

TC Document

I. Basic Information for TC

▪ Country/Region:	SURINAME
▪ TC Name:	Fiscal Support Programme to Regain Sustainable Growth in Suriname
▪ TC Number:	SU-T1136
▪ Team Leader/Members:	Reyes-Tagle, Gerardo (IFD/FMM) Team Leader; Alejos Marroquin, Luis Alejandro (IFD/FMM); Astudillo, Karen (IFD/FMM); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Hoepel, Lucas A (CCB/CSU); Khadan, Jeetendra (CCB/CSU); Ospina Garnica, Laura Alejandra (IFD/FMM); Park Kwon, Yery (IFD/FMM); Park, Yaerin (IFD/FMM); Roman Sanchez, Susana (IFD/FMM); Tjon A Loi, Mariska Chuquita (VPC/FMP)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	SU-L1060.
▪ Date of TC Abstract authorization:	13 May 2021.
▪ Beneficiary:	Suriname
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months of execution (including the disbursement period)
▪ Required start date:	September 2021
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD/FMM-Fiscal Management Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Description of the Associated Loan/Guarantee

- 2.1 This TC is associated to the “Fiscal Support to Regain Sustainable Growth” (SU-L1060) loan program, which is currently in the preparation of the loan proposal is being discussed with the Directorate of Taxes and Customs (DoTC) and is expected to be signed during the first quarter of 2022. The components of the new loan program inherit main activities that were designed as part of the strengthening the revenue administration component of the “Fiscal Strengthening to Support Economic Growth” (SU-L1050) operation, which was reformulated on August 9, 2020, by redirecting 50 percent of the total loan amount to protect the economic impact of the COVID-19 crisis using existing cash transfer programs. Due to the substantial reduction of the SU-L1050 operational balance, several outputs that were agreed to strengthen the capacities of the Directorate of Taxes and Customs (DoTC) and to introduce tax policy reform were eliminated, and the remaining outputs suffered significant reduction in budget partially modifying the targets to be achieved and the overall objectives of the program.

III. Objectives and Justification of the TC

- 3.1 The general objective of this Technical Cooperation (TC) is to strengthen the internal revenue and customs administration business processes through increasing capacities in the data analytics and modernization of the organizational structure of the Suriname Office of Revenue Administration (SORA). This TC will complement and support critical activities for the efficient implementation of the activities contemplated in the SU-L1060 program, specifically in relation to the expansion of the institutional capacity of the DoTC and the implementation of the policies reform to ensure fiscal sustainability in the country.
- 3.2 **Justification.** The GoS is facing unprecedented policy challenges due to the current COVID-19 pandemic and needs to secure resources¹ to adopt and implement policy measures to tackle economic and social challenges for economic recovery and aid the vulnerable population. To achieve this goal, sustainable domestic revenue mobilization through strengthened management and governance structure of the tax administration system is critical. In this regard, the Bank will continue supporting the Government of Suriname efforts to achieve a fiscally sustainable path by providing resources under the “Fiscal Support Programme to Regain Sustainable Growth” (SU-L1060). This loan project will be particularly critical in supporting the Government of Suriname to achieve fiscal sustainability in the recovery of the post-pandemic period.
- 3.3 In the wake of the ongoing pandemic, several notable challenges for the SORA and DoTC with regards to tax revenue administration and management have been identified. Primarily, there are inefficiencies and inconsistencies in revenue operations and taxpayer services. For instance, there is a lack of risk-based compliance management plans. There are prevalent errors in the identification of tax obligations in the taxpayer register, and the tax processing system is prone to misfiling and underreporting. Second, there is an inadequate tax governance/organizational structure and scope of work, often resulting in overlapping organizational activities and units. Third, there are inefficiencies in customs operations caused by lack of administrative capacity and relevant rules, procedures, and tools. Lastly, there is a lack of up-to-date and sufficient technological infrastructure to effectively manage internal revenue operations and interact with taxpayers.
- 3.4 To address the aforementioned challenges, efforts in the implementation regarding the institutional, technical and personnel training of the DoTC and the introduction of the value-added tax (VAT) remain as core goals to be achieved under the new loan program SU-L1060. The objective of this TC is to support the DoTC to overcome its limited capacity and provide advisory services on the technical aspects of the fiscal policy reform planning by strengthening the areas proposed under paragraph 3.1. Also, it will complement and reinforce the objectives of SU-T1125 and SU-T1089, which was approved to facilitate the smooth transition in leadership and change management strategies within the DoTC and to support Suriname's effort to achieve a comprehensive program for expanding institutional capacity and implementing policy reform to ensure fiscal sustainability in the country as they advance towards the

¹ The DoTC is facing critical institutional capacity challenges that have led to low levels of tax collection. In 2019, the tax revenue was 17.5% of GDP (below the Caribbean average of 21.3%). For the same year, the DoTC estimates that income and sales tax compliance was 33% and 63%, respectively.

structuring of the semi-autonomous revenue agency named the Suriname Office of Revenue Administration (SORA).

