

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

FOREIGN INVESTMENT AND EXPORT PROMOTION PROGRAM

(SU-L1056)

LOAN PROPOSAL

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(*) At the request of the borrowing country, the information contained in this electronic link is confidential in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy (document GN-1831-28).

ABBREVIATIONS	
ARR	Accounting and reporting requirements
ASFA	Suriname Manufacturers Association
AOP	Annual Operation Plan
CARICOM	Caribbean Community
CBoS	Central Bank of Suriname
CEI-RD	Export and Investment Centre of the Dominican Republic
CEO	Chief Executive Officer
CINDE	Costa Rica Investment Promotion Agency
CLAD	Central Government Accounting Agency
CRM	Customer Relationship Management
EA	Executing Agency
ECLAC	Economic Commission for Latin America and the Caribbean
EIP	Export Initiation Program
EIU	Economist Intelligence Unit
EPA	Export promotion agency
FDI	Foreign Direct Investment
FM	Financial Management
GBS	General Bureau of Statistics
GDP	Gross Domestic Product
GoS	Government of Suriname
ICEX	Spanish agency for Export and Investment
ICT	Information and Communication Technology
IDA	Invest in Ireland
IDB	Inter-American Development Bank
IDCS	Investment Development Corporation of Suriname
INT/INT	Integration and Trade Sector
IPA	Investment Promotion Agency
IRR	Internal Rate of Return
JAMPRO	Jamaica Promotions Corporation
M	Millions
M&E	Monitoring and Evaluation
MNE	Multinational Enterprise
MoF	Ministry of Finance-Suriname
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
NCB	National Competitive Bidding
NPV	Net Present Value
LAC	Latin-America and the Caribbean
OSS	One Stop Shop
PACI	Institutional Capacity Assessment Tool
PEFA	Public Expenditure Financial Accountability
PFMS	Public Financial Management Systems
PEU	Program Executing Unit

ABBREVIATIONS	
PEP	Pluriannual Execution Plan
POD	Proposal for Operation Development
POM	Program Operating Manual
PP	Procurement Plan
PRM	Procurement Responsibilities Financial
PSC	Program Steering Committee
RDB	Rwanda Development Board
SB	InvestSur Supervisory Board
SBD	Standard Bidding Documents
SBF	Suriname Business Forum
SCI	Internal Control System
SME	Small and Medium Enterprises
TI	Trade and Investment
TIPO	Trade and Investment Promotion Organization
UNCTAD	United Nations Conference on Trade and Development
VSB	Suriname Trade and Industry Association

PROJECT SUMMARY
SURINAME
FOREIGN INVESTMENT AND EXPORT PROMOTION PROGRAM
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Financial Terms and Conditions				
Borrower			Flexible Financing Facility ^(a)	
Republic of Suriname			Amortization Period:	25 Years
Executing Agency			Disbursement Period:	5 Years
Ministry of Finance			Grace Period:	5.5 Years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR Based
IDB (Ordinary Capital) ^(d) :	10,000,000	100	Credit Fee:	(c)
			Inspection and supervision fee:	(c)
Total:	10,000,000	100	Weighted Average Life (WAL):	15.25 years
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
Project Objective/Description: to promote Foreign Direct Investment (FDI) inflows and exports through the operationalization of InvestSur. The specific objectives are to: (i) attract FDI greenfield and expansion projects to Suriname; (ii) strengthen the capacity of both current exporters -to expand their export volumes, particularly those operating in non-extractive industries and services- and potential exporters who will export for the first time; and (iii) promote linkages between local and foreign companies.				
Special Contractual Clauses prior to the first disbursement of the financing: The Government of Suriname (GoS) shall provide evidence that: (i) the establishment of the Program Executing Unit (PEU) and the appointment of the Program Manager; (ii) the approval of the Program Operating Manual (POM) by the Executing Agency (EA) to the satisfaction of the Bank; and (iii) the issuance of a missive by the Council of Ministers: (a) reinforcing InvestSur as the one single point of contact for investors in Suriname; and (b) mandating the T&I related institutions to collaborate with InvestSur ¶3.6.				
Exceptions to Bank Policies: None				
Strategic Alignment				
Challenges^(e):	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
Cross-Cutting Themes^(f):	GD	<input checked="" type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors (See ¶2.2).

