

**ORIGINAL**

**CARIBBEAN INVESTMENT FACILITY (CIF)**

**MANAGEMENT AGREEMENT**

**BETWEEN**

**THE EUROPEAN COMMISSION**

**AND**

**INTER-AMERICAN DEVELOPMENT BANK (IDB)**

**REGARDING**

**SUPPORT TO IMPROVE SUSTAINABILITY OF THE ELECTRICITY  
SERVICE PROJECT**

**IN SURINAME**

**FED/2017/387-434**

THIS MANAGEMENT AGREEMENT (the “**Agreement**”) is made between the European Commission (the “**Commission**”) representing the European Union and the Inter-American Development Bank (the “**IDB**” or “**Lead Finance Institution**”), hereinafter jointly referred to as the “**Parties**”; each a “**Party**”;

WHEREAS:

- A. The IDB approved on 6 November 2013 a loan to Suriname (the “**Borrower / Beneficiary**”) in the amount of up to USD 30,000,000 (the “**IDB Loan**”) to be used for the implementation of the “Support to Improve Sustainability of the Electricity Service” project (the “**Project**”), for the purpose of which the IDB entered into a loan agreement with Suriname signed on 4 December 2013, as may be amended from time to time (the “**IDB Loan Agreement**”);
- B. The Commission entered into an Implementing Agreement with Suriname, as Beneficiary, signed on 10 June 2015, as may be amended from time to time (the “**EU CIF Implementing Agreement**”) and pursuant to which the Commission shall make available a non-reimbursable contribution from its Caribbean Investment Facility in the amount of EUR 5,000,000 to Suriname, to finance activities that will support the Project (the “**EU Contribution**”);
- C. The Parties wish to cooperate for the execution of the EU Contribution supporting the Project. To this end, the Parties have agreed to enter into this Agreement, which shall set out the terms and conditions under which such cooperation shall take place.

NOW THEREFORE, the Parties have hereby agreed as follows:

## 1. THE PROJECT

- (a) The Project’s general 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. The specific objectives 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 interior of Suriname (the Hinterlands).
- (b) The EU Contribution will support the financing of works, goods and services as described in Annex II of this Agreement, including the cost of external audit reports of the EU Contribution.
- (c) The Project, including the supporting activities financed with the EU Contribution shall be implemented by EBS (the “**Project Implementing Entity**”), in accordance with the terms of the IDB Loan Agreement.

## **2. LEAD FINANCE INSTITUTION**

The Parties have agreed that the IDB shall act as the lead finance institution for the implementation for the EU Contribution and shall have the rights and obligations as set out in this Agreement. The IDB shall receive remuneration in the amount and in the manner set out in Annex I of this Agreement. The IDB and the Commission shall perform their obligations as set out in this Agreement.

## **3. DISBURSEMENTS AND PAYMENTS**

- (a) Disbursements of the IDB Loan to the Borrower/Beneficiary for the Project shall be made in accordance with the terms and conditions of the IDB Loan Agreement. For the avoidance of doubt, any suspension of disbursements of the EU Contribution by the Commission will not cause automatically suspensions of disbursements of the IDB Loan, the latter being solely subject to the terms and conditions of the IDB Loan Agreement.
- (b) Disbursements by the Commission of the EU Contribution to the Borrower/Beneficiary will be made in two equal pre-financing payments or tranches and shall be made in accordance with the applicable Commission's policies, rules and procedures. Such disbursements shall be made into an account opened by the Borrower/Beneficiary for the specific use of the EU Contribution, which will finance the eligible expenditures referred to in Section 3(c)(ii) below (the "**CIF Account**"). The Borrower/Beneficiary shall notify the IDB of the opening of the CIF Account by the Borrower/Beneficiary. The Commission shall notify IDB of the date and amount of each pre-financing payment promptly after it is made. The Parties agree that the IDB shall not be held responsible should the Commission not make the full pre-financing payments of the EU Contribution to the Borrower/Beneficiary, nor will the IDB cover exchange rate loss or risk related to the conversion or administration of the EU Contribution by the Borrower/Beneficiary.
- (c) The IDB shall monitor payments made from the CIF Account by the Borrower/Beneficiary to ensure that the latter complies with the following :
  - (i) payments made from the CIF Account shall comply with IDB financial management policies, rules and procedures.
  - (ii) funds in the CIF Account shall be used exclusively for the execution of the EU Contribution and in particular for the categories of expenditure specified in Section 1(b) of this Agreement, provided that such expenditures are eligible expenditures under IDB policies, rules and procedures and have been procured in accordance with the IDB Procurement Arrangements, as defined hereunder in Section 4(a)(i).
- (d) Closure of the CIF Account. The balance (if any) of the CIF Account and any ineligible expenditure resulting from the external audits specified in Section 4(c) below, will be directly reimbursed by the Borrower/Beneficiary to the Commission.

