
SUPPLEMENTARY AGREEMENT

between the

REPUBLIC OF SURINAME

and the

INTER-AMERICAN DEVELOPMENT BANK

Caribbean Investment Facility Parallel Financing for the
“Support to Improve Sustainability of the Electricity Service Program”
Loan Contract No. 3059/OC-SU

February 9, 2018

SUPPLEMENTARY AGREEMENT

SUPPLEMENTARY AGREEMENT entered into between the REPUBLIC OF SURINAME (hereinafter for the purposes of this Agreement referred to as the “Beneficiary”, or for the purposes of the Loan Contract No. 3059/OC-SU, the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”, and together with the Beneficiary, the “Parties”) on February 9, 2018.

WHEREAS:

(a) On November 6, 2013, the Bank approved a loan to the Republic of Suriname, as Borrower, in the amount of thirty million Dollars (US\$30,000,000), hereinafter the “Loan”, to contribute to the financing of the project Support to Improve the Sustainability of the Electricity Service Program (hereinafter referred to as the “Program”), which main objective is to contribute to the sustainability of the power sector by strengthening the operational procedures and corporate performance of *Energiebedrijven Suriname* (“EBS”), the national electricity company, and by improving the sustainability of rural electricity supply.

(b) A loan contract was entered into between the Bank and the Borrower on December 4, 2013 (Loan Contract No. 3059/OC-SU, hereinafter the Loan Contract) to establish the terms and conditions for the financing of the Loan and the execution of the Program.

(c) On June 10, 2015, the European Commission (hereinafter the “Commission”), representing the European Union, entered into an Implementing Agreement (hereinafter the “Implementing Agreement”) with Suriname, as Beneficiary, pursuant to which the Commission shall make available a non-reimbursable contribution from its Caribbean Investment Facility in the amount of five million euros (EUR 5,000,000) to the Beneficiary (hereinafter the “EU Contribution”), to finance additional activities that will support the Program.

(d) On October 12, 2017 the Bank and the Commission entered into a Management Agreement (hereinafter the “Management Agreement”) with the aim to cooperate for the execution of the EU Contribution supporting the Program. The Management Agreement sets out the terms and conditions under which such cooperation will take place.

THEREFORE, the Parties agree to enter into this Supplementary Agreement to incorporate the necessary additional terms and conditions to which the Beneficiary will be subject to in the execution of the Program, so that the Bank may monitor and supervise the implementation of the activities financed with the EU Contribution, in the terms agreed between the Bank and the Commission, and the Beneficiary may in turn comply with its obligations under the Implementing Agreement entered into with the Commission.

The Bank and the Beneficiary agree as follows:

ARTICLE 1. The Parties agree that the Commission, representing the European Union, has made available to the Republic of Suriname a non-reimbursable EU Contribution from its Caribbean Investment Facility in the amount of five million euros (EUR 5,000,000), as parallel financing to finance activities that will support the Program.

ARTICLE 2. The Parties agree that the activities financed with the EU Contribution to support the Program shall be carried out by the Beneficiary, through Energiebedrijven Suriname (EBS), hereinafter referred to as the “Executing Agency”, or “EBS”, in accordance with the terms of the Loan Contract, unless otherwise provided herein. The Beneficiary certifies the legal and financial capacity of the Executing Agency to function as such and undertakes that the Program and the activities financed with the EU Contribution will be implemented in accordance with the provisions set forth in this Supplementary Agreement.

ARTICLE 3. The Parties agree that the EU Contribution to be disbursed directly from the Commission to the Beneficiary will support the financing of works, goods and services as described to be financed with the EU Contribution in Annex I to this Supplementary Agreement, which forms an integral part to this Agreement.

ARTICLE 4. (a) The Commission will disburse the EU Contribution to the Beneficiary in two equal pre-financing payments or tranches in accordance with the applicable Commission’s policies, rules and procedures and such disbursements will be made into an account opened by the Beneficiary for the specific use of the EU Contribution (the “CIF Account”). The Beneficiary hereby agrees to notify the Bank of the opening of the CIF Account.

