

DRAFT TC ABSTRACT

I. BASIC PROJECT DATA

▪ Country/Region:	Republic of Suriname
▪ TC Name:	Air transport modernization program
▪ TC Number:	SU-T1066
▪ Team Leader/Members:	Colin Forsythe, Team Leader (CSU/TSP); Carol Lieveld (CCB/CSU); Christopher Persaud (CGY/TSP); Pablo Guerrero and Giovanna Mahfouz (INE/TSP)
▪ Operational Support, Client Support, or Research & Dissemination.	Client support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	Not applicable
▪ Reference to Request: (IDB docs #)	Aide Memoire (see ¶1.8) idbdocs # 37937142
▪ Date of TC Abstract:	June 3, 2013
▪ Beneficiary:	Republic of Suriname
▪ Executing Agency and contact name:	IDB through the Transport Division (INE/TSP)
▪ IDB Funding Requested:	US\$450,000
▪ Local counterpart funding, if any:	US\$50,000
▪ Disbursement period:	November 16, 2013 to November 15, 2015
▪ Required start date:	November 16, 2013
▪ Types of consultants (firm or individual consultants):	Firms /Individuals consultants
▪ Prepared by Unit:	Transport Division (INE/TSP)
▪ Unit of Disbursement Responsibility:	Country Office Suriname (CCB/CSU)
▪ TC Included in Country Strategy (y/n):	TC Included in country strategy (Y)
▪ TC included in CPD (y/n):	TC included in CPD (Y)
▪ GCI-9 Sector Priority:	Competitive Regional and Global Integration

II. OBJECTIVE AND JUSTIFICATION

2.1 The objectives of the operation are to support the Government of Suriname to analyze options and recommend institutional solutions for the structuring of private participation in the management of infrastructure at the main J.A. Pengel international airport (JAP). This will be achieved by building on the updated master plan for JAP and recommendations¹ of the Air Transport Support Program (ATN/SF-11963-SU). Over the years, the Government has been working towards the objective of supporting economic and physical regional integration, enhancing accessibility, safety and security and facilitating trade both externally and internally.

¹ “Suriname Air Transport Support Project (2012)” IOS Partners, Inc.: The recommendations includes a 10yr plan for airside infrastructure and facilities, improved passenger terminals with retail opportunities, development of real estate potential of airport property, revision of the Civil Aviation Act (2002) and re-structuring of the institutional framework in the aviation sector.

- 2.2 The GOS, through the state-owned Airport Management Ltd (LHB) has embarked on several infrastructure projects in the master plan to provide extensive improvements to JAP. The proposed public private partnership options would facilitate opportunities for private sector involvement and the development and improved operational efficiency of air transport facilities and services at JAP, which is seen as critical in the fostering of integration with the N.E. Brazil and the Caribbean region. It also increases the possibilities of lowering transportation costs while at the same time, increasing competitiveness.
- 2.3 This operation is aligned with the Report (AB-2764) on the Ninth General Capital Increase of the IDB (GCI-9), which establishes competitive global and regional integration as one of the Bank's priorities, and (GN-2564-4) which provide the framework for the Bank to reach the 15 percent annual lending target for integration programs by the end of 2015. The TC is in keeping with the IDB's strategic objectives for the Transport sector in Suriname, defined in the Country Strategy results matrix as support for internal and regional integration through the rehabilitation and enhancement of the sustainability of the transport infrastructure. The TC will directly contribute to the growth of the travel and tourism sector, while physically integrating the country's sparsely populated interior with the coastland.

