

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

CONTINGENT LOAN FOR NATURAL DISASTER EMERGENCIES

**MODIFICATION TO LOAN CONTRACT SU-O0005 TO INCLUDE THE
COVID-19 COVERAGE**

(SU-O0005)

MODIFICATION PROPOSAL

This document was prepared by the project team consisting of: Fernando de Olloqui (IFD/CMF), Team Leader; Ian Ho-A-Shu (SCL/SPH), Alternate Team Leader; Andrea Teran, Annabella Gaggero and Fanny Porras (IFD/CMF); Marcella Distrutti (SCL/SPH); Cristina Villalba (CAN/CEC); Mario Vinicio Rodríguez, Mariska Tjon and Cleide Berlanda Custodio da Silva (VPC/FMP); Javier Jiménez (LEG/SGO); and Steven Hofwijks (CCB/CSU).

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ABBREVIATIONS	
ARL	Automatic Redirection List
BGVS	Medicines Supply Company Suriname
BOG	Bureau of Public Health
CAF	Andean Development Corporation
CCF	Contingent Credit Facility for Natural Disaster and Public Health Emergencies
CF	COVAX Facility
CMT	Crisis Management Team
CNPRP	Comprehensive National Preparedness and Response Plan for COVID-19 in Suriname
EA	Executing Agency
ECLAC	Economic Commission for Latin America and the Caribbean
FFF	Flexible Financing Facility
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IHR	International Health Regulations
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MOF	Ministry of Finance
MOH	Ministry of Health
NPIs	Non-Pharmacological Interventions
NPV	Net Present Value
OC	Ordinary Capital
OMT	Outbreak Management Team
OR	Operating Regulations
PAHO	Pan-American Health Organization
PPE	Personal Protective Equipment
SPRP	Strategic Preparedness and Response Plan
WHO	World Health Organization

I. DESCRIPTION OF THE MODIFICATION PROPOSAL AND MONITORING OF RESULTS

A. Modification of the project to include the COVID-19 coverage

- 1.1 Considering Suriname's high exposure and vulnerability to natural hazards, on January 9, 2019, the Bank approved the Contingent Loan for Natural Disaster Emergencies for US\$30 million (SU-O0005), under the Contingent Credit Facility for Natural Disaster Emergencies (CCF) (documents GN-2502-2 and GN-2667-2), to increase the availability, stability, and efficiency of contingent financing to cover extraordinary public expenditures during emergencies caused by catastrophic or severe natural disasters.¹
- 1.2 In the face of the unprecedented global challenge posed by the COVID-19 pandemic, the IDB Group approved the mobilization of significant resources in 2020 for governments and businesses to respond to the health crisis (GN-2995). In this context, with the objective of increasing the Bank's capacity to address the needs of borrowing member countries, and complement other instruments that are being used, on May 12, 2020, the Board of Executive Directors approved the Proposal to Expand the Contingent Credit Facility for Natural Disaster Emergencies to Include Public Health Risks (document GN-2999-4), which expands coverage of the CCF to include the response to the COVID-19 pandemic. The validity of these provisions was extended until December 31, 2021 (GN-2999-7).
- 1.3 Given the provisions established in GN-2999-4 and GN-2999-7, Suriname formally requested the Bank on December 8, 2020, to expand the current contingent loan coverage to include the COVID-19 outbreak, given its financing needs to organize a comprehensive public health response to the health crisis. In that regard, this document presents the proposal to modify the Contingent Loan for Natural Disaster Emergencies (SU-O0005) to: (i) include the public health response to the COVID-19 pandemic in the loan coverage, in accordance with the provisions approved by the Bank; and (ii) allow Suriname to access up to US\$5.5 million of the total coverage available to cover extraordinary public expenditures for public health response. The proposal is deemed timely as the resources will be utilized for those costs associated with acquiring vaccines and their deployment.

B. Background, problem addressed and justification

1. The COVID-19 pandemic outbreak and the Bank's response

- 1.4 **Background.** On March 11, 2020, the World Health Organization (WHO) declared the outbreak of COVID-19, the disease caused by the 2019 novel coronavirus, or nCoV-2019, a pandemic. As of March 15, 2021, the WHO has reported more than 119 million confirmed cases globally, resulting in more than 2.65 million deaths.² In Latin America and the Caribbean (LAC) there are nearly 22 million confirmed cases and 722,331 deaths reported among all 26 borrowing member countries.

¹ The loan contract SU-O0005 was signed on March 12, 2019.

² See [WHO Coronavirus Disease \(COVID-19\) Dashboard](#).

- 1.5 **Immediate public health response.** COVID-19 can be easily spread from person to person through respiratory secretions³ and direct contact, which has led to a rapid increase in the number of cases. This has been putting pressure on health care systems across the world, compromising their capacity to respond to the pandemic in a timely and efficient manner, as well as to maintain essential care for people with other conditions. Even though most countries in LAC have responded swiftly to the pandemic, with Non-Pharmacological Interventions (NPIs), social distancing measures, and key actions aimed at strengthening the health sector's response, along with social and economic relief efforts, many have proven to be largely unprepared to handle the pandemic outbreak, in line with a recent analysis of the WHO on COVID-19 operation readiness.^{4,5} As the number of cases continues to rise, LAC countries will need to invest more to close the gaps in their response capacity, implement actions to contain the transmission of the disease, and mitigate the health and economic consequences of the pandemic.
- 1.6 **The economic effects of the COVID-19 pandemic.** The economic impacts of COVID-19 in the region have been significant. First, countries have been bearing the direct costs related to the health sector response, associated with the priority of saving lives. Second, are the costs associated with the necessary changes in people's behavior to contain COVID-19 progression and contribute to saving lives. These interventions have led to a very significant economic downturn with immediate manifestations and risks of lingering effects, even once the health emergency is over.⁶ In addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees external channels through which the crisis is affecting the region's economy:⁷ (i) slowing the economic activity of key trading partners that will impact the demand for exports; (ii) falling commodity prices; (iii) interruption of global value chains; (iv) less demand for tourism services; and (v) worsening financial terms.
- 1.7 **Financing the emergency response.** While LAC governments face the challenge of strengthening their health care system's capacity to continue responding to the emergency, they also confront the financial and liquidity constraints that limit their capacity to finance extraordinary public expenditures needed for preparedness and response measures. Moreover, the COVID-19 emergency comes at a time in

³ See [WHO Q&A on coronaviruses \(COVID-19\)](#).

⁴ WHO (2020). [Updated Country Preparedness and Response Status for COVID-19 as of 20 April 2020](#). Operational capacity was evaluated based on the percentage of compliance with 13 areas of capacity for handling public health events established in the International Health Regulations (IHR 2005), an agreement between 196 countries to build their capacities to manage public health events in 13 areas: legislation and financing, coordination, zoonotic events, food safety, laboratory, surveillance, human resources, national health emergency, health service delivery, risk communication, points of entry, chemical events, and radiation emergencies.

⁵ On a 5-level scale based on the capacity to manage a public health event of this magnitude (where 1=low and 5=high), seven LAC countries are classified as Level 2 low capacity (Bolivia, Haiti, Honduras, Nicaragua, Venezuela, Guatemala, and Paraguay), 15 as Level 3 medium capacity (Argentina, Barbados, Belize, Colombia, Ecuador, Guyana, Jamaica, Peru, Suriname, Trinidad and Tobago, El Salvador, Dominican Republic, Panama, and Uruguay), and only four were classified as level 4: Brazil, Mexico, Chile, and Costa Rica.

⁶ International Monetary Fund (IMF) (2020a). [World Economic Outlook, April 2020: The Great Lockdown](#), Chapter 1.

⁷ ECLAC (2020). [Latin America and the Caribbean and the COVID-19 pandemic: Economic and social effects](#).

which the LAC region is less resilient when compared to previous crises⁸ on the accounts of weaker macroeconomic fundamentals due to higher debt levels and initial weaker fiscal positions. Recent estimates by the IMF suggest that the region's economy will fall into a severe recession (-8.1%).⁹

- 1.8 **Bank's response.** In the face of this unprecedented global challenge, the Bank's support is structured around four areas of actions: (i) Immediate Public Health Response; (ii) Safety Nets for Vulnerable Populations; (iii) Economic Productivity and Employment; and (iv) Fiscal Policies for the Amelioration of Economic Impacts. Within this context, the Bank's Board of Executive Directors approved the proposal to expand the CCF to provide early significant liquid resources to countries for the immediate emergency COVID-19 response and complement other instruments that are being deployed (GN-2999-4).