(b) The Parties agree that the Bank shall not be held responsible should the Commission not make the full pre-financing payment of the EU Contribution to the Beneficiary, nor will the Bank cover any exchange rate loss or risk related to the conversion or administration of the EU Contribution by the Beneficiary.

(c) The Parties agree that the Bank will monitor payments made from the CIF Account by the Beneficiary to ensure that the Beneficiary complies with the following: (i) payments made from the CIF Account comply with the Bank financial management policies, rules and procedures; and (ii) funds in the CIF Account are used exclusively for the execution of the EU Contribution and in particular for the categories of expenditure specified in Annex I to this Agreement.

ARTICLE 5. (a) The procurement and contracting process for the acquisition of goods, works, services and consultancies to be financed by the EU Contribution will be carried out in accordance with the Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (GN-2349-9), approved on April 19, 2011, and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), approved April 19, 2011, and applicable Bank rules and procedures regarding procurement, including a Procurement Plan for the EU Contribution approved by the Bank. If the Procurement Policies are amended by the Bank, the procurement of goods, works, and non-consulting services

shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Beneficiary and the Beneficiary agrees in writing to their application.

(b) Notwithstanding paragraph (a) above, the Parties agree that goods originating from non-Bank member countries will also be eligible for procurement and suppliers, contractors, consultants and service providers from non-Bank member countries shall be allowed to participate in the procurement processes for activities financed solely with the EU Contribution, provided that the country of origin of the goods and the nationality of such suppliers, consultants, contractors and service providers is recognized by the European Union as eligible, according to their applicable regulations.

(c) The Beneficiary, through the Executing Agency, shall publish all calls for tenders in the UNDB online and in the Bank website, in accordance with the Bank Procurement Policies. The Bank will monitor and review the procurement process of the activities financed with the EU Contribution in accordance with its internal policies, rules and procedures, and the Procurement Plan for the EU Contribution approved by the Bank. All contracts will be subject to ex ante review by the Bank and will be published on the Bank website, as applicable, in accordance with the Bank policies and procedures.

ARTICLE 6. (a) The Beneficiary agrees that technical and financial reporting, as well as monitoring and evaluation of the EU Contribution will be subject to the same requirements as set forth in the Loan Contract for the Program, including the presentation, through the Executing Agency, of semiannual progress reports and any other reports as the Bank may reasonable request regarding the use of the EU Contribution, the use of the goods acquired and the progress in the implementation. The progress reports will be presented within sixty (60) days following the end of each semester, or within such other period as the parties may agree, and will contain all the information on the execution of the activities and use of the resources related to the EU Contribution. The Beneficiary hereby agrees to directly or through the Executing Agency, maintain records, permit monitoring visits and inspections, submit reports, maintain a management, accountant and financial administration system acceptable to the Bank, and submit financial statements and financial reports to the Bank for the use and execution of the resources of the EU Contribution, in accordance with the provisions stated in the Loan Contract.

(b) A yearly supervision plan will be developed and executed by the Bank to review the progress of the Project in all aspects of the implementation, finance and procurement. The supervision plan will also include monitoring visits by the Bank. The Bank will share all its monitoring reports as well as the progress reports with the Commission. Furthermore, representatives of the Commission will be invited to participate in main monitoring missions led by the Bank.

(c) The Beneficiary, through the Executing Agency, shall collect and maintain available information, indicators and parameters needed to carry out the evaluations of the Program results and the activities financed with the EU Contribution, based on the methodology and terms agreed with the Bank.

ARTICLE 7. (a) The Beneficiary agrees that the EU Contribution will be subject to the same financial management by the Beneficiary and external audit requirements, as set forth in the Loan Contract. In particular, the Borrower, through the Executing Agency, shall submit annual external audited financial statements and a final external audited financial statement of the Program and the activities financed with the EU Contribution. Such financial statements shall cover all expenditures financed through the Loan and the EU Contribution.

(b) In addition, the Beneficiary agrees that when payments for an amount equal to at least the equivalent of EUR 1,750,000 (constituting 70% of the first pre-financing payment made by the Commission to the Beneficiary) has been made out of the CIF Account, an independent external auditor shall analyze and verify the incurred expenses paid out of such account, by conducting an assurance engagement, in accordance with the International Standards of Auditing. Such assurance engagement will be financed with resources of the EU Contribution and its terms of reference will be subject to the non-objection of the Bank and the Commission. The independent external auditor conducting the assurance engagement shall certify that the Executing Agency has actually made and justified payments out of the CIF Account in an amount equal to at least the equivalent of EUR 1,750,000 so that the second pre-financing payment of the EU Contribution is disbursed by the Commission to the Beneficiary.

