

DRAFT AS OF NOVEMBER 712, 2008

LOAN CONTRACT No. ____/OC-SU

between the

REPUBLIC OF SURINAME

and the

INTER-AMERICAN DEVELOPMENT BANK

Decentralization and Local Government Strengthening Program II

_____, 2008

LEG/SGO/SU-1741459-08

LOAN CONTRACT

SPECIAL CONDITIONS

INTRODUCTION

Parties, Purpose, Constituent Elements and Executing Agency

1. **PARTIES AND PURPOSE OF THE CONTRACT**

CONTRACT entered into on _____, 2008, between THE REPUBLIC OF SURINAME (hereinafter referred to as the "Borrower") and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the "Bank") to cooperate in the execution of a decentralization and local government strengthening program II (hereinafter referred to as the "Program"). The major aspects of the Program are described in detail in the Annex.

2. **CONSTITUENT ELEMENTS OF THE CONTRACT AND REFERENCE TO THE GENERAL CONDITIONS**

(a) This Contract consists of these Special Conditions, the General Conditions, the Annex and Annex A, which are attached hereto. If any provision of the Special Conditions, the Annex or Annex A should present any inconsistency or contradiction with the General Conditions, the provisions of the Special Conditions or the Annexes, shall prevail. In case of inconsistencies or contradictions between the Special Conditions or the Annexes, specific rules shall prevail over general rules.

(b) Rules for the application of amortization, interest, credit fee, inspection and supervision and disbursement clauses, as well as other conditions related to project execution, are established in detail in the General Conditions. The General Conditions also include general definitions.

3. **EXECUTING AGENCY**

The parties agree that the execution of the Program and the utilization of the resources of the financing from the Bank shall be carried out by the Borrower, through its **Ministry of Regional Development ("MRD")**, which for the purposes of this Contract shall be referred to as the "Executing Agency". The Borrower certifies the legal and financial capacity of the Executing Agency to function as such and undertakes that- the Program be implemented in accordance with the provisions set forth in this Contract.

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CHAPTER I

Costs, Financing and Additional Resources

SECTION 1.01 Cost of the Program. The **total cost** of the Program is estimated to be the equivalent of fifteen million dollars of the United States of America **(US\$15,000,000)**. Unless otherwise stated in this Contract, the term "dollars" hereinafter signifies the currency of legal tender in the United States of America.

SECTION 1.02 Amount of the Financing. (a) In accordance with this Contract, the Bank agrees to grant to the Borrower, and the Borrower accepts, a "Financing," chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, of up to the amount of thirteen million five hundred thousands dollars **(US\$13,500,000)**. The amounts disbursed from the Financing shall constitute the **"Loan."**

(b) The Loan shall be a Single Currency Facility Loan with a LIBOR-Based n-Adjustable Interest Rate, and may be converted to a Single Currency Facility Loan with an Adjustable LIBOR-Based Interest Rate only if such selection is made by the Borrower pursuant to Section 2.03 of these Special Conditions and Article 4.01(g) of the General Conditions.

SECTION 1.03 Currency Availability. Notwithstanding Sections 1.02 and 3.01(a) of these Special Conditions, if the Bank is unable to obtain access to the agreed upon Single Currency, the Bank may disburse in any other Single Currency of its choice, until such time as it is able to regain access to the agreed upon Single Currency. Amortization payments shall be made in the Single Currency disbursed, and interest and other financial charges shall be those, which correspond to such Single Currency.

SECTION 1.04 Additional Resources. The amount of the **additional resources** which, pursuant to Article 6.04 of the General Conditions, the Borrower shall undertake to contribute in a timely manner for the complete and uninterrupted execution of the Program, is estimated to be the equivalent of one million five hundred thousands dollars **(US\$1,500,000)**, although this estimate shall not imply any limitation or reduction of the obligation of the Borrower under said Article. To compute the equivalency in dollars, the rules set forth in Article 3.06(b) of the General Conditions shall be followed.

CHAPTER II

Amortization, Interest, General Inspection and Supervision and Credit Fee

SECTION 2.01 Amortization. The Loan shall be completely repaid by the Borrower by means of semiannual, consecutive, and, insofar as possible, equal installments. The first installment shall be paid **five (5) years** and six (6) months from the date of signature of this Contract, taking into account the provisions of Article 3.01 of the General Conditions, and the last installment shall be paid no later than twenty five **(25) years** from the same date.