2. The country's response to the COVID-19 emergency

- 1.9 **Suriname's response.** After the first cases in Suriname were reported in March 2020, the government took immediate action and in early April the National Assembly approved the Law Exceptional Condition COVID-19 (State of Emergency) for a period of three months (which was subsequently extended for another month). However, the number of cases of COVID-19 eventually rose sharply between the end of May and August and in the latter month a modified version was approved for 6 months. The exceptional situation, which expired on February 6, 2021, has been extended by 12 months and may be extended until August 7, 2021.¹⁰ This law provided a legal base for action by government agencies and allowed the spending of earmarked funding to finance specific activities, such as providing financial relief for vulnerable sections of the population. It also established the Crisis Management Team (CMT), consisting of different arms of government, with the Ministry of Health (MOH) having a pivotal role and being supported by an Outbreak Management Team (OMT) involving public health specialists, epidemiologists, and clinicians. The infection rate for the country stands at 1,267 per 100,000 population (total population is 575,991). As of March 15, 2021, 9,024 confirmed cases and 176 deaths are reported.¹¹
- 1.10 **Challenges and progress.** Suriname's operational capacity to manage a pandemic is classified as medium by the WHO, due to certain deficiencies in the health system. The rapid increase in detected COVID-19 cases after May put pressure on the country's health systems, exacerbating capacity gaps and the quality of the emergency response. To respond to these challenges, in June the MOH, with the support of IDB and the Pan-American Health Organization (PAHO), issued the [Comprehensive National Preparedness and Response Plan for COVID-19 \(CNPRP\)](#) (OEL#5), based on the WHO guidelines for drafting a

⁸ When compared to the 2008-9 crisis when most countries started solid fiscal positions and relatively low debt levels. See IDB (2020). [Policies to Fight the Pandemic](#). 2020 Latin American and Caribbean Macroeconomic Report.

⁹ IMF (2020b). [World Economic Outlook, October 2020: A Long and Difficult Ascent](#), Chapter 1.

¹⁰ [Wet Uitzonderingstoestand COVID-19 verlengd met een jaar](#) (National Assembly of Suriname).

¹¹ [WHO Coronavirus Disease \(COVID-19\) Dashboard](#).

[COVID-19 Strategic Preparedness and Response Plan](#) (OEL#4).¹² Below is a summary of the actions or investments planned in the nine strategic pillars of the [CNPRP](#), as well as the main challenges facing the country.

- 1.11 **Coordination, planning, and monitoring.** The CMT, under the leadership of the vice president, includes officials from: the MOH; the Public Health Response Team; the Cabinet of the President/Vice President; the Directorate of National Security and the National Coordinating Centre for Disaster Management. The CMT reports to the President and the Parliamentary Crisis Commission. Based on these reports, the President declares the specific state of the epidemic and may mandate or not specific actions under the law. As the pandemic evolved, increased responsibility was given to the MOH and the OMT, which established Working Groups, aligned with the WHO's strategic pillars of intervention, to support its activities.
- 1.12 **Risk communication and community engagement.** The government has made efforts to raise awareness regarding the virus and keeping the public informed of national measures. In addition to the [COVID-19 website](#) that was launched in mid-March 2020, the MOH created a second [website](#) in September 2020 that produces situation reports, figures and statistics on the epidemic, educational information on the virus, tests and health services, and regulations and guidelines issued by the government for the management of the epidemic. Special efforts have recently been geared towards a more tailored approach to strengthen the capacity of local leaders and community-based organizations. With support of the PAHO, a draft COVID-19 workbook for key-persons is being developed and pilot training is planned for community-based organizations and field staff of the Ministry of Regional Development & Sport. In the near future, special emphasis needs to be placed on communication with regards to vaccine introduction and deployment.
- 1.13 **Surveillance, rapid response teams, and case investigation.** With the surge in numbers, Suriname had to rapidly scale up its surveillance capacity at the Bureau of Public Health (BOG) and emphasise community spreading. Since then, the structures to detect cases and do contact tracing have been implemented and solidified. The IDB and PAHO have supported the deployment of technology and special data management programmes. The surveillance system makes use of a network of physicians, a hotline and follow up by rapid response teams. Testing facilities have been expanded and decentralized and special missions have been deployed in the interior when required. Infected cases are submitted to the epidemiological team for case investigation. Multilingual persons have been trained and are deployed to ensure proper follow up.
- 1.14 **Ports of entry.** Official ports of entry had been secured since March 2020; however, many imported cases were presented in villages and communities along the French Guyanese border as a result of illegal entry into the country, eventually spreading in other districts, especially Paramaribo. Scaling up case detection,

¹² The Strategic Preparedness and Response Plan (SPRP) proposes eight pillars of intervention: (i) coordination, planning, and monitoring; (ii) risk communication and community engagement; (iii) surveillance, rapid-response teams, and case investigation; (iv) points of entry; (v) national laboratories; (vi) infection prevention and control; (vii) case management; (viii) operational support and logistics; and (ix) maintaining essential health services during an outbreak. There is evidence of the effectiveness of the proposed interventions ([OEL# 6](#)).

contact tracing and data management was essential in managing the epidemic at this stage. Resources were deployed to facilitate government entities tasked with border patrol and national security. Surveillance and quarantine measures are strict for repatriated residents and for essential personnel that is allowed to enter, however with the large open borders, illegal entry cannot be completely prevented. In this context, it is essential that the country continues to strengthen surveillance of the borders and the updating and implementation of contingency plans to mitigate the risk of new imported cases. A special working group to deal with mobile populations has been able to effectively interact with these communities, thus containing the spread of the virus.

- 1.15 **National laboratories.** PCR testing is carried out by two labs, with a current combined capacity of around 500 tests/day, which may potentially double. Prior to the epidemic, PAHO was instrumental in training personnel and facilitating supplies to start PCR testing. The highest amount of PCR tests for a month was in August 2020 (8,035). Testing is done according to WHO protocol. Currently, positivity rate of cases is around 6.6% and testing capacity should be able to accommodate the servicing of a 5% case positivity rate. Continued supply shortages in the global market remain a challenge, as well as deploying personnel and ensuring rapid turnaround time. Suriname is preparing for introducing rapid testing, for which 30,000 antigen tests were received from the PAHO, which will facilitate speedy detection and decentralization of test capacity. With the increase in cases, the country is slowly expanding the use of the antigen-detection rapid diagnostic tests. At this point, the BOG testing site, the Malaria Program, the Medical Mission, and the Academic Hospital in Paramaribo are using the rapid tests in the interior and in Paramaribo.¹³
- 1.16 **Infection prevention and control.** The National Infection Prevention Committee has been operational for the past 3 years. They have supplemented their yearly activities with COVID-19 specific interventions, including staff training. Procurement and deployment of Personal Protective Equipment (PPE) is one of the pillars of infection prevention, aside from the basic hygiene measures. With the support of the private sector and donors, PPE in the system has been sufficient. As this support is now scaled down, the state is expected to take over the procurement and distribution of these items. Apart from ensuring the supply of PPE for staff, it is necessary to carry out systematic planning and management of the health facilities and services that care for patients with COVID-19, strengthen triage processes, as well as reinforce staff training. Management of waste associated with COVID-19 is done according to protocol and specific measures have been developed for undertakers.
- 1.17 The [CNPRP](#) does not contain a chapter on vaccine deployment, however in order to plan for the acquisition of vaccine doses, Suriname subscribed to the COVAX Facility (CF)¹⁴ as a self-funding country. The country chose the optional purchase model for the acquisition of enough doses to cover 20% of the population on a phased basis, as is the recommendation of the WHO in terms of risk group

¹³ PAHO Situation Report #49.

¹⁴ The CF is a global risk-sharing mechanism for pooled procurement and equitable distribution of eventual COVID-19 vaccines. It mainly pools demand. The CF is comprised of GAVI - The Vaccine Alliance, WHO and the Coalition for Epidemic Preparedness Innovations (CEPI). The facility negotiates pricing of vaccines that become available and facilitates their timely roll out through a risk sharing mechanism.

for prioritization. PAHO has been providing the technical guidance for the development of the National COVID-19 Vaccine Introduction Plan, which was finalized in February 2021¹⁵. This plan includes costing and funding, intra-country vaccine allocation criteria to ensure appropriate vaccine targeting and delivery to priority populations based on established public health criteria, and tools to trace vaccine delivery, as well as infrastructure, equipment, and other inputs required to strengthen key health and immunization systems components, such as supply chain management and logistics.

