agreed fiduciary and procurement rules and policies. No financial resources will be directly transferred to the districts. A revolving fund equivalent to 5% of the loan resources will be established as part of the financial arrangements to facilitate the expected cash flow requirements of the Program. The PIU will prepare and submit to the Bank, within a sixty (60) days period after the closing of each semester, a semi-annual report showing the use of the loan resources as of June 30 and December 31.
- 3.8 The PIU will be responsible for the overall management, executing, monitoring, budget expenditure, and evaluation of all of the components of the Program, including managing the technical assistance required for certification of the new participating districts. The PAC will be responsible for advising the PIU on issues pertaining to the implementation of DLGP-II. As an independent organization of the government, the CLAD will be responsible for evaluating and validating the performance of each of the district's financial and planning units. CLAD will ensure that the procurement guidelines for the districts have been taken into account and that the Program funds have been properly allocated.
- 3.9 NIMOS will provide technical advice to the districts and will ensure that the districts observe the required environmental rules for capital investment project design and implementation.

3.10 **Procurement.** The procurement of works, goods and consulting services will take place in accordance with Bank policy, as set out in documents GN-2349-7 and GN-2350-7 and agreed with the GOS. All procurement will be carried out in accordance with a Procurement Plan (PP) agreed with the Bank. The PP for the first year of execution is detailed in electronic reference 3. The Procurement Plan will be updated annually for a 18-month period and its progress will be evaluated as part of semi-annual review reports. Any modification to the PP must be submitted to Bank's consideration for approval.

B. Summary of arrangements for monitoring results

3.11 The PIU will be in charge of monitoring the performance of the Program, according to the Program's Results Framework Matrix (included in Annex I). The PIU will evaluate the Program's performance periodically through semi-annual progress reports, annual reviews and a mid-term and final evaluation. The content of the semi-annual progress reports will be agreed with the Bank and should include, at least, disbursement information, project implementation progress on key delivery performance indicators, and a brief description of Program status, including the Procurement Plan and assessment of the issues affecting the Program's execution and proposed solutions. The annual review will consist of: (i) assessment of the overall Program execution during the previous year, including a comparison of specific Program achievements with the indicators of the Results Matrix; (ii) evaluation on the effectiveness of Program management; (iii) review of stakeholder participation and perceptions; (iv) comparison of actual vs. planned disbursements; (v) identification of issues affecting Program execution; and (vi) solutions or adjustments required for the upcoming year to ensure efficient implementation of the Program. The MOF and the MRD will have full access to all the documentation of the Program, including the prerogative to review all such documents.

3.12 The PIU will establish and maintain an adequate integrated financial accounting and information system⁷ for the purpose of managing the Program in accordance with the Bank's policies and requirements. The Mid-Term Review will evaluate the Program's performance at the operational level, identify the problems and issues affecting the Program's execution, and recommend required adjustments. Three months after the completion of the Program's execution, the GOS will undertake a final evaluation of the Program, which will follow the methodology and indicators agreed with the Bank, including the indicators to measure outputs, outcomes, and results agreed as part of the Results Matrix. This will include the results of the specific local investment projects and the technical assistance, as well as lessons learned.

3.13 An external firm acceptable to the Bank will audit the accounts, administration and performance of the Program annually. The audit reports must be submitted to

⁷ A consultancy aimed at improving current administration system's at the PIU is being financed under DLGP-I and its recommendations and action plan will guide the strengthening activities during DLGP-II.

the Bank no later than 120 days of each year's period audited. The Mid-Term Review will be conducted within 36 months after the first month of execution or when up to 50% of the Bank's financing has been disbursed, whichever occurs first.

C. Other

- 3.14 **District projects identification and design.** During Program implementation, specific capital investment projects will need to be designed by the districts, with PIU assistance, after the identification process is finished.

SURINAME

**DECENTRALIZATION AND LOCAL GOVERNMENT STRENGTHENING PROGRAM II (DLGP-II)
(SU-L1011)**

LOAN PROPOSAL (LP)

RESULTS FRAMEWORK MATRIX

PROGRAM OBJECTIVES

The overall Program objective is to continue supporting Suriname’s local government decentralization efforts.