^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 In recent years, Suriname's small open economy has experienced significant economic shocks. Suriname is the smallest country in South America, with a population size of around 549,657.¹ From 2003 to 2013, Suriname's real Gross Domestic Product (GDP) grew at an annual average rate of 4.7%, the fastest in the Caribbean Community (CARICOM), benefitting from favorable export prices for its commodities.² However, at the beginning of 2014, Suriname suffered a triple economic shock, as gold prices declined by 30% and oil plummeted by 56% relative³ to 2012, while bauxite mining was nearly exhausted.⁴ Consequently, Suriname recorded the second largest economic decline in real GDP growth -4.5% (in the period 2015-2016) in Latin-America and the Caribbean (LAC). In the same period, the current account balance moved from a small surplus to the third largest current account deficit in LAC with an average deficit of 10.5% of GDP.⁵ Between 2014 and 2016, exports fell by almost 50%⁶ and government revenue from mining fell from GDP 4.9%⁷ to 3.1%,⁸ draining foreign reserves. In 2017, GDP-per-capita had been reduced to US\$5,900 from an historic peak of US\$9,500 in 2014.⁹
- 1.2 The country's highly concentrated exports reflect its high dependency on non-renewable natural resources and traditional commodities.¹⁰ The extraction and processing of abundant gold, oil, and bauxite resources have historically accounted directly for around 6.6% of GDP and around 90% of exports. In 2017 alone, gold accounted for 73% of total exports.¹¹ Economic activity in other sectors also tends to be linked to extractives –the services sector accounts for nearly 60% of the economy and is dominated by construction, retail, trade, and transport activities that are closely linked to income earned from extractives. At the same time, banana exports have been impacted by the reduction of preferential market access to the European Union. Food exports, as a share of total merchandise exports, decreased from 23.2% in 1996 to 12.5% in 2017 and food imports, as a share of total merchandise imports, increased from 9.7% in 2006 to 16.7% in 2017.¹² In terms of external trade, large Multinational Enterprises (MNEs) dominate export volumes, as barriers and inefficiencies in the business environment disproportionately affect Small and Medium sized Enterprises (SMEs) in their

¹ GBS, 2012.

² Gold, refined petroleum, rough wood, bananas and rice. MIT, 2018 (<https://atlas.media.mit.edu/en/profile/country/sur/>).

³ Jeetendra Khadan, 2017.

⁴ After a century of bauxite and alumina production, accessible reserves have been exhausted in the south of the country. Economic Commission for Latin America and the Caribbean, 2013.

⁵ Jeetendra Khadan, 2017.

⁶ Economic Commission for Latin America and the Caribbean, 2017.

⁷ MoF, 2018.

⁸ Ibid.

⁹ [World Bank Data](#), 2018.

¹⁰ Non-renewable natural resources: gold, bauxite and oil. World Bank Group. [Suriname Sector Competitiveness Analysis](#), 2017.

¹¹ Customs of Suriname, 2017.

¹² [World Data Atlas](#), 2018.

capacity to grow and internationalize.¹³ Of the total number of firms in Suriname (12,475),¹⁴ roughly 814 (6.5% of total) exported goods in 2017 comprising of less than 5.3% of their total output.¹⁵ The ratio of exporting firms to total firms is far lower than in other smaller Caribbean countries such as Antigua and Barbuda (26.5%) and St. Vincent and the Grenadines (24%).¹⁶ In general, local firms are smaller, export less, and have higher rates of single ownership than the rest of the region,¹⁷ while being strongly dependent on imported goods and raw materials.

- 1.3 Market and firm concentration in the mining sector creates low value-added Foreign Direct Investment (FDI). Net FDI attraction was negative from 2000 to 2016¹⁸ reaching US\$163.3 million in 2017¹⁹ with an average FDI per capita of US\$18.57 (2006-2016).²⁰ This compares to US\$236.44 in Jamaica and US\$311.66 in Belize. This negative FDI is mostly due to large initial inflows of investment matched by significant outflows in the gold sector. Approximately 57% of FDI is in the mining sector, which has few links with the rest of the economy,²¹ and in gold specifically (29%).²² Natural resource investments tend to be less sensitive to investment climate variables²³ which explains why Suriname has been successful in attracting extractive industries MNEs, despite its less competitive business climate. However, relying solely on resource-seeking FDI creates significant risk for governments who will be unprepared when resources are depleting.
- 1.4 Additionally, value linkages from FDI with local firms are limited. Small family firms²⁴ mainly predominate engaged in non-tradable services (construction, retail, trade, transportation, and hospitality). These small firms import goods and sell financial or other non-tradable services to the government. The larger multinationals in the extractive sector (mining and oil)²⁵ contribute little to domestic employment²⁶ and to the rest of the economy.^{27,28} MNEs operating in Suriname have mostly developed under an enclave-model²⁹ with limited linkages to local SMEs and the community.