- 1.18 **Case management.** The MOH, together with PAHO, conduct a hospital readiness assessment which guides the country in equipping the hospitals in the regions to accommodate COVID-19 patients. Also, the country was able to deploy a newly constructed regional hospital for the exclusive treatment of COVID-19 patients and to isolate cases. The current number of COVID-19 specific beds now stands at 120. Additional capacity will be left prepositioned, facilitating rapid scaling up should the need arise. The COVID-19 specific facilities to be installed in these hospitals have been inventoried and Suriname is in the process of obtaining the required supplies. Similar exercises are currently taking place in institutions that deliver primary care in the hinterland and the coastal area. Human resources for health are in short supply in the country, but health staff from other countries have assisted in dealing with the upsurge. Also, the MOH has recruited mainly volunteers or part time workers (i.e., medical students and interns) to manage additional COVID-19 generated activities. Furthermore, through a network of General Practitioner's and Primary Care institutions, triage is done. However, due to the economic and fiscal situation of the country, the government has implemented a general stop on hiring staff.
- 1.19 **Operational support and logistics.** The government has a dedicated agent for the procurement, storage and distribution of health goods, the Medicines Supply Company Suriname (BGVS by its Dutch acronym). They have adequate storage facilities and a distribution system that covers all health care providers in a two-tiered system. This system is used for all other goods that are needed for COVID-19 care; however, their expertise is mainly in the field of essential medicines. The state has used this installed capacity to manage the receipt, storage, and distribution of donations. To deal with the lack of expertise in the procurement and supply management of COVID-19 related goods and donations, temporary advisers have been deployed in the areas of biomedical technology and laboratory. Due to the economic crisis, BGVS has not been able to procure the necessary quantities of essential medicines, resulting in shortages nationwide.
- 1.20 **Maintaining essential health services during an outbreak.** Health facilities were affected during the pandemic, as hospitals are less accessible physically and due to certain clinicians being otherwise occupied. However, the inaccessibility of public transportation system, the curtailing of movement (semi-lockdown measures) and physical closure of the largest Health Insurance Foundation, which dispenses pvc-cards to clients, may have lowered the care seeking behaviour. During the height of the pandemic, physicians and pharmacies offered limited services in view of infection prevention. In the interior the same applied. Most

¹⁵ It has been uploaded on the [WHO COVID-19 Partners Platform](#).

facilities that curtailed their operations did provide other means of service delivery, but not everybody would have had the same access to those options.

- 1.21 **Costs of emergency response.** While the government faces the challenge of strengthening its health system response and the country's ability to curb the spread of the virus, it also faces liquidity and financial constraints that limit its ability to close the gaps in preparedness and response and also maintaining health service delivery at an adequate level. Since the start of the pandemic, an estimated US\$13 million has been spent on COVID-19 related health activities. Of this amount, US\$1.7 million was disbursed from the national budget (including the down payment for the CF), US\$1 million was repurposed from an IDB loan ([4593/OC-SU](#)),¹⁶ while the bulk of the resources have originated from donations and grants.¹⁷ More than 80% of the resources have been destined to expenses included in the pillars of national laboratories, prevention and control, and case management. These involve costs of the immediate emergency response and to contain and control the virus, such as resources for testing, surveillance activities, infection prevention and control, and specialized care for COVID-19 patients in severe and critical condition.
- 1.22 From budget estimations based on the [CNPRP](#), the country will require nearly US\$20 million in the next 6 months to support health related expenses. This estimate includes human resources and recurring expenditures, such as essential supplies and critical technical and operational support, however the [CNPRP](#) budget has been revised downward, taking into account real expenditures over the past 7 months. Most costs will continue to be covered by either donations or by the Government of Suriname budget.¹⁸ The costs not covered either by Government of Suriname budget or donations are mainly those associated with the vaccination and its deployment during 2021, estimated at approximately US\$5.5 million. This would include vaccination of up to 40% of the population (and 85% of the population that is considered vulnerable), including at least 20% through the CF, and associated costs for storage facilities and medical consumables.

3. Suriname's financial vulnerability to the COVID-19 emergency

- 1.23 **Macroeconomic context.** Suriname has experienced a period of macroeconomic and financial instability over the past five years. The economy, highly influenced by the mining sector as it accounts for more than 70% of total exports,¹⁹ fell into a deep recession during 2015 and 2016 that was triggered by the drop in international gold and oil prices and the cessation of alumina production. As a result, the country's macroeconomic conditions deteriorate rapidly: inflation surged

¹⁶ The government has indicated that the funds will be used to procure essential medicines and laboratory consumables and is in the process of starting the procurement of these items.

¹⁷ Major contributors include the Governments of Netherlands and Japan, as well as PAHO, although substantial funds were routed through a non-profit private initiative that has mobilized private sector resources ([SU4SU](#)).

¹⁸ While Parliament approved in August an additional budget for the COVID-19 Emergency Fund of approximately US\$100 million, cognizant of the precarious financial situation of the country, the Ministry of Finance (MOF) has indicated that it will limit that spending, and to date only US\$17 million were requested for bills related to case management and hospitals and quarantine facilities. The Government of Suriname/MOF has indicated that they would make a little over US\$4 million available over six months to the MOH with an option to increase that amount if the need arises.

¹⁹ IDB (2020). [Suriname in Times of COVID-19: Navigating the Labyrinth](#). Technical Note N° IDB-TN-2025.

to double-digit rates reflecting currency depreciation, current account deficit rose abruptly as exports slumped, fiscal deficits more than doubled compared to pre-recession levels, and government debt increased by about 50 percentage point to 76.9% by the end of 2016.²⁰ Although economic activity bounced back between 2017 and 2019, the recovery was slow and the government's fiscal and debt positions continued to weaken as implementation of fiscal reforms was delayed.²¹

- 1.24 The major public health and economic challenges arising from the unprecedented COVID-19 crisis²² will likely worsen Suriname's macroeconomic conditions in the short term, as the measures taken to curb the spread of the coronavirus (e.g., social distancing measures and restrictions on non-essential business activities) and to support the economy, vulnerable groups and businesses will result in an increase in additional public spending,²³ along with a shortfall in fiscal revenues. According to IMF's recent projections for 2020, the Surinamese economy is expected to contract by 13.1%; government revenue in relation to Gross Domestic Product (GDP) will drop by 2.7 percentage points; fiscal deficit is expected to reach 13.9%; and public debt will rise to 145% of GDP.²⁴ The government is currently seeking support for its macroeconomic stabilization program from IMF and other development partners.
- 1.25 **Rationale.** In this context, while the government faces the challenge of strengthening the health system's response and the country's ability to slow the spread of the virus, it also confronts the financial and liquidity constraints that limit its capacity to close gaps in preparedness and response. As the number of COVID-19 cases continues to increase in the country, it is critical to ensure that the government has the necessary funding to quickly implement all measures required to control the outbreak.²⁵ Providing fast-access financing for emergency response not only saves lives, but also reduces the risk of even worse impact scenarios in terms of economic recovery and public finances because the overall costs of the health emergency can dramatically increase the longer it takes to organize a comprehensive response and the expected recovery in 2021 largely hinges on contain the spread of the disease. For this reason, the government of Suriname has requested the Bank to expand the current contingent loan's coverage to include the COVID-19 outbreak.

²⁰ [IMF World Economic Outlook Database October 2020](#).

²¹ IMF (2019). [Suriname 2019 Article IV Consultation](#). Given the challenges related to public debt sustainability, the new government that took office in July 2020 has begun the process of renegotiating debt agreements with creditors.

²² To put into context the unprecedented nature of the COVID-19 pandemic, during the previous 2002-2003 SARS pandemic some 8,100 were infected, of which 774 died. See IDB (2020). Op cit.

²³ In response to the impact of COVID-19, the government established the Emergency Fund of about US\$28 million in May 2020 to finance social support measures, which was increased by US\$106 million in August. The authorities also established the Production Fund of about US\$21 million to support small and medium-sized enterprises. Overall, the resources announced thus far are estimated to be around 6% of GDP. See IDB Suriname's economic bulletin, 3rd Quarter 2020.

²⁴ IMF (2020b). Op cit.

²⁵ WHO (2018). [Managing Epidemics](#).