The first specific objective of the Program is to assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo to attain level 2 certification, consisting of a core legal framework for financial planning and administration, adequate capacity for fiscal self-management, and capability for managing capital investments.

The second specific objective of the Program is to assist the (already) certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne (and possibly Paramaribo and Sipaliwini at pilot level) in the implementation of local community-based investment projects and basic services.

INDICATORS TABLE

	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
<p>Objectives (Purpose): The purpose of this Program is to: (i) attain necessary changes in legislation to regulate, improve or implement new financial and fiscal relations between central and local governments; (ii) establish 4 core institutional building systems (administration and planning, budget and financial management, local revenue generation, and citizen participation); (iii) engage citizens and stakeholders in the decision making process in order to achieve greater transparency and accountability in the districts; and (iv) provide financial resources for priority community-based investment projects in road paving, solid waste collection, garbage collection, and public markets.</p>						
Component I – Legal framework						
<p>Products:</p> <ol style="list-style-type: none"> Draft Law on Traditional Authority prepared. Draft Law on District Cadastre prepared. 	<p>Non existent.</p> <p>Non existent.</p>	<p>Draft.</p> <p>Draft.</p>	<p>Discussion/Approval.</p> <p>Discussion/Approval.</p>	<p>By laws.</p> <p>By laws.</p>	<p>New legal framework</p> <p>New legal framework.</p>	

INDICATORS TABLE

	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
<p>3. Recommendations updating laws included in Art. 4 of FDIL prepared.</p> <p>4. District Ordinances regulating financial accounting standards and procedures prepared.</p> <p>5. Training on Decentralization law provided.</p> <p>Intermediate Results (process):</p> <p>1. Upgrade of District cadastre implemented for Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo districts.</p> <p>2. Districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo certified at Level 1.</p> <p>Final Results:</p> <p>1. Legislation changed and updated and fiscal relations between central and local government improved.</p>	<p>FDIL.</p> <p>Existing laws.</p> <p>0 Districts.</p>	<p>Legal & Technical review</p> <p>Draft by laws</p> <p>5 Districts.</p>	<p>Draft/Discussion/Approval.</p> <p>Implementation.</p> <p>5 Districts.</p>	<p>By laws.</p>	<p>Updated legal framework.</p> <p>New regulatory framework</p> <p>10 Districts.</p> <p>10 Districts.</p> <p>10 Districts.</p> <p>10 Districts.</p>	

INDICATORS TABLE						
	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
Component II – Financial, planning, and administrative capacity						
Products:						
1. Administration and planning system implemented.	5 Districts.	2 Districts.	3 Districts.		10 Districts.	
2. Budget and financial management (BFM) system implemented.	7 Districts.	3 Districts.			10 Districts.	
3. Local tax administration system implemented.	0 Districts.	5 Districts.	2 Districts.		7 Districts.	
4. Local tax administration methodology and procedures in place.	0 Districts.	0 Districts.	If law approved 6 Districts.		6 Districts.	
5. Internal auditing capacity in the districts implemented.	MRD external audit unit.	1 Internal unit in place covering 5 Districts.	1 Internal audit unit in place covering 5 new Districts.		1 Internal audit unit in place covering 10 Districts.	
6. District Administrator position created, staff trained and position implemented.	5 Districts.	5 Districts			10 Districts	
7. WAN in all districts, MOF and MRD implemented and operating.	0 Districts.	5 Districts and MRD and MOF.	5 Districts.		10 Districts and MRD and MOF.	
8. Fully rehabilitated district offices.	5 Districts.	5 Districts.			10 Districts.	
9. Training provided.	0 Districts.	5 Districts.			5 Districts.	
Intermediate Results (process):						
1. Integrated operation of all four institutional building systems operating in rehabilitated offices under supervision of District Administrator.					10 Districts.	