¹³ The macroeconomic environment and the cost of finance impact over 30% of Suriname enterprises. PROTEqIN Survey 2014.

¹⁴ Local and foreign-including multinationals and SMEs. GBS, 2015.

¹⁵ Customs of Suriname, 2018.

¹⁶ Compete Caribbean, [Suriname Enterprise Survey](#), 2011.

¹⁷ IDB Country Strategy with the Republic of Suriname, 2016-2020.

¹⁸ Ibid.

¹⁹ United Nations Conference on Trade and Development (UNCTAD) Stat, FDI: Inward and outward flows and stock, 2018.

²⁰ [UNCTAD Stat](#), 2017.

²¹ Caribbean Development Bank, Country Strategy Paper, Suriname, 2014-2018.

²² Central Bank of Suriname, Balance of Payments, 2017.

²³ These are investment incentives, promotion, FDI, regulations and administrative processes. [Dunning and Lundan](#), 2008.

²⁴ There are around 200 large private companies with more than 100 employees. Around 70% are family owned. SBF, 2013.

²⁵ Main multinationals are Newmont, Rosebel Gold Mines, IAMGOLD, Kaloti PrMetals, Apache Corporation, Kosmos Energy, Murphy Oil, Inpex, Tullow Oil and Statoil. US State Department, 2017.

²⁶ IDB, CDC, Suriname, 2014-2018.

²⁷ Caribbean Development Bank, 2014-2018.

²⁸ MNEs can provide positive spillovers to domestic firms which would help them to upgrade their technical standards. See Reyes, 2017.

²⁹ An economic system in which an export-based industry dominated by international capital extracts resources /products from another country. [Singer](#), 1950.

- 1.5 **Exports and FDI can be beneficial for economic growth.**³⁰ Openness to trade can foster growth by making it easier to import goods that embody new technology, by reaping economies of scale, and by facilitating the process commonly known as learning by doing through exporting, among other channels.³¹ Furthermore, deeper participation in global value chains facilitates access to international flows of knowledge and technology, and thus increases the potential for productivity improvements in local firms.³² Foreign sales are more likely to lead to economic growth if they mainly involve manufactured or skill-intensive goods or if the composition of their exports is closer to that of higher-income countries.³³ Several studies present evidence of export spillovers associated with employee turnover³⁴ and spatial agglomeration.³⁵ There is also a strong interaction between FDI and trade in achieving economic growth.³⁶ Empirical evidence has shown that a US\$1 increase in FDI leads to an additional US\$1 in domestic investment, while one job created through FDI leads to 1-2 generated domestically.³⁷ In addition, each US\$1.00 of outward foreign direct investment is associated with US\$2.00 of additional exports, and a trade surplus of US\$1.70.³⁸ FDI is more export-intensive than domestic investment, as it contributes to enhanced export market access through linkages with international production/service networks.³⁹ Further, policies aimed at attracting FDI inflows offer a potential recipe for upgrading export structure in developing countries.⁴⁰ Moreover, FDI in non-extractive industries, enhances the workforce and helps generate value-added services, supports businesses to become more competitive, and helps diversification into global markets.⁴¹
- 1.6 However, in Suriname, trade and investment (TI) are hindered by important information asymmetries and complex processes. In general, country image, brand awareness, and perceptions are major factors influencing the location of FDI.⁴² When companies decide where to locate, the information base of foreign companies is often imperfect, and the decision-making process can be subjective and biased.⁴³ The implication is that most companies consider only a small range of potential locations and many countries are not even on their map.⁴⁴ In the case of Suriname, there is a low perception of the country as an investment destination,⁴⁵ while countries such as [Costa Rica](#), [Peru](#), [Chile](#), or [El Salvador](#) have developed pro-business country brands. These increase the likelihood of attracting talent, foreign investment, tourism and boosting the country's political and cultural

³⁰ Brainard and Cooper, 1968; Frankel and Romer, 1999.

³¹ Harrison and Rodríguez-Clare, 2010.

³² [Blyde](#), 2014.

³³ Hausmann, Hwang, and Rodrik, 2007.

³⁴ Mion and Oromolla, 2013.

³⁵ Koenig, Mayneris, and Poncet, 2010; Mayneris and Poncet, 2013.

³⁶ Makki and Somwaru, 2004.

³⁷ [Driffield and Hughes](#), 2003.