4. Operation's relation to the Bank's country and sector strategies

- 1.26 **The Bank's experience and lessons learned with CCF loans.** The Bank has approved fifteen CCF loans throughout the LAC region, along with four successful disbursements totaling US\$268.25 million ([3670/OC-EC](#), [4331/OC-DR](#), [4853/OC-BH](#) and [5195/BL-NI](#)). The main lessons learned, and improvements incorporated were related to the expansions of the instrument (documents GN-2667-2, GN-2502-7 and GN-2999-4), development of coverage, the refinement of methodologies for calculating triggers. Likewise, the relevance and effectiveness of the instrument for emergency response have been verified and supported by recent experiences and documented in the report "Evaluation of the Country Program: Ecuador 2012-2017", prepared by the Office of Evaluation and Oversight (OVE). The proposed loan modification is the fourth operation under the temporary operational provisions approved to provide coverage for the COVID-19 Outbreak (GN-2999).²⁶ Although there are distinctive features for the CCF COVID-19 coverage, all lessons learned have been properly reflected in the Operational Guidelines for CCF COVID-19 operations (GN-2999-6) and the project's [Annex IV of the Operating Regulations \(OR\)](#) (OEL#2). These include, from the execution of [EC-O0006](#), that a proper coordination mechanism be in place for the transfer of resources between the MOF and the MOH (¶3.2)
- 1.27 **Bank's experience with other investment loans in the health sector.** The Health Services Improvement Project ([4593/OC-SU](#)) for US\$20 million was approved by the IDB Board of Directors on August 29, 2018. The objective is to contribute to the reduction of the burden of disease in Suriname by improving access to high quality, integrated primary care services, and enhancing the effectiveness of the health sector to address priority epidemiological challenges. The program will focus on financing strategies for Non-Communicable Diseases prevention and control and for malaria elimination and integration of services for other priority communicable diseases within Suriname's Malaria Program.
- 1.28 **Coordination with other multilaterals and Bank's other interventions to finance the public health response to the COVID-19 crisis.** The PAHO is helping countries with the preparation of their SPRPs. Since the IDB's response is in line with WHO intervention pillars, coordination of efforts is under way to identify the most appropriate areas for Bank support. The IDB is in constant communication with the World Bank and the Andean Development Corporation (CAF) to report on requests for support for the countries and thus explore specific areas for collaboration. Operationally, the IDB and World Bank procurement units are working closely to find and consolidate providers for the [WHO supply list](#) (EOL#7) and for the COVID-19 [Indicative List of Potential Eligible Expenses](#) (EOL#8).²⁷ PAHO is also providing technical support to the MOH regarding the development and implementation of the National COVID-19 Vaccine Introduction Plan for Suriname (¶1.17).
- 1.29 The IDB will further support the health response to the pandemic redirecting US\$1 million from [4593/OC-SU](#) (health sector project: ¶1.27) towards the purchase of medications and laboratory supplies. Also, on August 5, 2020, the

²⁶ [EC-O0006](#) as the first, [DR-X1011](#) as the second, and [GY-O0006](#) as the third approved operation.

²⁷ This indicative list is subject to frequent updates.

Bank approved the reformulation of US\$20 million of the Fiscal Strengthening to Support Economic Growth program ([4112/OC-SU](#)) for the financing of Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Suriname. This reformulation, which as of February 2021 has disbursed US\$12.97 million, supports part of the extraordinary cash transfers, decided in response to the socioeconomic effects of the COVID-19 pandemics, of the following three programs: Support for Disadvantaged Persons with Disabilities, Child Allowance, and Elderly Allowance. It also supports initiatives to strengthen cash transfers electronic payments. This operation is complementary to this investment program to the extent that it closes gaps in the health sector to further mitigate the socioeconomic impact of the pandemic.

- 1.30 **Strategic alignment of the operation.** In addition to the alignments established in the current Contingent Loan (SU-O0005), the modified project is consistent with the Second Update to the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) and is aligned with the Social Inclusion and Equality development challenge by focusing on strengthening health care service delivery to suspected or confirmed cases of COVID-19. In addition, the operation is aligned to the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12), as it directly contributes to the indicator on beneficiaries receiving health services²⁸ (Contributions to Development Results). The project is consistent with the Health and Nutrition Sector Framework Document (GN-2735-7) by: (i) strengthening health service delivery according to WHO's operating guidelines for COVID-19 preparedness and response; and (ii) increasing the financial resources for the health system to handle the pandemic outbreak. Additionally, this project is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), by strengthening the Bank's immediate public health response.

C. Objectives, components, and cost of modification

- 1.31 **Objective of the modification.** To include the COVID-19 pandemic outbreak in the coverage provided by the Contingent Loan for Natural Disaster Emergencies (SU-O0005) to allow Suriname to access up to US\$5.5 million of the total coverage available to cover extraordinary public expenditures for public health response to COVID-19. This proposed expansion of the coverage is consistent with the Proposal to Expand the Contingent Credit Facility for Natural Disaster Emergencies to Include Public Health Risks (document GN-2999-4).
- 1.32 **Objective of the contingent loan to include the COVID-19 coverage.** The general objective of the proposed modification of the operation is to contribute to strengthen the country's immediate public health response to the COVID-19 emergency. The specific objective corresponding to the COVID-19 coverage is to increase the country's availability and efficiency of

²⁸ As part of the [Monitoring and Evaluation of Plan](#) (REL#1) of the COVID-19 coverage, information will be gathered about the number of beneficiaries receiving health services financed by loan resources. This will be used for the Project Completion Report (PCR) in order to provide additional information about the use of disbursed resources in the immediate health response to the COVID-19 emergency, in alignment with the WHO and PAHO guidelines for public emergency response, particularly with the pillars of the COVID-19 SPRP.

financing to cover extraordinary public expenditures related to the health emergency.

- 1.33 **Single component.** This proposed modification maintains a single component under the CCF of US\$30 million to structure a stable and efficient ex ante financial coverage to afford, in a timely manner, any extraordinary expenses that could arise during emergencies. For the COVID-19 health emergency, the country will access up to US\$5.5 million, in accordance with the financing needs to implement the public health response measures and the limits established for the CCF COVID-19 (GN-2999-4).²⁹ To determine the country's financing needs to address the public health emergency, the Bank analyzed the country's [CNPRP](#), other country budgetary assessments, and the complementarity of this operation with other Bank's interventions, as well as activities being directly financed by other bilateral and/or multilateral entities. The amount allocated would include vaccination and associated costs for storage facilities and medical consumables (¶1.22).
- 1.34 **Beneficiaries.** Potential beneficiaries are the entire population of Suriname, in general, and the population directly affected by COVID-19 that receives emergency assistance under the proposed coverage, in particular.

D. Key results indicators

- 1.35 Consistent with the expansion of the general objective to include the COVID-19 coverage, the expected impact of the proposed loan is to contribute to strengthen the country's immediate public health response to the COVID-19 emergency. To show the project's contribution towards the achievement of this expected impact (¶1.32), the following indicators will be monitored: (i) strategic areas of interventions, as per WHO guidelines, financed as part of Suriname's [CNPRP](#); and (ii) public expenditures executed for the implementation of Suriname's [CNPRP](#).
- 1.36 In line with the project's specific objective (¶1.32), the expected outcome is a strengthened financing capacity of the country in terms of availability and efficiency to cover extraordinary public expenditures for COVID-19 health response measures. In addition to the indicators established in the current contingent loan (SU-O0005), the following indicators will be applied independently to verify the expected outcome: (i) the increase in the total amount of financial coverage available to the country to address the COVID-19 public health emergency response; (ii) the change in the spread between the financial cost of this loan and the financial cost of Suriname's long-term sovereign external commercial debt; and (iii) the speed of access to resources.
- 1.37 **Economic Analysis of the COVID-19 coverage.** The [Economic Analysis](#) of the project (OEL#1) uses a cost effectiveness analysis methodology that evaluates a scenario in which the total coverage of US\$5.5 million is used for the COVID-19 emergency response. The Net Present Value (NPV) of the financing

²⁹ The country coverage limit is set at US\$90 million or 0.6% of the country's GDP, whichever is less. For countries with an approved CCF loan, the request will be counted against the already approved amount and up to that amount. In the case of Suriname, the limit corresponds up to US\$22 million.