INDICATORS TABLE						
	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
<p>2. Districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo certified at Level 2.</p> <p>Final Results:</p> <p>1. Capabilities for fiscal self-reliance, autonomous financial systems, and investment project execution created in districts.</p>					<p>5 Districts.</p> <p>10 Districts.</p>	
Component III – Citizen participation and program outreach						
<p>Products:</p> <p>1. Citizen Participation Plan (CPP) in DLGP-II districts</p> <p>2. Citizen participation committees (CPC) at the district level.</p> <p>3. Creation and training of neighborhood committees (NC) at the community level.</p> <p>4. Citizens Information Centers (CIC) in all the resorts.</p> <p>5. Training provided.</p>	<p>5 CPPs.</p> <p>5 CPCs.</p> <p>0 NCs.</p> <p>5 CICs.</p> <p>0</p>	<p>2 CPCs.</p> <p>10 NCs.</p> <p>5 CICs at District level 20 CICs at Neighborhood level.</p> <p>5 Districts.</p>	<p>5 CPPs.</p> <p>3 CPCs.</p> <p>19 NCs.</p> <p>20 CICs at Neighborhood level.</p>	<p>26 NCs.</p> <p>22 CICs at Neighborhood level.</p>	<p>10 Districts.</p> <p>10 Districts.</p> <p>55 NCs.</p> <p>10 CICs at District level 62 CICs at Neighborhood level.</p> <p>5 Districts.</p>	

INDICATORS TABLE						
	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
<p>Intermediate Results (process):</p> <ol style="list-style-type: none"> CPC and neighborhood committees trained. Citizens Information Centers (CIC) operating in all districts. <p>Final Results:</p> <ol style="list-style-type: none"> Citizens and stakeholders involved in the decision making process, with greater transparency, and local government accountability in the districts. 					<p>10 PPC at districts level and 55 NCs.</p> <p>62 CICs.</p> <p>10 Districts.</p>	
Component IV – Capital investment capacity building and investment program						
<p>Products:</p> <ol style="list-style-type: none"> Resolution Level II of MRD certifying districts. Pipeline of investment projects defined for certified districts. Capital investment Projects: <ol style="list-style-type: none"> Roads. Drainage. Garbage Collection. Markets. 	<p>5 Districts.</p> <p>0 Projects.</p> <p>10 projects.</p> <p>0 projects.</p> <p>0 projects.</p> <p>0 projects.</p>	<p>2 Districts.</p> <p>10 Projects.</p> <p>10 projects¹.</p>	<p>3 Districts.</p> <p>19 projects.</p> <p>10 projects.</p> <p>5 projects.</p> <p>2 projects.</p> <p>2 projects.</p>	<p></p> <p>26 projects.</p> <p>15 projects.</p> <p>5 projects.</p> <p>3 projects.</p> <p>3 projects.</p>	<p>10 Districts.</p> <p>55 projects.</p> <p>35 projects.</p> <p>10 projects.</p> <p>5 projects.</p> <p>5 projects.</p>	<p>Total \$4,769,000.00 CIP.</p> <p>Total \$2,900,000.00 CIP.</p> <p>Total \$800,000.00 CIP.</p> <p>Total \$586,000.00 CIP.</p>

¹ Projects started

INDICATORS TABLE						
	Baseline	End Year 1	End Year 2	End Year 3	2 years after program completion	Comments
<p>Intermediate Results (process):</p> <ol style="list-style-type: none"> 1. Eligible investment projects evaluated at feasibility level. 2. Project profiles, standard tender documents, and plan for operation and maintenance designed and applied to investment projects. 3. Procedure for formulation, evaluation, maintenance, and operation of capital investment projects established. <p>Final Results:</p> <ol style="list-style-type: none"> 1. Investment project management capacity created. 2. CIP delivered. 					<p>55 projects</p> <p>55 projects</p> <p>10 Districts</p> <p>10 Districts</p> <p>55 projects</p>	

SURINAME

**DECENTRALIZATION AND LOCAL GOVERNMENT STRENGTHENING PROGRAM II (DLGP-II)
(SU-L1011)**

LOAN PROPOSAL (LP)

PROCUREMENT PLAN – 18 MONTHS – SUMMARY TABLE

Ref. No.	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method ¹	Review (ex-ante or ex-post)	Source of financing and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/ Other %		Publication of specific procurement notice	Completion of contract		
1.1	1. Goods Hardware and Software for activities of Component 2 (Financial, Planning and Administrative Capacity).	64	NCB.	Ex-ante.	100	0	No	10/04/2009	01/07/2009	Pending.	
1.2	Vehicles (3 vehicles 4x4).	100	NCB.	Ex-ante.	100	0	No	01/03/2009	01/05/2009	Pending.	Specifications of vehicles to be determined with the Bank's non-objection.