SECTION 2.02 Interest. (a) The Borrower shall pay **interest on the daily outstanding balances of the Loan**, at a rate determined pursuant to the provisions of Article 3.04 of the General Conditions for a Single Currency Facility Loan with a LIBOR-Based Interest Rate. The Bank shall notify the Borrower of the rate of interest applicable during each Quarter or Semester, as the case may be, as soon as practicable after the determination thereof. If the Borrower elects to change the interest rate alternative of a Single Currency Facility Loan pursuant to Section 2.03 of these Special Conditions and Article 4.01(g) of the General Conditions, the Borrower shall pay interest at a rate determined pursuant to the provisions of Article 3.04 of the General Conditions for a Single Currency Facility Loan with an Adjustable Interest Rate.

(b) Interest shall be payable semiannually, **beginning six (6) months from the date of signature of this Contract**, taking into account the provisions of Article 3.01 of the General Conditions.

SECTION 2.03 Confirmation of or option to change the interest rate alternative of the Financing. Pursuant to Article 4.01(g) of the General Conditions, the Borrower shall confirm to the Bank in writing, as a condition precedent to the first disbursement of the Financing, either its decision to maintain the interest rate alternative of the Financing as determined in Sections 1.02(b) and 2.02(a) of these Special Conditions, or its decision to elect to change the interest rate alternative of the Financing to an Adjustable-LIBOR-Based Interest Rate. Once this selection is made by the Borrower pursuant to Article 4.01(g) of the General Conditions, at no other time during the life of the Loan may the interest rate alternative of the Financing be modified or converted.

SECTION 2.04 Resources for General Inspection and Supervision. During the disbursement period, resources of the Financing shall not be allocated to cover the Bank's expenses for general inspection and supervision, unless otherwise established by the Bank during said period as a result of its periodic review of financial charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology in ordinary capital loans, and the Borrower is notified by the Bank in this regard. Under no circumstance shall there be a charge for this purpose in any

semester which is greater than the amount which results from applying 1% to the amount of the Financing, divided by the number of semesters included in the original disbursement period.

SECTION 2.05 Credit Fee. The Borrower shall pay a credit fee at a percentage that will be established by the Bank on a periodic basis as a result of its review of financial charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology in ordinary capital loans; provided that, under no circumstance, may it exceed the percentage contemplated in Article 3.02 of the General Conditions.

CHAPTER III

Disbursements

SECTION 3.01 Currencies of Disbursement and Use of Funds. (a) The amount of the Financing shall be disbursed in dollars from the Single Currency Facility of the ordinary capital resources of the Bank, to pay for goods and services acquired through international competitive bidding and for such other purposes as are indicated in this Contract.

(b) The resources of the Financing shall only be used for payments of goods and services originating in the member countries of the Bank.

SECTION 3.02 Special Conditions Prior to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the Financing shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

(a) The Executing Agency has opened special accounts to deposit the Loan resources as well as the local counterpart resources of the Program;

(b) The first Annual Working Plan for the Program has been presented to and approved by the Bank; and

(iii) The Operating Regulations and Guidelines of the Program have been presented to and approved by the Bank.

SECTION 3.03 Special Conditions Prior to the Disbursement of Resources for the Activities referred to in paragraphs 2.06 and 2.07 of the Annex. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions and in Section 3.02 of these Special Conditions, the first disbursement of the Financing for the activities referred to in paragraphs 2.06

and 2.07 of the Annex, shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements: the District Tax Law and the State-District Financial Coordination Law have been approved by Parliament, respectively.

SECTION 3.04 Reimbursement of Expenditures Chargeable to the Financing. With the consent of the Bank, resources of the Financing may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after _____ [date of Loan Approval] -and up to the date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 3.075 Disbursement Period. The period for final disbursement of the resources of the Financing shall expire five (5) years from the effective date of this Contract.

SECTION 3.086 Revolving Fund. (a) For the purposes of the provisions set forth in Article 4.07(b) of the General Conditions, the amount of the Revolving Fund shall not exceed five percent (5%) of the amount of the Financing.

(b) The reports on the execution of the Program, which the Borrower, through the Executing Agency, shall submit to the Bank, in accordance with Article 7.03(a)(i) of the General Conditions, shall include the financial-accounting information about management of the Revolving Fund resources, upon request by the Bank.