cost of the IDB loan was compared to the NPV of the cost of issuing bonds, under the following assumptions: (i) the LIBOR rate set for the IDB loan; and (ii) the bonds issued have a 10-year maturity and their rate is based on the country's current risk premium on the international sovereign debt market. Both NPVs were calculated using a discount rate of 12%. The results show that the NPV of the CCF loan granted by the Bank is 37.3% of the cost of issuing debt, which makes it a much more efficient option in terms of financial cost. Lastly, it shows that even in the event of minimally probable variations in the main indicators, there is a wide range of values in which the IDB loan alternative remains the most efficient.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 The proposed operation comprises the modification of the Contingent Loan for Natural Disaster Emergencies (SU-O0005), financed through the CCF to include the COVID-19 pandemic outbreak within its coverage, and thus, to allow Suriname to access up to US\$5.5 million of the total coverage available under the CCF to cover extraordinary public expenditures for public health response. Like all CCF loans, this operation will be structured through an investment loan (GN-2999-4). All disbursements made will be charged to the Bank's Ordinary Capital resources. The funds may either come from the regular lending program, available undisbursed balances of the investment loans already approved and identified in the [Automatic Redirection List \(ARL\)](#) (OEL#3),³⁰ or a combination of these two options.
- 2.2 Contingent loans with COVID-19 coverage granted under the CCF have specific financial terms and conditions to provide adequate support to the country at the critical time of the health emergency, when public finances are doubly affected by a combination of the need for additional resources to meet extraordinary expenses and shortfalls in revenues due to a decrease in economic activity. The specific terms and conditions include the following: (i) the amortization period and grace period are calculated from the date of each disbursement; (ii) the Bank will only charge a one-time fee of 50 basis points (reviewed periodically) at the time of disbursement for each disbursement, which will be applicable on the disbursed amount only. This fee does not apply to the amounts disbursed from loans included in the [ARL](#); and (iii) the period during which the resources are available for requesting disbursements is February 28, 2022. Other financial terms and conditions applicable to the loan resources are set out in the document GN-2999-4.
- 2.3 **Eligible event.** This proposed modification will expand the coverage of the Contingent Loan for Natural Disaster Emergencies (SU-O0005) to include the COVID-19 pandemic outbreak, declared by the WHO on March 11, 2020, as an eligible event.

³⁰ The [ARL](#) is an alternative funding scheme contemplated in the CCF that includes the Bank's current investment loans with the country that have balances available for disbursements, which could be automatically redirected should an event occur (GN-2999-4, ¶4.12). The [ARL](#) was agreed among the borrower and the Bank considering to the following criteria: (i) new priorities of the government in the context of the COVID-19 public health emergency; and (ii) projects' execution status and performance. When the disbursed funds come from loans listed in the [ARL](#), the Bank will update project management systems to reflect the corresponding changes in selected loans.

- 2.4 **Limit per each disbursement.** The maximum amount that may be made for each disbursement will be subject to the lower of the following limits: (i) the available undisbursed balance of the COVID-19 coverage; and (ii) the limit established for each disbursement method in the Operational Guidelines for CCF COVID-19 operations (GN-2999-6) and the project's [Annex IV of the OR](#).

B. Environmental and social safeguard risks

- 2.5 In accordance with Directive B.13 of the Environment and Safeguards Compliance Policy (OP-703), this operation does not require classification. Since the resources that could ultimately be disbursed under this loan may only be used to finance extraordinary public expenditures incurred during the COVID-19 emergency response phase; and given that the MOF, as the Executing Agency (EA), ensures compliance with the country's environmental and social laws on the use of the resources, no adverse environmental or social impacts are expected. Moreover, the loan contract will include a negative list of the types of expenditures that may not be financed with the loan proceeds. This list includes, for example, expenses associated with the permanent construction of infrastructure.

C. Fiduciary risks

- 2.6 Due to challenges in the financial/accounting and reporting systems, there is a medium-high internal processes risk of insufficient information on expenses or supporting documentation that prevent certain expenditures financed by the loan from meeting the contractually stipulated eligibility criteria, including their proper identification, which would prevent the Bank from accepting them. The mitigation measures are: (i) direct technical support to the MOF to strengthen their executing capacity, including procurement, accounting, and financial reporting; and (ii) require an independent verification of the expenses financed by the project, conducted by a reasonable assurance audit firm.
- 2.7 Also, there is a medium-high goods and services risk due to limitations regarding the national procurement systems in Suriname,³¹ that could cause delays in the overall execution of the procurement processes and their integrity. The mitigation measures are: (i) hiring of an international/national procurement specialist or agency by the MOF to support or carry out the procurement processes, whereby the consultant also provides guidance in public procurement to mitigate integrity risks and reputational impact; as well as ensure that the types of eligible expenditures comply with the requirements established in documents GN-2999-4, GN-2999-6 and GN-2999-7;³² and (ii) coordinate closely with the MOF, responsible for overseeing procurement activities, and processing internal approvals, including channeling award of contracts through the appropriate government bodies that are required to approve contract awards in accordance with the thresholds established in the National Procurement Regulations.

³¹ Public expenditure financial accountability methodology report (2018). The procurement legal framework is characterized by an absence of: (a) a comprehensive piece of legislation covering procurement; (b) a clear lead agency responsible for directing procurement policy; (c) an oversight mechanism; and (d) trained, competent procurement personnel and no program to develop this capacity.

³² The costs associated with hiring the specialist or agency are eligible for loan financing and the terms of reference must be agreed with the Bank.

D. Other risks and key issues

- 2.8 There is a medium-high organizational structure risk related to vaccine deployment, particularly of lack of transparency in the prioritization of populations to be vaccinated, the distribution mechanism, and delays due to insufficient planning and supply chain and distribution bottlenecks, which would affect the execution of resources. To mitigate this risk, as a special contractual condition for general eligibility to request disbursements, the government must present to the Bank the National COVID-19 Vaccine Introduction Plan validated by PAHO (¶1.17 and ¶3.3).
- 2.9 **Sustainability.** The financial coverage provided by this operation for the COVID-19 emergency response will strengthen the government's funding capacity to cover extraordinary public health expenditures needed to treat patients and slow the spread of the virus, therefore mitigating its impact on population and economic activity and contributing to a faster and more sustainable recovery. The interventions that could be financed under this coverage are included in WHO's Operational Planning Guidelines to Support Country Preparedness and Response to COVID-19. By contributing to strengthen the country's capacity to respond to this health crisis, this project will improve the level of preparedness of the health sector to confront future outbreaks, epidemics, and pandemics, including organizational capacity and knowledge, and staff experience.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements for the COVID-19 coverage

- 3.1 The borrower will be the Republic of Suriname, and the EA will remain the MOF. The loan resources will be disbursed to the EA. Under the coordination of the MOF, the execution of loan resources for public health response to COVID-19 will be carried out by the government, mainly through the MOH, as well as other relevant institutions responsible for budget execution during the COVID-19 emergency, in accordance with the country's preparedness and response plan and WHO's operational guidelines. The MOF will be responsible for: (i) submitting the disbursement requests to the Bank; (ii) allocating the loan resources to the relevant sector agencies and institutions involved in the COVID-19 emergency response; (iii) coordinating the fiduciary, procurement, monitoring, and evaluation arrangements to safeguard the timely and adequate execution of resources; (iv) substantiating the use of loan resources to the Bank in accordance with the provisions established in the Loan Agreement and [Annex IV of the OR](#); and (v) ensuring the compliance with the objectives of the project.
- 3.2 **Coordination mechanism.** To ensure the timely use of loan resources, a coordination and execution mechanism has been incorporated in [Annex IV of the OR](#). This mechanism will allow the proper and efficient flow of funds from the MOF to the MOH and any other institution responsible for public health emergency response (principally, State Health Fund, Medicine Supply Company Suriname, Regional Health Services, Medical Mission). This entails processes related to: (i) planning and expense identification; (ii) technical review; (iii) monitoring and execution; (iv) fiduciary arrangements and review; and (v) eligibility and reporting.