¹ **Goods and Works:** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through Specialized Agencies; **PA:** Procurement Agents; **IA:** Inspection Agents; **PLFI:** Procurement in Loans to Financial Intermediaries; **BOO/BOT/BOOT:** Build, Own, Operate/Build, Operate, Transfer/Build, Own, Operate, Transfer; **PBP:** Performance-Based Procurement; **PLGB:** Procurement under Loans Guaranteed by the Bank; **PCP:** Community participation procurement. **Consulting Firms:** **QCBS:** Quality- and Cost-Based Selection **QBS:** Quality-Based Selection **FBS:** Selection under a Fixed Budget; **LCS:** Least-Cost Selection; **CQS:** Selection based on the Consultants' Qualifications; **SSS:** Single-Source Selection. **Individual Consultants:** **NICQ:** National Individual Consultant selection based on Qualifications; **IICC:** International Individual Consultant selection based on Qualifications.

Ref. No.	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method ¹	Review (ex-ante or ex-post)	Source of financing and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract		
4.1	4. Consulting services Legal consultants component I (3 individual consultants).	85	NICQ.	Ex-ante.	100	0	No	01/04/2009	30/09/2010	Pending.	
4.2	Design and Implementation of Financial Systems of New Pilot Districts.	136	QCBS.	Ex-ante.	100	0	No	01/04/2009	01/07/2010	Pending.	
4.3	Simplify Tax Administration Systems in five certified districts.	60	NICQ.	Ex-ante.	100	0	No	01/04/2009	31/08/2010	Pending.	
4.4	Creation of Audit Capacity in ten districts (1 individual consultant).	29	NICQ.	Ex-ante.	100	0	No	01/04/2009	31/08/2011	Pending.	
4.5	Creation of Citizen Participation Committees (CICs) in new pilot districts.	125	QCBS.	Ex-ante.	100	0	No	01.01/2009	01/07/2010	Pending.	
4.6	Creation of CICs in all district <i>Ressorts</i> .	280	NICQ.	Ex-ante.	100	0	No	01/01/2009	01/07/2010	Pending.	
4.7	Training for Citizen Participation.	80	QCBS.	Ex-ante.	100	0	No	01/01/2009	31/12/2010	Pending.	
4.8	Promotion Awareness and consensus building.	180	QCBS.	Ex-ante.	100	0	No	01/01/2009	31/12/2010	Pending.	
4.9	Capital Investment Project Preparation Consultancies - (5 individual consultants).	240	NICQ.	Ex-ante.	100	0	No	01/01/2009	30/01/2010	Pending.	
4.10	Support to Capital Investment Project Procurement and training (3 individual consultancies).	190	NICQ.	Ex-ante.	100	0	No	01/01/2009	31/12/2011	Pending.	
4.11	Support to Capital Investment Pre-investment- Drainage (3 individual consultants).	43	NICQ.	Ex-ante.	100	0	No	01/01/2009	01/07/2009	Pending.	

Ref. No.	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method ¹	Review (ex-ante or ex-post)	Source of financing and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract		
4.12	Support to Capital Investment Pre-investment- Garbage Collection (3 individual consultants).	113	NICQ.	Ex-ante.	100	0	No	01/01/2009	30/01/2010	Pending.	
4.13	Support to Capital Investment Pre-investment- Market s (3 individual consultants).	68	NICQ.	Ex-ante.	100	0	No	01/01/2009	31/12/2011	Pending.	
4.14	Support to PIU Operational activities: Procurement support, Human Resources Advisor, Monitoring and Evaluation Support (3).	75	NICQ.	Ex-ante.	100	0	No	01/01/2009	01/07/2009	Pending.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/08

Suriname. Loan ____/OC-SU to the Republic of Suriname
Decentralization and Local Government Strengthening Program II (DLGP-II)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Suriname, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a decentralization and local government strengthening program II (DLGP-II). Such financing will be for an amount of up to US\$13,500,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, 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 __ ____ 2008)

LEG/SGO/SU-1743073-08
SU-L1011