- 3.5 Against this backdrop, the TC will support Government of Suriname to strengthen its data analytics and risk management capacities on tax and revenue administration. This TC will evaluate the achievements and challenges of the revenue administration system (which was supported by 4112/OC-SU; SU-L1050 and ATN/OC-17717-SU; SU-T1125) and assist in building data analytics capacities for effective tax and revenue data administration and management contributing the government efforts to regain economic growth for the post pandemic recovery. Specifically, this TC aims to: (i) strengthen the internal revenue administration and (ii) strengthening of customs administrations of Suriname.
- 3.6 This TC is in continuity with the current loan program under execution “Fiscal Strengthening to Support Economic Growth Program” (4112/OC-SU; SU-L1050) in which the remaining activity under the reformulated program is to support the Government of Suriname efforts to achieve a more efficient tax collection through strengthening their revenue administration. In this regard, this TC will contribute to modernizing organizational structure of DoTC and strengthening technological and data analytics capacity for revenue and customs management that are critical to achieving fiscal sustainability of Suriname. Furthermore, this TC will also benefit the Suriname population by enabling them to access more efficient and simplified tax services. More importantly, by mutually benefiting the administration and the taxpayers of Suriname, there will be increased trust and confidence in the process of domestic public resource mobilization.
- 3.7 **Strategic alignment.** This TC is consistent with the Second Update of the Institutional Strategy 2020-2023 (AB-3190-2) and is strategically aligned to the cross-sectional area of enhancing institutional capacity and the rule of law and promoting technology and innovation by enhancing social protection policies and delivery mechanisms and convening actors for open government and transparency. The operation also contributes to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through the indicator institutional capacity and rule of law by improving the limited capacity of the public sector and civil service to deliver services, fight corruption and enforce the rule of law. Under this framework, the project will contribute to the country to formulating a stronger tax and expenditure policy and management, and to strengthening agencies to achieve its digital technology and managerial capacities and transparency and integrity practices. Likewise, it is aligned with the Sectorial Framework for Fiscal Policy and Management (GN-2831-8) which underscores the importance of institutional capacity-building in the public sector to design and implement fiscal policies that improve efficient mobilization and allocation of resources that improve equity and social inclusion and improving the efficiency and quality of spending and service provision. The TC also aligns with the [Country Strategy Alignment of Suriname 2016-2020²](#) contributing to strengthening public financial management system and attaining fiscal sustainability in the medium term. Finally, it is aligned to the Ordinary Capital Strategic Development Program for Institutions (INS)

² The Country Strategy of Suriname 2016-2020 is applicable based on the transition clause referred to the one-year period used to prepare the new CS, running from the expiration date of the current CS. The new Country Strategy Alignment of Suriname 2021-2025 is scheduled to be approved by the Board of Directors on October 21, 2022.

(GN-2819-1) particularly to the objective of contributing to the development of policies and public institutions that are efficient, effective, open and citizen oriented.

IV. Description of activities/components and budget

To achieve the objectives and strategies, this TC will finance the support of the following activities:

- 4.1 **Component I: Strengthen the internal revenue administration (US\$ 70,000).** This component will complement the efforts under SU-L1060 to support the revamping of the DoTC's institutional organization to achieve more efficient internal procedures. This component will finance: (i) support the construction of an internal database at DoTC to breakdown data silos and delivery of training programs to strengthen the technological capacities of the DoTC staffs in the areas of data analytics, machine learning and IT related programs, and (ii) support the design of the taxpayer services function and the modernization of the organizational structure of SORA. These activities will support the full implementation and operation of the Standard Integrated Government Tax Administration System (SIGTAS) to be financed under the SU-L1060. The SIGTAS modules were partially implemented under the SU-L1050, experiencing difficulties in making it fully operational due to contract discontinuity with the service provider.
- 4.2 **Component II: Strengthening of customs administration (US\$ 70,000).** This component will complement the efforts under SU-L1060 to support the optimization of customs management processes to increase their efficiency in terms of revenue collection and enhanced risk management capabilities. It will finance: (i) support to enhance the audit and post clearance capacities and risk management planning and (ii) support for an efficient implementation of the customs IT capabilities and the modernization of the technological infrastructure.
- 4.3 **Component III: Production of knowledge products and dissemination of results (US\$ 10,000).** This component aims to manage the knowledge and tools developed in Component 1 and 2 in order to enhance the lessons learned and socialize the results of the project. This component will finance knowledge dissemination events carried out virtually (or hybrid) through the communication channels used on the Bank's website to coordinate policy dialogues with the Surinamese government and relevant policy makers. All knowledge products derived from this Technical Cooperation shall belong to and remain as the intellectual property of the Bank.
- 4.4 This TC will provide benefits to DoTC in that it will strengthen tax data analytics and related administrative capacity, which will be foundational in sustainable tax revenue management. As a result, this TC will also benefit the Surinamese population by enabling them to access more efficient and simplified tax services. More importantly, by mutually benefiting the administration and the taxpayers of Suriname, there will be increased trust and confidence in the process of domestic public resource mobilization.
- 4.5 The total cost of this TC will be US\$150,000, which will be financed by the INS fund. The execution period of this TC will be 36 months (including the disbursement period). The products and results of this TC will also be shared with the INS Technical Secretariat.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Strengthen the internal revenue administration.	This component will complement the efforts under SU-L1060 to support the revamping of the DoTC's institutional organization to achieve more efficient internal procedures.	\$70,000.00	\$0.00	\$70,000.00
Component II: Strengthening of customs administration.	This component will complement the efforts under SU-L1060 to support the optimization of customs management processes to increase their efficiency in terms of revenue collection and enhanced risk management capabilities.	\$70,000.00	\$0.00	\$70,000.00
Component III: Production of knowledge products and dissemination of project results.	This component aims to manage the knowledge and tools developed in Component 1 and 2 in order to enhance the lessons learned and socialize the results of the project.	\$10,000.00	\$0.00	\$10,000.00
Total		\$150,000.00	\$0.00	\$150,000.00