**02 AOUT 2017**

Jolita BUTKEVICIENE  
Director

#### 4. IMPLEMENTATION ARRANGEMENTS

##### (a) Procurement and Contracting

- (i) 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 by the Project Implementing Entity in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9) and applicable IDB rules and procedures regarding procurement, except that goods originating from non-IDB member countries will also be eligible for procurement and that suppliers, contractors, consultants and service providers from non-IDB member countries shall be allowed to participate in the procurement processes for activities to be 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 (the “**IDB Procurement Arrangements**”).
- (ii) The Project Implementing Entity shall publish all calls for tenders in the UNDB online and in IDB website, in accordance with the IDB Procurement Arrangements. The IDB shall monitor and review the procurement process of the components of the Project, including the supporting activities financed with the EU Contribution, in accordance with its internal policies, rules and procedures.
- (iii) All contracts will be subject to *ex ante* review and will be published on the IDB website, as applicable, in accordance with the IDB Procurement Arrangements.

##### (b) Reporting, Monitoring and Evaluation

- (i) 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 IDB Loan Agreement. IDB shall share the reports submitted by the Implementing Entity with the Commission and inform the latter as to whether it has given its non-objection to said reports.
- (ii) Upon completion of the Project, including the supporting activities financed with the EU Contribution, the IDB shall communicate to the Commission, the amount of the EU Contribution's final eligible costs based on the audits of the Project, including the EU Contribution (in accordance with Section 4(c) of this Agreement). The IDB shall also inform the Commission as to whether the Project, including the supporting activities financed with the EU Contribution, has been completed as planned.
- (iii) IDB will verify the appropriate and efficient use of the EC Contribution by means of monitoring and reporting on the Implementing Entity's compliance with IDB financial management and procurement policies and procedures. In addition, a yearly supervision plan will be developed and executed by the IDB 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 IDB. The IDB shall 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 IDB.

- (iv) After providing its non-objection to it, IDB shall provide the Commission with the completion report highlighting the results achieved and the executed activities with at least the same level of detail as the Action Fiche approved by the CIF board and the annual supervision plan; such report shall include a statement on the completion of the Project, including the supporting activities financed with the EU Contribution.
  - (v) IDB shall conduct the evaluation of the Project, including the supporting activities financed with the EU Contribution, in accordance with its procedures and policies and share the results of such evaluation with the Commission.
- (c) Financial Management and External Audit
- (i) The EU Contribution will be subject to the same financial management by the Borrower/Beneficiary and external audit requirements, as set forth in the IDB Loan Agreement. In particular, the Project Implementing Entity shall submit annual external audited financial statements and a final external audited financial statement of the Project, including the supporting activities financed with the EU Contribution. Such financial statements shall cover all expenditures financed whether through the IDB Loan or the EU Contribution.
  - (ii) In addition to the dispositions set forth in Section 4(c)(i) above, when payments for an amount equal to at least the equivalent of EUR 1,750,000 (constituting 70% of the first pre-financing payment referred to in Section 3(b) above) has been made out of the CIF Account, an independent external auditor shall analyse and verify the incurred expenses paid out of such account, by conducting an assurance engagement, in accordance with the International Standards on 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 IDB and the Commission. The independent external auditor conducting the assurance engagement shall certify that the Project Implementing Entity 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, before the second pre-financing payment of the EU Contribution is disbursed by the Commission to the Borrower/Beneficiary.
  - (iii) Any certifications, reports, letters or other form of communication issued by the independent external auditors with respect to financial reports of the Project, including the EU Contribution, shall be submitted by the Borrower/Beneficiary to the IDB, which in turn shall transmit it to the Commission.

- (iv) The IDB shall have no other obligations than those indicated in paragraphs (i) through (iii) of this Section 4(c) vis-à-vis any parties with respect to external audits of the EU Contribution.
- (d) Communication

All communications between the Parties concerning the implementation of this Agreement shall be in writing, refer expressly to the Project and be sent to the following addresses:

**For the Commission**

Head of the EU Delegation to Jamaica, Belize, the Bahamas, Turks & Caicos Islands and the Cayman Island  
8, Olivier Rd. P.O. Box 463  
Kingston 8, Jamaica, West Indies  
Telephone: (1-876) 924.6333  
Fax: (1-876) 924.6339  
[Delegation-jamaica@eeas.europa.eu](mailto:Delegation-jamaica@eeas.europa.eu)

**For the Lead Finance Institution**

Inter-American Development Bank,  
1300, New York Avenue  
N.W. Washington, D.C. 20577  
United States of America

