

TC Document
Support to Suriname's Power Sector (SU-T1077)

I. Basic Information for TC

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| ▪ Country/Region: | Suriname |
| ▪ TC Name: | Support to Suriname's Power Sector |
| ▪ TC Number: | SU-T1077 |
| ▪ Team Leader/Members: | Carlos Echeverria (ENE/CGY) Team Leader; Malaika Masson (INE/ENE) Alternate Team Leader; Wilkferg Vanegas (INE/ENE); Roger Sallent (INE/ENE); Virginia Snyder (INE/ENE); Haydemar Cova (INE/ENE); Steven Hofwijks (CCB/CSU); under the supervision of Alejandro Melandri, Energy Division Chief (a.i.) (INE/ENE) and Marco Nicola, Representative in Suriname (CCB/CSU). |
| ▪ Indicate if: | Operational Support (OS) |
| ▪ If Operational Support TC, give number and name of Operation Supported by the TC: | Support for the Implementation of the EBS Investment Plan (SU-L1039) |
| ▪ Reference to Request: | Mission Aide Memoire |
| ▪ Date of TC Abstract: | N/A |
| ▪ Beneficiary: | Government of Suriname (GOS), Ministry of Natural Resources (MNH) and <i>N.V. Energy Bedrijven Suriname</i> (EBS). |
| ▪ Executing Agency and contact name | Inter-American Development Bank through INE/ENE |
| ▪ IDB Funding Requested: | US\$700,000 |
| ▪ Local counterpart funding, if any: | US\$100,000 |
| ▪ Disbursement period: | 24 months |
| ▪ Required start date: | 09/30/2014 |
| ▪ Types of consultants: | Consulting firms and individuals |
| ▪ Prepared by Unit: | INE/ENE |
| ▪ Unit of Disbursement Responsibility: | INE/ENE |
| ▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n): | N N |
| ▪ GCI-9 Sector Priority: | Infrastructure for Competitiveness and Social Welfare (Energy) |

II. Objectives and Justification of the TC

- 2.1 The Inter-American Development Bank (IDB) is supporting Suriname's power sector through the Sustainable Energy Framework for Suriname (SEFS), which consists of a series of lending instruments and grant operations to support the Government of Suriname (GOS) to organize the power sector, and shape the conditions for its sustainability in economic, financial and environmental terms. The establishment of the SEFS will require achieving numerous definitions and consensuses in order to implement it in a sustainable manner.

- 2.2 The SEFS includes a Policy-Based Programmatic (PBP) Program “Support to the Institutional and Operational Strengthening of the Energy Sector” consisting of three loan operations (SU-L1022, SU-L1035 and SU-L1036), which support reforms in the energy sector and the implementation of an institutional and regulatory framework. The first two PBL loans were approved and disbursed in 2012 and 2013 respectively.
- 2.3 Additionally, the IDB approved in 2013 the Investment Loan “Support to Improve Sustainability and Accessibility of the Electricity Service” SU-L1009 which contributes to the SEFS by: (i) helping to improve EBS’ operation; (ii) improving the reliability and cost-effectiveness of energy supply in rural areas by expanding the network and incorporating non-conventional RE; and (iii) rehabilitating critical infrastructure required for the effective operation of the electricity system.
- 2.4 The Investment Grant “Development of Renewable Energy, Energy Efficiency and Electrification of Suriname” SU-G1001, approved in 2013, contributes to the SEFS by promoting the use of non-conventional Renewable Energy (RE) and Energy Efficiency (EE) and promoting access to sustainable energy in the Hinterlands.
- 2.5 With the objective of extending the support to the GOS, and in line with the objectives of the SEFS, the IDB is currently preparing: (i) a new investment loan, “Support for the Implementation of the EBS Investment Plan” (SU-L1039), which will facilitate the implementation of EBS’ mid-term Strategic Business Plan; and (ii) the final loan operation of the PBL Program, “Support to the Institutional and Operational Strengthening of the Energy Sector III” (SU-L1036), which is intended to catalyze institutional and regulatory framework reforms.
- 2.6 The IDB is working towards the leverage of funds from the European Union’s Caribbean Investment Facility (CIF), in order to further support rural electrification. The CIF contribution of 5 million Euros is expected to finance the deployment of RE technologies in the interior of Suriname, to expand sustainable electricity provision in the Hinterlands. This contribution is expected to be approved by the CIF Board in the fourth quarter of 2014, while IDB approval is expected by mid-2015.
- 2.7 Finally, the IDB is currently carrying out two regional activities on which Suriname is part of the beneficiary countries. The first activity is the development of feasibility studies to analyze the overall viability of establishing a competitive commercial supply chain for Natural Gas (NG) in the Caribbean region. The second is an assessment of the potential development of an electrical interconnection between Suriname, Guyana, French Guiana and the northern Brazilian cities of Boa Vista (State of Roraima) and Macapá (State of Amapá) - “Pre-Feasibility Study for the Arco Norte Interconnection Project”. Both studies are expected to be completed by the last quarter of 2014.
- 2.8 The objective of the proposed TC is to extend the support to the GOS in the development of key activities to continue with the transformation of the energy sector of Suriname. The specific objectives are: (i) to support EBS through consultancies that will contribute to expedite loan eligibility; (ii) support MNH with the execution of follow-up activities related to the PBL; and (iii) to support the preparation of new IDB operations for the energy sector in Suriname.