(c) Any certifications, reports, letters or other form of communication issued by the independent external auditors with respect to financial reports of the Program, including the EU Contribution, shall be submitted by the Beneficiary to the Bank, which in turn will transmit it to the Commission.

(d) The Bank shall have no other obligations than those indicated in this Article vis-à-vis any parties with respect to external audits of the EU Contribution.

ARTICLE 8. The parties agree that this Agreement shall enter into effect on the date of its signature by the Beneficiary, provided that the Management Agreement entered into between the Bank and the Commission has entered into force.

ARTICLE 9. This Agreement shall remain in full force and effect from the date in which it enters into force and until the EU Contribution is fully executed and the obligations of the Bank with the Commission under the Management Agreement have terminated, or if this Agreement is terminated earlier due to the termination of the Management Agreement.

ARTICLE 10. The rights and obligations established in this Agreement are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

ARTICLE 11. The Parties agree that the relationship between the Parties for the purpose of the obligations related to the EU Contribution is governed by this Supplementary Agreement, and by the provisions in the Loan Contract. Any matter not specifically regulated in this Supplementary Agreement will be governed by the Loan Contract, including the provisions related to the solution of controversies which may arise out of this Agreement.

ARTICLE 12. Any notice, request, or communication from one party to another by virtue of this Agreement shall be made in writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, unless the parties agree otherwise in writing:

For the Beneficiary:

Mailing address:

Ministry of Finance
Tamarindelaan 3
Onafhankelijkheidsplein
Paramaribo, Suriname

Facsimile: (597) 476-314

For matters related to execution:

Mailing address:

Energiebedrijven Suriname N.V.
Noorderkerkstraat 2 - 14
Paramaribo, Suriname

Facsimile: (597) 474-866

For the Bank:

Mailing address:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

IN WITNESS WHEREOF, the Beneficiary and the Bank, each acting through its authorized representative, have signed this Contract, in two (2) equally authentic copies in Paramaribo, Suriname, on the date above written.

SURINAME

INTER-AMERICAN DEVELOPMENT
BANK

/s/

/s/

The Hon. Gillmore Hoefdraad
Minister of Finance

Cesar A. Falconi
Representative of the Bank in Suriname

ANNEX I

“Support to Improve Sustainability of the Electricity Service Program” EU Contribution Activities

I. Objective

- 1.01** The Support to Improve Sustainability of the Electricity Service Program (the “Program”) is part of a national program with the objective to contribute to the sustainability of the power sector by strengthening EBS’ operational procedures and corporate performance, and by improving the sustainability of rural electricity supply. The specific objectives of the Program are to support the implementation of information technologies in business support tools for EBS, to provide financial support for upgrading critical infrastructure, and to contribute to expand electricity coverage by grid extension and renewable energy systems in the Hinterlands.
- 1.02** The main objective of the activities funded by the EU Contribution is to provide reliable electricity access based on Renewable Energy Technologies to specific rural communities in the hinterland. The specific objectives of the EU Contribution are to install one solar PV system and one small hydro system in two different locations, both including the required power distribution grid.

II. Description

- 2.01** The Program will finance the implementation of the activities grouped in the following components, as described in the Annex to the Loan Contract. The EU Contribution will only finance those specific activities identified in Component 2.

Component 1: Improvement of EBS’ Operations

- 2.02** The Program will finance the following activities in Component 1: (i) integrating Supervisory Control and Data Acquisition (SCADA) platforms for technical supervision and operation of the power system; and (ii) incorporating business information solutions by financing Information Technologies (IT) hardware and software, such as the Enterprise Resources Planning (ERP) and a Geographical Information System (GIS).