**5. ENTRY INTO FORCE, DURATION, AMENDMENT AND TERMINATION**

- (a) This Agreement shall enter into force upon the fulfilment of the following conditions: (i) its signature by both Parties; and (ii) all conditions precedent for disbursements under the IDB Loan Agreement and the EU CIF Implementing Agreement have been met. Each Party shall inform, without delay, in writing the other Party of the fulfilment of the conditions precedent for disbursement under its respective agreement with the Borrower/Beneficiary. Each Party shall be solely responsible for the conditions precedent for disbursement under its respective agreement with the Borrower/Beneficiary and shall have sole discretion to waive any such conditions precedent for disbursement at any time. This Agreement shall remain in full force and effect from the date on which it enters into force and until the EU Contribution is fully executed or this Agreement is terminated earlier in accordance with the provisions of Section 5 (c) hereinafter.
- (b) Any modifications to the terms and conditions of this Agreement shall be made through a formal written amendment to the Agreement, duly signed by the Parties.
- (c) Each Party may terminate this Agreement if resources made available by the Parties to the Borrower/Beneficiary under their respective agreements have not been utilized or at any time, by giving two-months' prior written notice to the other Party, after having duly consulted with the other Party with a view to find a way to settle any issue which

has given rise to a consideration to terminate the Agreement, in a manner amicable to both Parties.

## **6. GENERAL PROVISIONS**

- (a) This Agreement is composed of the present Management Agreement, its Annex I which sets forth the terms and conditions of the remunerations of the IDB, and its Annex II presenting the budget table of the Project along with the supporting activities financed with the EU Contribution.
- (b) The IDB shall have no other obligations vis-à-vis any parties with respect to the EU Contribution and the Project, other than those established in this Agreement and the IDB Loan Agreement.
- (c) Nothing in this Agreement shall be construed as a waiver, renunciation or modification of any of the immunities, privileges or exemptions enjoyed by the Parties, their governors, directors, alternates, officers and employees pursuant to their respective constituent document, international convention or any applicable law.
- (d) The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of this Agreement, including its existence, validity or termination. In default of amicable settlement, any Party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration involving International Organisations and States in force at the date of conclusion of this Agreement.
- (e) The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by either Party. The Arbitrator's decision shall be binding on all Parties and there shall be no appeal.
- (f) Subject to the Parties' policies and procedures with respect to the disclosure of information, the Parties may make this Agreement publicly available.
- (g) In the event of discrepancies, inconsistencies and/or conflicts between the terms of this Management Agreement and its annexes, the documents shall prevail in the following order:
  - This Management Agreement
  - Annex I: Annex regarding remunerations
  - Annex II: budget table of the Project, including the supporting activities financed with the EU Contribution
- (h) The Commission and the IDB shall receive for information, a copy of the IDB Loan Agreement and the EU CIF Implementing Agreement, respectively, and any subsequent amendments to such agreements.
- (i) This Agreement and any non-contractual obligations arising out of it or in connection with it shall be governed by international law.
- (j) This Agreement shall in no way limit or impair the independent right of decision and action of the other Party under its respective agreements with the Borrower/Beneficiary.

IN WITNESS WHEREOF, each Party, acting through its duly authorised representative(s), has signed this Agreement in three originals in the English language, one original for each of the Parties, and all originals having equal force for all legal purposes.

**FOR THE COMMISSION**

Ms Jolita Butkeviciene,  
Director for Latin America and the  
Caribbean,  
Directorate-General for International  
Cooperation and Development.

Signature :

Date:

  
02 AOUT 2017

**FOR THE IDB**

THOMAS TRINCH-LOPEZ  
GENERAL MANAGER  
CARIBBEAN COUNTRY DEPT.  
INTER-AMERICAN DEVELOPMENT  
BANK

Signature :

Date



12.10.17

02 AOUT 2017



**Reference n° FED/2017/387-434**

### **Article 1 - Purpose**

The IDB, as Lead Finance Institution, shall be paid remuneration by the Commission to recover its costs in accordance with the provisions set forth hereunder.

The role of Lead Finance Institution and the remuneration attached to it may not be assigned to a third party in any manner whatsoever without the prior written consent of the Parties.

### **Article 2 – Entry into force and Implementation Period**

This Annex shall enter into force on the date stipulated in Section 5 (a) of the Management Agreement and shall have the same duration as the Management Agreement.

### **Article 3 - Financing the Remuneration**

Based on the estimated costs of the EU Contribution, the Commission undertakes to finance **EUR 200.000** as remuneration for the Lead Finance Institution. The final amount for the remuneration will be established in accordance with Article 4 of this Annex I.

The remuneration has been calculated as follows: four percent (4%) of the EU Contribution.

### **Article 4 - Payment Arrangements**

The Commission shall pay the remuneration to the IDB in three installments of the equivalent of EUR 50,000, EUR 100,000 and EUR 50,000 with the first installment due upon the entry into force of this Agreement, the second installment following the second pre-financing payment and the last installment shall be paid upon the acceptance of the completion report.