- 3.3 **Special contractual conditions for general eligibility to request disbursements for the COVID-19 coverage.** These conditions shall be that: (i) [Annex IV of the OR](#) has been approved and entered into force, with the operational aspects for the COVID-19 coverage, in the terms previously agreed upon with the Bank; (ii) the Borrower has presented to the Bank the National COVID-19 Vaccine Introduction Plan approved by the competent authority and validated by PAHO; (iii) the Bank has issued its non-objection to the country's Prioritized Expense List; and (iv) the Bank has issued its non-objection to the terms of reference for contracting the auditing firm that will carry out the independent verification of the use of disbursed resources.
- 3.4 **Special contractual conditions prior to each disbursement for the COVID-19 coverage.** There are two specific contractual conditions that must be met before each disbursement: (i) the borrower will have submitted before February 28, 2022, the disbursement requests, indicating the amount(s) of the disbursement(s), if it/they will come from the regular program resources, from undisbursed available balances of the loans identified in the [ARL](#), or a combination of both. In the case of [ARL](#) resources, the loan(s) in question and the respective amount to be used shall be identified; and (ii) that any of the circumstances described in the Article of the General Conditions of the loan contract corresponding to Suspension of Disbursements has not materialized. These contractual conditions were set for the execution of CCF loans with COVID-19 coverage in the Operational Guidelines approved by the Bank in 2020 (GN-2999-6) and are consistent with the temporary provisions for COVID-19 (GN-2999-4 y GN-2999-7).
- 3.5 Each disbursement under this loan will be made in accordance with the financial terms and conditions established in the loan contract (SU-O0005) and the amendatory contract, regardless of whether the resources come entirely or partially from the loans included in the [ARL](#) or the regular lending program.
- 3.6 **Eligible expenditures.** Loan proceeds may be used to finance extraordinary public expenditures incurred during the COVID-19 public health emergency. The types of eligible expenditures will comply with the requirements established in document GN-2999-4 (paragraph 4.20 c) and document GN-2999-6 (paragraph 2.23), namely: (i) they are not explicitly among the expenditures on the negative list included in the loan contract; (ii) they are legal under the laws of Suriname; (iii) they are included in the Prioritized Expense List agreed between the borrower and the Bank, which should be consistent with the WHO Operational Planning Guidelines to Support Country Preparedness and Response; (iv) they are effectively incurred and paid by the borrower from six months prior to the approval date of the Modification of the Facility Contingent Loan by the Bank's Board of Executive Directors up to May 31, 2022; (v) they have followed the procurement, payment and registration processes in accordance with the borrower's regulations; (vi) they have verifiable, documented, and clearly registered acquisitions and payments; (vii) they have been adequately dimensioned and priced; and (viii) they have been verified through a reasonable assurance audit. Examples of potential eligible expenditures are shown in the [Indicative List of Potential Eligible Expenses for the CCF Loans with COVID-19 Coverage](#) (OEL#8) prepared by the Bank. The most relevant potential

expenditures are those related to vaccination of the population and associated costs for storage facilities and medical consumables.

- 3.7 The Bank will recognize up to 100% of the cost of eligible expenditures effectively incurred and paid by the borrower from six months prior to the approval date of the Modification of the Facility Contingent Loan by the Bank's Board of Executive Directors up to May 31, 2022. In accordance with the Operational Guidelines for CCF loan with COVID-19 coverage (GN-2999-6), the Bank will recognize eligible expenses financed exclusively with the borrower's own resources and will not recognize those expenditures financed directly with resources from other Bank's operations and/or other financing entities such as international cooperation agencies or multilateral development banks. In all procurement related matters, this operation will be governed by the provisions set forth in the policy document of the CCF (GN-2999-4). The borrower will use its national laws on the procurement of goods and the contracting of works and services applicable to extraordinary fiscal expenditures in cases of public health emergencies (see Annex III).
- 3.8 **Reasonable assurance audit.** After the disbursement of loan resources, the Bank will require an independent verification of the expenses financed by the project, conducted by a reasonable assurance audit firm, acceptable to the Bank, to assess the compliance with the criteria for expenditure eligibility set in the Loan Agreement and [Annex IV of the OR](#). The EA will be responsible to carry out this activity and initially bear the costs of hiring an audit firm if necessary, in accordance with the Operational Guidelines for CCF loan with COVID-19 coverage (GN-2999-6). The costs associated with hiring the auditing firm are eligible for loan financing. The hiring of the audit firm should be carried out within 45 days after the first disbursement of the CCF loan and the contracting process will follow IDB procurement policy. The auditing firm must produce a final reasonable assurance report to the borrower no later than August 31, 2022.
- 3.9 **Rationale for using resources.** The borrower, through the MOF, will substantiate the use of disbursed resources through a Consolidated Report on the Adequate Use of Resources, to be submitted to the Bank no later than August 31, 2022. Such report must be accompanied by the final report of the reasonable assurance audit firm.
- 3.10 Once the Consolidated Report on the Adequate Use of Resources has been presented, and based on the final audit report, the Bank will determine the total amount of eligible expenditures. In the event that there are unjustified or ineligible expenses, the Bank may require the borrower to reimburse the amount found to be ineligible for financing.

B. Summary of arrangements for monitoring results of the COVID-19 coverage

- 3.11 **Monitoring and evaluation.** For the monitoring and evaluation of the COVID-19 coverage, the project will use the existing monitoring tools of CCF operations, as established in the operational provisions for the COVID-19 outbreak approved by the Bank's Board of Executive Directors (GN-2999) and in accordance with the Operational Guidelines approved by the Bank in 2020 (GN-2999-6, ¶2.28 y ¶3.2). These tools are the Results Matrix (Annex II) and the [Monitoring and Evaluation Plan](#) (REL#1), which include a set of

impact, outcome, and output indicators for the regular monitoring of the execution of loan resources for the COVID-19 public health emergency. Given the nature of the CCF, and as indicated in the [Monitoring and Evaluation Plan](#) (REL#1), the most appropriate evaluation methodology for the COVID-19 coverage is an ex post, cost-effective analysis. The evaluation would focus mainly on assessing whether the financing conditions of the resources provided by the Bank are efficient for the country.

IV. RECOMMENDATION

- 4.1 Based on the evidence and documentation presented by the borrower, together with the analysis described in the previous sections, Management recommends that, in accordance with the provisions of the Operations Management Manual (Substantial and Fundamental Changes to Operations), Section B, number 5, the provisions of paragraph 3.29, subsection (c) of the Regulations of the Board of Executive Directors of the Inter-American Development Bank, Version approved on March 30, 2020 (DR-398-19), and paragraph 6 From the List of Issues that the Board of Directors May Consider by Short Procedure: Update (CS-3953-4), the Board of Executive Directors approves by short procedure the modifications proposed in this document.

Development Effectiveness Matrix		
Summary		SU-O0005
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality	
Country Development Results Indicators	-Beneficiaries receiving health services (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		The project provides financing to cover extraordinary public expenses during the emergency response phase due to COVID-19. See Modification Proposal, paragraphs 1.8, 1.23 - 1.25.
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		2.2
4.2 Identified and Quantified Benefits and Costs		3.3
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.2
4.5 Consistency with results matrix		1.4
5. Monitoring and Evaluation		8.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, External Control. Procurement: Information System, Price Comparison, Contracting Individual Consultant.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Note: This operation is a modification of the Contingent Loan for Natural Disaster Emergencies, SU-O0005, that expands coverage to include the emergency response to COVID-19, which allows the Government of the Republic of Suriname to have up to US\$5.5 million to cover extraordinary public expenses directed to the immediate public health response. With respect to this expansion, the general objective of the project is to contribute to strengthen the country's immediate public health response to the COVID-19 emergency. The specific objective corresponding to the COVID-19 coverage is to increase the country's availability and efficiency of financing to cover extraordinary public expenditures related to the health emergency.

The modification proposal presents a solid diagnosis of the problem, as well as a review of the international evidence. The proposed solution is an adequate response to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of results and impacts. Outcome indicators are adequately defined to measure the achievement of the project's specific objective. The impact indicators reflect the contribution to the final health objective ("Strategic areas of interventions, as per WHO guidelines, financed as part of the Comprehensive National Preparedness and Response Plan for COVID-19 (CNPRP)" and "Public expenditures executed for the implementation of the CNPRP") of the operation.

The project has an ex ante cost-effectiveness analysis and a monitoring and evaluation plan in line with DEM guidelines and the characteristics of contingent loans. The economic analysis shows that the operation is efficient with a Net Present Value of the project that is 37.3% of the cost of the most probable alternative, which makes it a more efficient option. The monitoring and evaluation plan proposes a reflexive evaluation (before and after), to evaluate improvements in the impact and result indicators, which is complemented with an ex post cost-effectiveness analysis.

RESULTS MATRIX

COVID-19 COVERAGE

Project Objective:	<p>The general objective of the proposed modification of the operation is expanded to contribute to strengthen the country's immediate public health response to the COVID-19 emergency.</p> <p>The specific objective corresponding to the COVID-19 coverage is to increase the country's availability and efficiency of financing to cover extraordinary public expenditures related to the health emergency.</p>
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EXPECTED IMPACT

Indicators	Unit of Measure	Baseline		Year 1	End of Project	Source/Mean of Verification	Observations
		Value	Year				
General objective: Contribute to strengthen the country's immediate public health response to the COVID-19 emergency.							
Strategic areas of interventions, as per WHO guidelines, financed as part of the Comprehensive National Preparedness and Response Plan for COVID-19 (CNPRP) . ¹	Number	4 ²	2020	5	At least 5	Ministry of Finance (MOF) Ministry of Health (MOH)	These strategic areas refer to eight pillars suggested by the WHO: (i) country-level coordination, planning, and monitoring; (ii) risk communication and community engagement; (iii) surveillance, rapid response teams, and case investigation; (iv) points of entry; (v) national laboratories; (vi) infection prevention and control; (vii) case management; and (viii) operational support and logistics.
Public expenditures executed for the implementation of the CNPRP .	US\$ million	17 ³	2020	22.5	22.5	MOF MOH	Public expenditures executed for the implementation of the country's CNPRP , as per WHO guidelines.