Component 2: Sustainable Rural Electrification and Institutional Strengthening

- 2.03** The Program will finance the following activities in Component II: (i) the integration of Powakka village and surrounding communities into the EPAR grid by rehabilitating and upgrading the transmission and distribution system and securing the sustainability of the investment; (ii) the installation of hybrid RE generation to local distribution systems to

improve sustainability of electricity supply in Atjoni and nearby communities; and (iii) support EBS in the design and implementation of future rural electrification projects by financing the impact evaluation of this component.

- 2.04** The EU Contribution will finance the installation of RE generation systems and distribution systems in two communities in located in Upper Suriname, including the corresponding feasibility studies. The EU Contribution will also finance costs related to project management and monitoring.

Component 3: Critical Infrastructure

- 2.05** The specific activities of Component III are to finance the rehabilitation and upgrade of critical infrastructure of EBS including retrofitting of the two existing 33/12/6-kV S/S (S/S C and S/S D) in the EPAR system, supplying energy to the northern load center of Paramaribo.

III. Total Cost of the Program and Financing Plan

- 3.01** The estimated cost of the Program, including the supporting activities financed with the EU Contribution, is the equivalent of US\$36,649,000 of which up to US\$30,000,000 will be financed with resources of the Ordinary Capital of the Bank and EUR 5,000,000 by the EU Contribution resources. The following table shows a detail of the estimated costs by components and by each source of financing.

Cost and Financing **(in thousands of US\$)**

Component	BANK	EU CIF(*)		Total
	(US\$000)	(EUR 000)	(US\$000)	(US\$000)
Component 1. Improvement of EBS Operations	10,000	-	-	10,000
Purchase Scada Software & Hardware Including Peripherals	5,600	-	-	5,600
Purchase of GIS System	2,500	-	-	2,500
Design Control center	400	-	-	400
Conduct SCADA Training	200	-	-	200
Design of the Enterprise Resource Planning ERP system (Phase I)	500	-	-	500
Operations and Maintenance GIS system	800	-	-	800
Component II Sustainable Rural Electrification	11,000	4,700	6,249	17,249
Purchase of 161 kV power transformer for SSP, 33 kV switchgears and electronics for S/S Powakka and S/S Paranam, SCADA control, cable)	6,100	-	-	6,100
Purchase of Transmission and distribution equipment (Overhead lines, 12 KV lines Transformers, streetlights, LV cable)	1,100	-	-	1,100
Purchase of PV Panels and Batteries	1,200	-	-	1,200

Component	BANK	EU CIF(*)		Total
	(US\$000)	(EUR 000)	(US\$000)	(US\$000)
Purchase of Prepaid meters	300	-	-	300
Design Substations Powakka & Paranam	500	-	-	500
Training, information and awareness campaign Prepaid meters	500	-	-	500
Feasibility studies for the installation of a RET-plant in Upper-Suriname River region.	-	300	398	398
Construction and commissioning Substation Paranam	300	-	-	300
Construction and commissioning substation Powakka	800	-	-	800
Site preparation PV panels – Atjoni	200	-	-	200
Construction and commissioning of Solar PV systems.	-	2,600	3,457	3,457
Construction and commissioning of Small hydro system.	-	1,800	2,394	2,394
Component III Critical Infrastructure	7,000	-	-	7,000
Purchase of 36 KV & 12.6 KV switch gear with Bay control units	6,500	-	-	6,500
HV Cables	200	-	-	200
Pre-wired protection panels	150	-	-	150
Dc chargers & secondary materials	150	-	-	150
Project Management	1,000	300	400	1,400
Project Management Unit	650	-	-	650
Monitoring Consultant	100	-	-	100
Financial Auditor	250	-	-	250
Support to Project Management and monitoring (CIF Contribution)	-	300	400	400
Contingencies	1,000	-	-	1,000
Contingencies	1,000	-	-	1,000
Total	30,000	5,000	6,649	36,649

(*) The costs in dollars of the EU Contribution activities was calculated using an approximate exchange rate of €1=US\$1.33 (exchange rate at the time of the European Commission's endorsement of the Contribution) in order to determine the estimated cost of the activities in one single currency. The final cost of the EU Contribution activities will be reported at its end, using actual amounts spent in USD Dollars and in Euros. An equivalent in US Dollars will be calculated based on current exchange rates applicable at the time of payments.