The Commission will provide a payment equivalent to EUR 50.000 out of the remuneration defined in Article 3 above, within 45 days of the entry into force of this Agreement, upon receipt by the Commission of a request for payment from the Lead Finance Institution. Subsequent payments of the remuneration will be made in accordance with Article 3 of this Annex I and within 45 days of receipt by the Commission of a request for payment from the Lead Finance Institution.

The request for payment shall conform substantially to the form attached as Schedule 1 of this Annex I. In case the first request is not sent within 36 months following the entry into force of this Agreement, payment obligations of the Commission may be automatically ceased.

### **Article 5 - Liability**

The Lead Finance Institution agrees that it shall apply at least the same diligence in performing the tasks delegated to it as Lead Finance Institution as it would apply to its usual business operations.

The Lead Finance Institution shall not be held liable or responsible for:

- 5(1) Any breach of the agreements described in the Preamble of this Agreement by the Borrower/Beneficiary;

- 5(2) Any breach by the Lead Finance Institution of its own finance agreement with the Borrower/Beneficiary; and
- 5(3) Any claims arising out of or in connection with any breach referred to in subparagraphs 5(1) or 5(2) above.

\*\*\*

## Schedule 1: Request for payment

Date of the request for payment <.....>

For the attention of

<Address of the Commission>

Reference number of the Annex I Regarding Remuneration: ...

Title of the Management Agreement: ...

Name and address of the Lead Finance Institution: ...

Request for payment number: ...

Period covered by the request for payment: ...

Dear Sir/Madam,

I hereby request payment of the remuneration under the Agreement mentioned above.

The amount requested is [as indicated in Article 3 of the Annex I Regarding Remuneration /the following: ...]

Please find attached the following supporting documents:

- signed Agreement including the related Annex I regarding Remuneration
- standard financial identification form

The payment should be made to the following bank account: [...]

Yours faithfully,

<signature>

02 AOUT 2017

Jolita BUTKEVICIENE  
Director

## ANNEX II

### Support to Improve Sustainability of the Electricity Service Project in Suriname

#### I. Objective

- 1.01** The Support to Improve Sustainability of the Electricity Service Project (the “Project”) 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 project 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 RET to specific rural communities in the hinterland.

#### II. Description

- 2.01** In order to achieve the above-mentioned objectives, including the supporting activities financed with the EU Contribution, the Project will finance the following components:

##### **Component 1: Improvement of EBS’ Operations**

- 2.02** The specific activities of Component I are: (i) integrating Supervisory Control and Data Acquisition (SCADA) platforms for technical supervision and operation of the power system; (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 specific activities of Component II are: (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; (iii) support EBS in the design and implementation of future rural electrification projects by financing the impact evaluation of this component; and (iv) the installation of RE generation systems and distribution systems in two communities in located in Upper Suriname.
- 2.04** The EU Contribution will finance the last activity listed in Section 2.03 above: the installation of RE generation systems and distribution systems in two communities

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 is 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 Project and Financing Plan**

- 3.01** The estimated cost of the Project, 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 €5,000,000 by the EU Contribution resources. The following table shows a detail of the estimated costs by components.

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

<b>Component</b>	<b>IDB</b>	<b>CIF(*)</b>		<b>Total</b>
	(US\$000)	(€000)	(US\$000)	(US\$000)
<b>Component 1. Improvement of EBS Operations</b>	<b>10,000</b>	-	-	<b>10,000</b>
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
<b>Component II Sustainable Rural Electrification</b>	<b>11,000</b>	<b>4,700</b>	<b>6,249</b>	<b>17,249</b>
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
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 sub station Powakka	800	-	-	800
Site preparation PV panels – Atjoni	200	-	-	200

02 AOUT 2017

Jolita BUTKEVICIENE  
Director

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
<b>Component III Critical Infrastructure</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>7,000</b>
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
<b>Project Management</b>	<b>1,000</b>	<b>300</b>	<b>400</b>	<b>1,400</b>
Project Management Unit	650	-	-	650
Monitoring Consultant	100	-	-	100
Financial Auditor	250	-	-	250
Support to Project Management and monitoring (CIF Contribution)	-	300	400	400
<b>Contingencies</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>
Contingencies	1,000	-	-	1,000
<b>Total</b>	<b>30,000</b>	<b>5,000</b>	<b>6,649</b>	<b>36,649</b>

(\*) The cost table was calculated using an approximate exchange rate of €1=US\$1.33 (exchange rate at the time of EC's endorsement of the project) in order to determine the estimated project cost in one single currency. The final cost of the project 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.

02 AOUT 2017

Jolita BUTKEVICIENE  
Director