SECTION 3.097 Special Execution Condition. Each beneficiary district will be eligible to participate in the Program subject to the signature and submission of a letter of expression of interest approved by their respective District Council (the "District Letter of Intent") to entered into effect of an agreement between the Executing Agency and the corresponding district based on the terms and conditions previously agreed upon between the Executing Agency and the Bank.

CHAPTER IV

Execution of the Program

SECTION 4.01 Procurement of Works and Goods. Works and goods shall be procured in accordance with the provisions set forth in Document GN-2349-7 ("Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank"), dated July 2006 (hereinafter referred to as "the Procurement Policies"), which the Borrower, through the Executing Agency, declares to know, and the provisions set forth below.

(a) International Competitive Bidding: Except as otherwise provided in subsection (b) of

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this Section, works and goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Procurement Policies and paragraphs 2 and 3 of Appendix 1 of said Policies.

(b) Other Procurement Procedures: The following procurement methods may be used for the procurement of works and goods that the Bank agrees meet the requirements established in the provisions of Section III of the Procurement Policies:

(i) National Competitive Bidding: For **works** estimated to cost less than **one million five hundred thousand dollars (US\$1,000,000)** equivalent per contract and **goods** estimated to cost less than one hundred thousand dollars **(US\$100,000)** equivalent per contract, in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Policies.

(c) Additional Procurement Requirements: The Borrower, through the Executing Agency, shall carry out the procurement of works and goods in accordance with the general plans, technical, social and environmental specifications, budgets and other documents required for the acquisition or the construction, and, as the case may be, the specific guidelines and other documents necessary for the call for prequalification or bids; and in the case of works, shall submit to the Bank evidence that it has, with respect to the real property where the works will be constructed, the right of legal possession, easements or other rights necessary to initiate the construction, as well as the riparian rights required for the respective works.

(d) Review by the Bank of Procurement Decisions:

(i) Procurement Planning: In addition to the requirements set forth in Section 3.03 of these Special Conditions, the Executing Agency, prior to the issuance of any invitations to prequalify or to bid for contracts, shall present the proposed Procurement Plan for the Program to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 of the Procurement Policies. This plan shall **be updated every twelve (12) months** during Program execution, and submitted to the Bank for its review and approval. Procurement of **all goods and works** shall be undertaken in accordance with such Procurement Plan, as it shall have been approved by the Bank, and with the provisions of said paragraph 1 of Appendix 1 of the Procurement Policies.

(ii) Prior Review: Unless the Bank agrees otherwise in writing, all contracts of goods shall be subject to a prior review by the Bank, pursuant to the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Procurement Policies.

~~(de)~~ The Borrower through the Executing Agency undertakes that the agreements referred to in Section 3.097 of these Special Conditions will include all the necessary provisions in guarantee the compliance of this Section 4.01.

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SECTION 4.02 Maintenance of Works. (i) The Borrower, through the Executing Agency, undertakes to: (a) ensure that the works included in the Program be adequately maintained, according to generally accepted technical standards; and (b) present to the Bank an annual maintenance report for five (5) years from the effective date of this Contract and within the first quarter of each calendar year. **The annual maintenance plan** shall include: (i) details of the organization responsible for maintenance; and (ii) information pertaining to the resources to be allocated for maintenance during the current year and the amount to be allocated in the budget during the following year. If, from the inspections conducted by the Bank or from the reports it receives, it is determined that maintenance does not meet the levels agreed upon, the Borrower, through the Executing Agency, shall undertake the necessary measures to correct these shortcomings.

(ii) The Borrower through the Executing Agency undertakes that the agreements referred to in Section 3.097 of these Special Conditions will include all the necessary provisions in guarantee the compliance of this Section 4.02.

SECTION 4.03 Reimbursement of Expenses as of Date of Loan Approval. The Bank may recognize as part of the local contribution expenditures incurred or which may be incurred in the Program on or after _____ *[date of loan approval]* and up to the date of this Contract, provided that requirements substantially similar to those set forth in this Contract have been fulfilled.