¹ Given the nature of the CCF, the prioritized expense list and the specific activities financed with loan resources will be determined during execution. As part of the project's monitoring and reporting, information about the use of disbursed resources will be gathered for each strategic pillar financed by the CCF loan as part of the immediate health response to the COVID-19 emergency, including the number of beneficiaries receiving health services financed by loan resources.

² It is assumed that with limited resources available, and no additional sources of financing, the country would focus expenses in national laboratories, surveillance activities, infection prevention and control, and case management, while not being able to fully finance and implement the other strategic areas included in the SPRP.

³ Public expenditures incurred by the government in 2020 (US\$13 million) and expected to be spent in 2021 (US\$4 million), according to the most recent information about sources of financing and budget estimation by the MOH, without the CCF COVID-19 financial coverage.

EXPECTED OUTCOMES

Indicators	Unit of Measure	Baseline		Year 1	End of Project	Source/ Means of Verification	Observations
		Value	Year				
Specific objective: Increase the country's availability and efficiency of financing to cover extraordinary public expenditures related to the COVID-19 health emergency							
Indicator 1: Availability: Increase in the country's total financial resources to cover extraordinary public expenditures for immediate public health response to the COVID-19 pandemic.							
Amount of total financial coverage available to the country to address the COVID-19 public health emergency response.	US\$ million	17 ⁴	2020	22.5	22.5	MOF	The indicator shows the total amount of financing available to the country to address emergency expenses caused by COVID-19 pandemic. This amount includes the financing provided by the CCF and other resources of financing for the COVID-19 public health emergency response, that is country's budget resources and donations.
Indicator 2: Financial cost: Available financial coverage is efficient in terms of financing cost.							
The spread over LIBOR for the IDB loan compared to the spread for Suriname's long-term sovereign external commercial debt.	Basis points	813 ⁵	2020	Differential spreads	Greater than or equal to 411	IDB Finance Department	The financial cost of the IDB loan compared to the financial cost of Suriname's long-term sovereign external commercial debt will be monitored.
Indicator 3: Speed of access: Available coverage is efficient in terms of how quickly the country can access to the resources to cover the potential emergency needs.							
Speed of access to resources.	Days	50 ⁶	2020	30	At most 30	IDB Finance Department	The indicator will measure the number of days between the activation of the coverage (date the country fulfills the contractual conditions for general eligibility to request disbursements) and the value date of the first disbursement.

⁴ This amount corresponds to existing financing for the country prior to the approval of the proposed operation.

⁵ See [Analysis of Economic Viability](#).

⁶ The baseline consists of the average time that regular IDB investment loans with Suriname required to make the effective first disbursement after activating the coverage (fulfilling the contractual condition for general eligibility to request disbursements).

OUTPUT

Indicator	Unit of Measure	Baseline	Year 1	End of Project
<u>Single Component:</u> Bank's financing to cover extraordinary public expenses that arise in the emergency caused by COVID-19 pandemic.				
Financial coverage available provided for the CCF Loan.	US\$ Millions	0	5.5	5.5

Country: Suriname

Sector: IFD/CMF and SCL/SPH

Project No.: SU-O0005

Year: 2021

Fiduciary Agreements and Requirements (CCF-COVID-19)

Executing Agency: Ministry of Finance (MOF)

Project Name: Contingent Loan for Natural Disaster Emergencies. Modification to Loan Contract SU-O0005 to Include the COVID-19 Coverage

I. Executing Agency Fiduciary Context

1. Use of Approved National Systems in the Project

<u>Budget</u> <input checked="" type="checkbox"/>	<u>Reports</u> <input type="checkbox"/>	<u>Accounting</u> <input type="checkbox"/>	<u>Information Systems</u> <input type="checkbox"/>
<u>Treasury</u> <input checked="" type="checkbox"/>	<u>Internal Audit</u> <input type="checkbox"/>	<u>External Controls</u> <input checked="" type="checkbox"/>	

Applicable national laws

The Budget Law and Budget Regulations Law 2019 is the main legal framework that governs the Public Financial Management in Suriname. The borrower will use its national laws on the procurement of goods and the contracting of works and services applicable to extraordinary fiscal expenditures in cases of public health emergencies. The legal fundament to procurement is found in the Government Accounts Act (*Comptabiliteitswet*) of 1952 and by-laws for procedures based on Decree's no.106 of 2011 (*Staatsbesluit*). This refers to the Regulation for Procurement of Works (*Vaststelling van Aanbestedingsreglement voor Werken in Suriname* - AWS 1996) and the Conditions for the Implementation of Works in Suriname (*Uitvoeringsvoorwaarden voor Werken in Suriname* - UWS 1996).

2. Executing Agency Fiduciary Capacity

The Ministry of Finance (MOF) as executing agency has experience working with the Bank. Currently the MOF is executing the loan [4112/OC-SU](#): Fiscal Strengthening to Support Economic Growth Program. The MOF will coordinate closely with the Ministry of Health (MOH), which is executing loan [4593/OC-SU](#): Health Services Improvement Project. Given the Bank's ongoing experience working with these ministries and having regard to the fiduciary assessment ICAS done for both Ministries (which deemed the fiduciary risk as medium), the Bank considers there will be adequate capacity to undertake the scope of this CCF program in keeping with the mitigation measures proposed. Notwithstanding, the Bank will directly support any additional capacity needs of the program to ensure its efficient execution.

3. Fiduciary Risk and Mitigation Actions

Fiduciary Risk: High ☐; Medium ☒; Low ☐

Risk	Risk level	Mitigation Plan
Due to challenges in the financial/accounting and reporting systems, there is a medium-high internal processes risk of insufficient information on expenses or supporting documentation that prevent certain expenditures financed by the loan from	Medium-high	<ol style="list-style-type: none"> 1. Direct technical support to the MOF to strengthen their executing capacity, including procurement, accounting, and financial reporting. 2. Require an independent verification of the expenses financed by the project,

Risk	Risk level	Mitigation Plan
meeting the contractually stipulated eligibility criteria, including their proper identification, which would prevent the Bank from accepting them.		conducted by a reasonable assurance audit firm.
There is a medium-high goods and services risk due to limitations regarding the national procurement systems in Suriname ¹ , that could cause delays in the overall execution of the procurement processes and their integrity.	Medium-high	<ol style="list-style-type: none"> 1. Hiring of an international/national procurement specialist or agency by the MOF to support or carry out the procurement processes, whereby the consultant also provides guidance in public procurement to mitigate integrity risks and reputational impact; as well as ensure that the types of eligible expenditures comply with the requirements established in documents GN-2999-4, GN-2999-6 and GN-2999-7. 2. Coordinate closely with the MOF, responsible for overseeing procurement activities, and processing internal approvals, including channeling award of contracts through the appropriate government bodies that are required to approve contract awards in accordance with the thresholds established in the National Procurement Regulations.

II. Aspects to Be Considered in the Special Conditions of the Contract

Special Contractual Conditions for General Eligibility to Request Disbursements for the COVID-19 Coverage: The Bank has issued its non-objection to the terms of reference for contracting the auditing firm that will carry out the independent verification of the use of disbursed resources.
Exchange Rate for Justification of Expenses. For the purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable rate shall be indicated in subsection [(b) (ii)] of said Article. For the purpose of determining the equivalence of expenses incurred in Local Currency from the Local Contribution or the reimbursement of expenses from the loan, the agreed exchange rate shall be the exchange rate prevailing on the date of payment at which the Borrower, the Executing Agency or any another natural or legal person to whom the power to make expenses has been delegated, makes the respective payments in favor of the contractor, supplier or beneficiary established by the Central Bank of Suriname, for operations to purchase US Dollars.
Audit Report. The Borrower, through the Executing Agency, shall submit to the Bank, no later than August 31, 2022 a Final Reasonable Assurance Report issued by the independent auditing firm eligible to the Bank, contracted in accordance with the terms of reference previously agreed with the Bank.