III. Description of activities/components and budget

- 3.1 **Component I. Support for the execution of SU-L1039.**
- 3.2 **1.1 Support to EBS to meet loan conditions.** This sub-component will support EBS with specific consultancies which will expedite the actions required to fulfill the loan’s

- special conditions precedent for the disbursements. The output will be the achievement of such requirements and the main result obtain an expedite loan eligibility.
- 3.3 **1.2 Support for the preparation of EBS's Action Plan towards the new unbundled corporate structure model.** This sub-component will support EBS during the transition process to the new unbundled corporate model in accordance with the new company vision. The outputs will be the identification and implementation of an Action Plan to guide EBS along the process. The main result will be the successful transition of EBS to an unbundled corporate structure, with diminished risks.
- 3.4 **1.3 Support to the execution, monitoring and evaluation of EBS Investment Loans.** This sub-component will finance: (i) consultancy services to update the Risk Matrix of SU-L1009 which will also update the SU-L1039 Risk Matrix and the identification of proposed mitigation measures; (ii) support for the preparation of Project Monitoring Reports (PMRs), through the development of workshops; and (iii) coordination activities between the IDB investment operations in Suriname and the initiatives currently under development, such as the NG feasibility studies and the Arco Norte Project.
- 3.5 The output will be the identification of recommendations and monitoring measures for the consolidation and sustainability of the program's achievements and the preparation of a training plan to assist EBS' staff in monitoring, data collection and reporting. The results will be an updated Risk Matrix and the successful development of the loan's PMRs.
- 3.6 **1.4 Support to EBS' transition towards a new tariff system.** This sub-component includes assistance to EBS in order to strengthen its corporate capability as it adapts to a new tariff scheme. The output will be the development of consultancies to assist EBS in its transition to the new structure, as well as the organization of events to increase social awareness. The result will be the mitigation of risks during the transition phase and the implementation of the new tariff.
- 3.7 **Component II. Support for the preparation of IDB operations and follow-up on the result of the PBL series.**
- 3.8 **2.1 Support for the completion and follow-up on the PBP.** This sub-component will fund the preparation of the Project Completion Report (PCR) and the ex-post Cost-Benefit Analysis (CBA) of the third and last PBL operation. The outcome will be the development of both reports, as well as the organization of workshops for the PCR and to disseminate its results.
- 3.9 **2.2 Support to the development of sector's policy documents.** This sub-component will support GOS in the completion of the fulfillment of the conditions according to the SU-L1039 Policy Matrix. The output will be the achievement of such requirements and the main result will be an expedited disbursement.
- 3.10 **2.3 Support to the electricity sector planning.** This sub-component will support the development of the Electricity Sector Plan (ESP), which will become the first national mid to long term strategy for the electricity sector. Once the Energy Authority of Suriname (EAS) is created, the ESP will be used by this new agency as a roadmap. The ESP will be a key element of the implementation of the new sector model that will cover, among other critical things, a long-term national energy demand forecast and the expansion plans required to meet the future demand. The main output will be the ESP study with the expected result being a more effectively planned demand-supply service in Suriname.

- 3.11 **2.4 Support for the preparation of the CIF.** This sub-component will support the preparation of the CIF operation to be approved by the IDB's Board of Directors in 2015. The outcome will be the preparation of pre-feasibility studies for rural electrification projects, economic evaluation, risk assessments and fund site visits among other activities. The expected results will be for the CIF to be approved by the Board in 2015.