III. DESCRIPTION OF ACTIVITIES

- 3.1 The Technical Cooperation will support necessary studies for analyzing options and recommending institutional solutions for the structuring of private participation in the main J.A. Pengel International Airport and the technical work to assist GOS with the implementation of the recommended institutional, regulatory and legal reforms to create an enabling aviation and economic regulatory environment to facilitate the success of possible private sector participation. Specific aviation sector expertise which is critical for the development of small and vulnerable countries like Suriname is not available locally.
- 3.2 The activities to be undertaken would include market, engineering and financial studies and are elaborated below.
- 3.3 **Component 1:** Exploration of public-private-partnership (PPP) options for the modernization and management of JAP: The studies under this component will:
- i. Assess Government's role in the proposed project, whether that role corresponds with the GOS' current legal obligations
 - ii. Determine solution options for a desired corporate structure after examination of various commonly used public-private-partnership methods for financing
 - iii. Advise on the legal architecture and design of the proposed transaction options, identifying the a) type of PPP contract (e.g. brownfield or management);

- b) investment plan and commitments to be required; c) whether contract could be accommodated within available or required procurement, contracting and financing structures, d) corporate structure options for the investment and commercial management
 - iv. Assess risk allocation approaches taking into consideration of private sector appetite and financing requirements
 - v. Address what aspects of the recommended JAP Master Plan update, specifically the Airport Commercial Development Plan that can be incorporated in the project, including improving commercial retail opportunities in the arrivals and departures terminals and relocating the operations at Zorg-en-hoop to JAP.
 - vi. Conduct PPP pre-feasibility study, including economic and socio-environmental studies, and prepare Action Plan on the preferred PPP approach.
- 3.4 **Component 2:** Support for implementation of a modernized Legal and Institutional framework.
- 3.5 Building on the findings and recommendations of the Air transport support program assist the GOS in the following:
- i. Defining the roles of the different stakeholders in the recommended new institutional structure of the air transport sector, removing the institutional overlap among the various civil aviation administrative bodies
 - ii. Revising the Suriname Civil Aviation Act of 2002 on safety and security of civil aviation, assessing the need for changes in additional legislation to implement the proposed structure and updating the provisions for private sector participation in the air transport sector, in line with best practices
 - iii. Developing an implementation plan and time table for the revised legislation and new institutional structure; and assisting the GOS in the execution of the implementation plan.

IV. BUDGET

4.1 The total cost of the operation is estimated to be US\$500,000 and it is proposed that the amount of US\$450,000 be contributed by the Bank and US\$50,000 be contributed in kind by the Beneficiary. A breakdown of the indicative budget is shown below.

TABLE 1. INDICATIVE BUDGET

ACTIVITY/COMPONENT	DESCRIPTION	IDB/TRUST FUND FINANCING	COUNTERPART FINANCING	TOTAL FINANCING
Component I: Studies	Exploration and evaluation of the economic and financial feasibility of options for having a public private partnership for the J.A. Pengel Airport	270,000	30,000	300,000

Component II: Technical support	Implementation of recommended reforms of the institutional framework for the air transport sector institutional Economic and financial feasibility, and financing options	150,000	20,000	170,000
Supervision and Coordination	Expert for technical supervision	30,000	0	30,000
TOTAL		450,000	50,000	500,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Beneficiary will be the Republic of Suriname and the Executing Agency (EA) will be the Ministry of Transport, Communications and Tourism (MTCT), which will implement the program. The MTCT is currently responsible for the policy, planning and execution of all transport related studies on behalf of the Government. The MTCT served as the EA for the recently implemented Air transport Support Project. For this program, the MTCT will similarly be responsible for the fulfillment of technical, administrative and financial management related to execution, as well as the monitoring functions. The contracting of project consultants will be carried out by MTCT in accordance with document GN-2350-9 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB) of March 2011.
- 5.2 INE/TSP, in collaboration with CCB/CSU will provide support on the technical aspects of the studies.

VI. PROJECT RISKS AND ISSUES

- 6.1 The main risk to the success of the studies is related to the inter-agency collaboration between the various civil aviation administration bodies, which would be essential for the success of the operation. To mitigate this risk, a Project Steering Committee, comprising of representative of these bodies, should be established by the GOS under the MTCT to review and give direction to the outputs of the program.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 7.1 The studies to be financed by the technical cooperation will produce a strategy and action plan for a preferred option for private participation in the JAP airport and support implementing an improved legal and institutional framework in the air transport sector
- 7.2 The Project will be limited to consultancy studies and will not create direct negative social and environmental impacts or risks. The project has been classified as Category “C”