¹ Public expenditure financial accountability methodology report (2018). The procurement legal framework is characterized by an absence of: (a) a comprehensive piece of legislation covering procurement; (b) a clear lead agency responsible for directing procurement policy; (c) an oversight mechanism; and (d) trained, competent procurement personnel and no program to develop this capacity.

III. Arrangements and Requirements for the Procurement Execution

Exceptions to policies and guides

None

Expenses Incurred Before the Commencement of the Contract	The Bank will recognize up to 100% of the cost of eligible expenditures effectively incurred and paid by the Borrower from six months prior to the approval date of the Modification of the Facility Contingent Loan by the Bank's Board of Executive Directors up to May 31, 2022. In accordance with the Operational Guidelines for CCF loan with COVID-19 coverage (GN-2999-6), the Bank will recognize eligible expenses financed exclusively with the borrower's own resources and will not recognize those expenditures financed directly with resources from other Bank's operations and/or other financing entities such as international cooperation agencies or multilateral development banks. In all procurement related matters, this operation will be governed by the provisions set forth in the policy document of the CCF (GN-2999-4).
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Operating Expenses: <input type="checkbox"/>
Does not apply.
Domestic Preference: <input type="checkbox"/>
Does not apply.

<p>General Project Supervision Method in Procurement. Consistent with the provisions established in the CCF policy document, the acquisition of goods, works and services financed by CCF operations with COVID-19 coverage will be subject to the Borrower's own rules and regulations on the acquisition of goods, works and emergency services, as dictated by applicable local laws and regulations.</p> <p>The MOF will hire an International/National procurement specialist or agency to support or carry out the procurement processes, whereby the consultant also provides guidance in public procurement to mitigate integrity risks and reputational impact; as well as ensure that the types of eligible expenditures comply with the requirements established in documents GN-2999-4, GN-2999-6 and GN-2999-7. The costs associated with hiring the specialist or agency are eligible for loan financing and the terms of reference must be agreed with the Bank.</p>	
Supervision Method: Ex post.	For: Verification of Procurement Processes and Contracting.

IV. Arrangements and Requirements for the Financial Management

Programming and Budget	<ul style="list-style-type: none"> The Borrower has committed to allocate a dedicated budget line, for each fiscal year of program execution with sufficient fiscal space to guarantee the unrestricted execution of the CCF loan.
Treasury and Disbursement Management	<ul style="list-style-type: none"> Disbursement Methods. Manual processing of Disbursement Requests is currently in effect for Suriname. The Executing Agency, through the MOF, may submit disbursement requests under the following modalities: (i) advances of funds to finance future eligible expenses up to a limit of 35% of total approved coverage; (ii) reimbursements of expenses to the Borrower for payments made with its own resources for eligible expenses incurred and paid by the Borrower from six months prior to the approval date of the Modification of the Facility

	<p>Contingent Loan by the Bank’s Board of Executive Directors up to May 31, 2022, up to 100% of the total approved coverage. Expenses presented for reimbursements must fall within the approved Prioritized List of Expenses. The Borrower’s own resources shall exclude expenditure from other Bank-financed operations or of other multilateral financing entity; and (iii) direct payments made by the Bank to third parties on behalf of and at the request of the Borrower, for amounts agreed between the Borrower and the Bank. This modality will be restricted to transactions that are substantial in nature.</p> <ul style="list-style-type: none"> • Designated Account. The MOF agrees to establish 2 (two) Special Accounts at the Central Bank of Suriname, one denominated in US Dollars and Surinamese Dollars. These accounts will have exclusive use to cover for program expenditures. • Justification of the Fund Advance. In order for the Borrower to request a new advance of funds, it must justify to the Bank at least 70% of the total accumulated balances of unjustified advances outstanding. This threshold is justified given the various uncertainties with the global supply chain for medical supplies including Protective Personal Equipment (PPE). Additionally, given the relative price setting position of suppliers in this market, greater flexibility is considered necessary to improve the possibility for an optimal outcome for the Borrower, a developing country whose purchasing power, relative to that of larger nations, does not command more favorable terms. • Eligibility of Expenses. Eligible expenditures effectively incurred and paid by the Borrower from six months prior to the approval date of the Modification of the Facility Contingent Loan by the Bank’s Board of Executive Directors up to May 31, 2022. • Projection of Prioritized Expenses. The Borrower will submit to the Bank a projection of financial need and eligible expenses prioritized in accordance with the amount of advance requested and based on the cash flow model provided by the Bank. The Bank will conduct a preliminary review of the information provided, in accordance with the applicability criteria in relation to the Prioritized Expenses List, and in proportionality to the allocation of resources requested. Where necessary, the Bank will propose modifications to the Borrower.
<p>Accounting, Information Systems, and Reports</p>	<ul style="list-style-type: none"> • Specific Accounting Norms. International Financial Reporting Standards (IFRS). • Accounting Reports. The Executing Agency will utilize the off the shelf accounting and financial management software QuickBooks currently used for the accounting and financial reporting in all programs. Financial reporting of the program will be prepared based on IDB rules given that the PFM reform is still in process. The MOF will maintain all financial and administrative records of the program. • Accounting Method and Currency. Cash basis and US Dollars. • Documentation and Recording of Expenses. Financial transactions for which COVID-19 funding is being requested shall be duly recorded so as to guarantee that they have not been or will not be presented by the Borrower to receive financing from other Bank operations and/or to other multilateral financing bodies. • Statements of Expenses. The Borrower shall, prior to the request for reimbursement, submit to the Bank a Statement of Expenses for eligible

	<p>payments made corresponding to the amount requested, and based on the reporting model that will be provided by the Bank. Items included in the Statement of Expenses should be sufficiently detailed to allow the Bank to discern the expenses incurred and, facilitate the audit of expenses that will be conducted by the AOG.</p> <ul style="list-style-type: none"> • Declaration of Expenses Financed with Own Resources. The Borrower will include in the request for reimbursement, a declaration letter signed by the Executing Agency, expressly indicating that the expenses to be reimbursed by the Bank were financed exclusively with its own resources.
External Controls	<ul style="list-style-type: none"> • Audit Report. A Reasonable Assurance Report will be requested from the Borrower. The Borrower shall contract the services of an independent audit firm eligible to the Bank to carry out independent verification of the use of resources. The selected firm shall express a conclusion, with a reasonable level of assurance, as to whether the expenses submitted by the Borrower sufficiently comply with the policies, procedures, characteristics, records and supporting documents, in order to be declared eligible in accordance with the provisions of the Loan Agreement and applicable policies. • Terms of Reference (TOR). The Borrower and the Bank will agree on the terms of reference for the Reasonable Assurance Engagement. The TOR and the associated Bank's no objection will constitute a condition prior to eligibility to request disbursements. The costs associated with hiring the independent audit firm are eligible for loan financing and the contracting process will follow IDB procurement policy. • Deadline for Contracting. The Borrower will finalize the contracting of the audit no later than forty-five (45) days after the first disbursement. • Final Report. The independent audit firm will issue the Final Assurance Report on the justification of the use of the resources no later than August 31, 2022. It is mandatory that the Borrower includes the Assurance Report as part of the final justification of the use of resources to be presented to the Bank.
Financial Supervision of the Project	<ul style="list-style-type: none"> • Mindful of the nature and purpose of the operation in responding to an emergency and of its short execution period, the financial supervision will focus on assessing compliance with the financial contractual conditions of the loan; supporting to the Assurance Review Process; reviewing of disbursement requests; and contributing to the development of the Project Completion Report (PCR).

V. Information Relevant to the Operation

Policies and guides applicable to the operation

Financial Management	Procurement
<ul style="list-style-type: none"> • OP-2011-1 • GN-2999-4 • OP-273-12 	<ul style="list-style-type: none"> • OP-2011-1 • GN-2999-4

Records and archives

To complement the national records, the Executing Agency will ensure measures are implemented to allow retention of program records in keeping with the Loan Agreement.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Suriname. Contingent Loan for Natural Disaster Emergencies SU-O0005
(Amendment to Loan Contract SU-O0005 to Include
the COVID-19 Coverage)

The Board of Executive Directors

RESOLVES:

1. To approve the amendment of Contingent Loan Contract for Natural Disaster Emergencies SU-O0005 in order to include the COVID-19 pandemic outbreak within the coverage of the Loan, in accordance with the terms and conditions described in Document PR-4667-__.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to enter into such contract or contracts as may be necessary with the Republic of Suriname, as borrower, to amend Contingent Loan Contract for Natural Disaster Emergencies SU-O0005 for the purpose described in this Resolution.

(Adopted on ____ 2021)