Indicative Results Matrix

| Activity | Unit of measure | Baseline | Year 1 | Year 2 | Means of Verification |
|---|-----------------|----------|--------|--------|---|
| 1.1 Support to EBS to meet loan conditions | # | 0 | 1 | 0 | Consultancy |
| 1.2 Support for the preparation of EBS's Action Plan towards the new unbundled corporate structure model. | # | 0 | 1 | 0 | Action plan |
| 1.3 Support to the execution, monitoring and evaluation of EBS Investment Loans | # | 0 | 0 | 1 | Updated Risk Matrix and the PMR workshops |
| 1.4 Support to EBS' transition towards a new tariff system | # | 0 | 0 | 1 | Consultancies and workshops |
| 2.1 Support for the completion and follow-up on the PBP | # | 0 | 1 | 1 | Reports (Ex-post CBA and PCR) and a workshops |
| 2.2 Support to the development of sector's policy documents | # | 0 | 1 | 1 | Consultancy/Reports |
| 2.3 Support to the electricity sector planning | # | 0 | 0 | 1 | Reports (ESP) |
| 2.4 Support for the preparation of the CIF | # | 0 | 1 | 0 | Consultancies/Reports |

Indicative Budget

| Activity | Description | IDB Funding (US\$) | Counterpart Funding (in kind) | Total Funding (US\$) |
|---|--|--------------------|-------------------------------|----------------------|
| 1.1 Support to EBS to meet loan conditions | Institutional strengthening to support the achievement of the initial conditions to be included in the new investment loan | 50,000 | 5,000 | 55,000 |
| 1.2 Support for the preparation of EBS's Action Plan towards the new unbundled corporate structure model. | Establishment of an action plan for EBS to support the adaptation to a new corporate structure | 50,000 | 15,000 | 65,000 |
| 1.3 Support to the execution, monitoring and evaluation of EBS Investment Loans | Updated Risk Matrix and the PMR workshops | 40,000 | 10,000 | 50,000 |

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|---|--|----------------|----------------|----------------|
| 1.4 Support to EBS' transition towards a new tariff system | Establishment of an action plan for EBS to support the adaptation to a new tariff scheme | 50,000 | 15,000 | 65,000 |
| 2.1 Support for the completion and follow-up on the PBP | Development of ex-post CBA, PCR and a workshops to disseminate the results | 50,000 | 5,000 | 55,000 |
| 2.2 Support to the development of sector's policy documents | Consultancies to support the fulfillment of policy conditions | 200,000 | 5,000 | 205,000 |
| 2.3 Support to the electricity sector planning | Development of the ESP | 200,000 | 40,000 | 240,000 |
| 2.4 Support for the preparation of the CIF | Consultancies | 60,000 | 5,000 | 65,000 |
| Total | | 700,000 | 100,000 | 800,000 |

IV. Executing agency and execution structure

- 4.1 The Bank through INE/ENE will be the executing agency of the project as its objective is to support the various operations that the IDB currently has in the country. As such, the procurement of consultancy services will be carried out in accordance with IDB Policies for the Selection and Contracting of Consultants (GN-2350-9) and the respective Procurement Plan. In close coordination with GOS, INE/ENE will coordinate government input to the final products, and will undertake the technical review of the products. The executing team will include a team of energy specialists and consultants from Country Office Suriname and Headquarters. The execution from INE/ENE will allow for a more expeditious coordination with the key GOS agencies and counterparts, including MNH and EBS.

V. Major issues

- 5.1 Due to the nature of this TC, that consists primarily of consultancies, reports and workshops, there are no major issues associated with the TC. The main risk of this TC is the possible delay arising from difficulties in coordinating with multiple stakeholders from the government. This risk will be mitigated by involving the counterpart from the beginning of the implementation of the TC, seeking feedback and regularly presenting and discussing progress reports.

VI. Exceptions to Bank policy.

- 6.1 None.

VII. Environmental and Social Strategy

- 7.1 The TC is classified as category "C", as it does not have associated social and environmental risks. [IDBDOCS#38924770](#)

Required Annexes:

- Annex I. Request from the client (Preparation Mission Aide Memoire). [IDBDOCS#39012149](#)
- Annex II. Indicative Terms of Reference. [IDBDOCS#38941574](#); [IDBDOCS#38987095](#); [IDBDOCS#38924757](#); [IDBDOCS#38943469](#); [IDBDOCS#38941601](#).
- Annex III. Procurement Plan. [IDBDOCS#38924532](#)