SECTION 4.04 Selection and contracting of consulting services. (a) The selection and contracting of consulting services will be carried out by the Executing Agency in accordance with the provisions set forth in Document **GN-2350-7** (“Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank”) dated July, 2006 (hereinafter referred to as the “Consulting Policies”). The Executing Agency confirms its familiarity with the provisions of Document GN-2350-7. The Executing Agency will be able to use the procedure set forth in Section II and paragraphs 3.16 to 3.20 of Document GN-2350-4 as well as any other competitive method set forth in Sections III and V of said document. For purposes of paragraph 2.7 of Document GN-2350-4, **the short list of consultants whose contracts are estimated to be below one hundred thousand dollars (US\$100,000)** could be composed in its entirety by local consultants.

(b) Review by the Bank of the procedures used for the selection of consulting services:

(i) Procurement Plan: Before requesting any proposal to consultants, the Borrower, through the Executing Agency, will present for the review and approval by the Bank, the procurement plan, which will include, the cost of each contract, and the criteria to carry out the selection and the applicable procedures, pursuant to the provisions set forth in paragraph 1 of

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Annex 1 of the Consulting Policies. This plan will **be updated twelve (12) months** during the execution of the Program, and each revised version will be submitted for the review and approval by the Bank. The selection and hiring of consulting services will be carried out pursuant to the procurement plan approved by the Bank.

(ii) Prior review: Unless the Bank agrees otherwise in writing, all contracts for the contracting of consulting services shall be subject to a prior review by the Bank, pursuant to the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Consulting Policies.

(c) The Borrower through the Executing Agency undertakes that the agreements referred to in Section 3.097 of these Special Conditions will include all the necessary provisions in guarantee the compliance of this Section 5.03.

SECTION 4.05 Operating Regulations and Guidelines. The parties agree that the execution of the Program shall be governed by the terms and conditions set forth in this Contract and in the Operating Regulations and Guidelines agreed upon between the Executing Agency and the Bank, on the understanding **that changes could be introduced into the Operating Regulations and Guidelines with the prior written approval of the Bank.** **If any provision of the Operating Regulations and Guidelines should present any inconsistency or contradiction with the terms and conditions set forth in this Contract, the provisions of this Contract shall prevail.**

CHAPTER V

Records, Inspections, and Reports

SECTION 5.01 Records, Inspections, and Reports. (a) The Borrower agrees to directly or through the Executing Agency maintain records, permit inspections, and submit reports and financial statements in accordance with the provisions established in Chapter VII of the General Conditions.

(b) The Borrower through the Executing Agency undertakes that the agreements referred to in Section 3.097 of these Special Conditions will include all the necessary provisions in guarantee the compliance of this Section 5.01.

SECTION 5.02 Audits. (a) With respect to the provisions of Article 7.03 of the General Conditions, the financial statements of the Program shall be submitted on an annual basis, during Program execution, duly certified by a firm of independent public accountants acceptable to the Bank, and selected and hired pursuant to the policies and procedures of the Bank.

(b) The costs associated with the hiring of the firm referred to in subsection (a) above, will be financed with resources of the Financing.

CHAPTER VI

Miscellaneous Provisions

SECTION 6.01 Entry into Effect. The parties agree that this Contract shall enter into effect on the date of its signature.

SECTION 6.02 Termination. Payment in full of the Loan and of all interest and fees shall terminate this Contract and all obligations arising thereunder.

SECTION 6.03 Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with its terms, regardless of the laws of any given country.

SECTION 6.04 Communications. Any notice, request, or communication from one party to another by virtue of this Contract 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 Borrower:

Mailing address:

Ministry of Finance
Tamarindelaan 3
Paramaribo, Suriname

Facsimile:

(597) 476_314

For matters related to the service of the Loan:

Mailing address:

Ministry of Finance, Department of Economic Affairs
Tamarindelaan 3

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Paramaribo, Suriname

Facsimile:

(597) 475-614476314

and

Mailing address:

Ministry of Finance
Debt Management Office
Mr Jaggernath Lachmonstraat 160 a
Paramaribo, Suriname

Facsimile:

(597) 532-0065

For matters related to execution of the Program:

Mailing address:

Ministry of Regional Development
Van Rooseveltkade 2
Paramaribo, Suriname

Facsimile:

(597) 424-517

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

CHAPTER VII

Arbitration

SECTION 7.01 Commitment to Arbitrate. For the solution of any controversy which may arise out of this Contract and which is not resolved by agreement between the parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter IX of the General Conditions.

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

REPUBLIC OF SURINAME

INTER-AMERICAN DEVELOPMENT
BANK

Mr. Humphrey Hildenberg

Minister of Finance

Luis Alberto Moreno
President