V. Executing agency and execution structure

- 5.1 At the request of the Government of Suriname, this TC will be executed by the IDB. The IDB's Country Office in Suriname (CCB/CSU) in close collaboration with the Fiscal Management Division (IFD/FMM) will have technical responsibility for the execution of the TC who will evaluate: (i) the alignment with the objectives of the TC; and (ii) the impact and additionality with the program in the tax administration in Suriname. The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The IDB team will lead implementation, oversight of TC activities and coordination of results with authorities in Suriname. IFD/FMM will be responsible for procurement of required services. Prior to the initiation of any project activities within the jurisdiction of Suriname, the project team (PT) will obtain a non-objection letter from the corresponding official entity in Suriname.
- 5.2 The IDB is best-placed to coordinate information and activities with relevant public and private sector stakeholders during the COVID-19 pandemic, which is drawing heavily on public sector personnel and financial resources. Furthermore, the IDB will be able to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders in order to facilitate timely execution. Furthermore, in accordance with OP-619-4 Annex II C. 2.2, the Government of Suriname and the IDB agree that contracting by the IDB would guarantee that the products meet the appropriate quality standards and enhance the independence of the studies, and ensure that the necessary technical, operational, and institutional capacity needed for the project implementation will be met.
- 5.3 All activities will be executed in accordance with the Bank's established procurement policies as follows: (a) AM-650 for Individual consultants; and (b) GN-2303-28 for logistics and other related services.
- 5.4 To foster ownership and appropriation of the Government of Suriname, the Bank team will implement the following strategies: (i) support the Government of Suriname establish clear set of project goals and plans by engaging in communication with them on a frequent basis; (ii) identify the needs and priorities of Government of Suriname

and support the adjustment of goals; and (iii) support the Government of Suriname evaluating the progress of the project.

VI. Major issues

- 6.1 Risks for this project are low due to the direct request by the Government of Suriname for this operation support TC. Nonetheless major risks to project execution include (i) identification and selection of adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthening capacity; (ii) limited capacity for data collection and communication risks due to the continuous travel restrictions and social distancing measures due to the pandemic. Some mitigation efforts could include (a) recruit new local human talent and retain within the beneficiary institutions by providing adequate incentives and capacity building to fill gaps within the executing agency over the life of the project, mitigating the current unavailability of human resources; (b) actively utilize virtual meeting platforms and communication channels until travel restrictions are lifted to conduct field visits and in-person dialogue with the Ministry of Finance, the Directorate of Taxes and Customs, and other local stakeholders that may be required.
- 6.2 Any studies report or other knowledge products or otherwise, prepared as stated in the Procurement Plan (Annex IV) shall belong to and remain the property of the Bank. All intellectual property rights in the outputs produced under this TC are vested in the executing agency, the Fiscal and Municipal Management Division (IFD/FMM).

VII. Exceptions to Bank policy

- 7.1 This TC does not involve exceptions related to the Bank's policies.

VIII. Environmental and Social Strategy

- 8.1 Given the nature of the TC, no negative environmental impacts are foreseen. The TC will support the strengthening of processes and capacities of the Ministries of Finance and similar agencies, for which reason public works or infrastructure will not be financed. In accordance with the Bank's Environmental and Safeguards Compliance Policy (OP703), this operation has been classified in category "C". See [Safeguards Policy Filter Report \(SPF\)](#) and the [Safeguard Screening Form \(SSF\)](#).

Required Annexes:

[Request from the Client - SU-T1136](#)

[Results Matrix - SU-T1136](#)

[Terms of Reference - SU-T1136](#)

[Procurement Plan - SU-T1136](#)