³⁸ Fontagné, 1999.

³⁹ [Alfaro](#), 2007.

⁴⁰ Harding and Javorcik, 2011.

⁴¹ Rob Maciel, 2015.

⁴² Loewendahl, 2001.

⁴³ World Investment Report. UNCTAD, 1999.

⁴⁴ [FDI, lessons of Experience](#), IFC, 1997.

⁴⁵ The top Google search for Suriname is "Where is Suriname?" See Country brand Suriname, Futurebrand, 2018.

influence.⁴⁶ Suriname lacks access to reliable business data to take decisions.⁴⁷ Internationally recognized national statistics used by foreign investors, exporters, and consultants are, mostly, not available online⁴⁸ and if accessible, encumbered by formatting barriers and dispersion of sources. Markets such as Jamaica and the Dominican Republic⁴⁹ have more robust economic and business data available to help potential investors evaluate market attractiveness, to drive investors' location decisions and to contribute to reduce market transaction costs. Also, most Surinamese laws establishing the legal framework for business date from Dutch colonial times, which has led to informal workarounds that create room for differential interpretation and discretion.⁵⁰ The Government of Suriname (GoS) has made considerable progress passing recent legal reforms to ease the business registration, and conducting electronic transactions,⁵¹ but improved implementation is needed. The legal framework for investment also includes outdated investment policy practices.⁵²

- 1.7 This situation is aggravated by the lack of an appropriate institutional architecture for TI. In the history of Suriname, neither trade nor investment promotion institutions have had a clear mandate and effective interventions to guide investors, SMEs and exporters in the complex bureaucracy.⁵³ The past Investment Promotion Agencies (IPAs) and Trade & Investment Promotion Organizations (TIPOs) have lacked a dedicated budget, a proactive mandate, an institutional coordination role, clear competences and a professional team. Further, line ministries have historically responded individually to specific investor interests, negotiating investment deals on a case-by-case basis with guarantees that often require Parliamentary approval.⁵⁴ All these elements are key to identifying issues that constrain investment, provide quality services to investors and exporters and contribute to improving the business climate.⁵⁵ In 2002, InvestSur was created as the National IPA,⁵⁶ but was never operationalized due to national internal decisions. In 2012, the government established the Investment Development Corporation of Suriname (IDCS) to address privatizations and promote investment in the country, but despite being under the authority of the President's office, this institution also failed because, among others, of a lack of dedicated budget and a proactive mandate, ceasing operations in 2017.^{57,58} As a result, neither investors, nor exporters received the necessary support except through ad-hoc short-term and punctual programs.⁵⁹ Learning from past experiences, the GoS, through the Minister of Finance, has shown full commitment with internationalizing the economy, revalidating InvestSur as the National Investment Promotion Agency

⁴⁶ [Chile country brand](#), 2018.

⁴⁷ During the preparation of this operation, important gaps of data were identified by the team.

⁴⁸ [Open Data](#). Knoema, 2018.

⁴⁹ [Caribbean Open Institute](#), 2018.

⁵⁰ Suriname ranks 165/190 economies for its overall ease of Doing Business 2019 It takes 66 days and 93% of income per capita to start a new business (compared to 28.5 days and 37.8% of income per capita on average in LAC). [World Bank](#), 2018.

⁵¹ Several reforms are being directly supported by 3402/OC-SU.

⁵² Suriname Investment Law of 2001.

⁵³ [Best practices for TIPOs](#). 2018.

⁵⁴ Caribbean Export Development Agency, [Establishing of a TIPO in Suriname Final Report](#), 2016.

⁵⁵ OECD, 2017.

⁵⁶ Act of June 3, 2002, providing for the promotion of investments in Suriname (2001 Investment Act).

⁵⁷ [Legal Review InvestSur Act](#), Schurman, 2018.

⁵⁸ [Rationale behind Suriname's TIPO and lessons learnt from past experiences](#), 2018.

⁵⁹ From the Caribbean Development Bank, Compete Caribbean and the European Union.

through a recent 2017 State Decree.⁶⁰ This obliged line ministries to nominate a focal point to collaborate with InvestSur. InvestSur is currently operational, led by a Chief Executive Officer (CEO), supported by a very active public-private Supervisory Board,⁶¹ with adequate facilities⁶² and with financial resources allocated in the National Budget 2019.⁶³

- 1.8 Data collection is a challenge in Suriname, and currently available data is not disaggregated by gender. Most public institutions do not process and analyze the data collected due to a lack of resources and technical. While there is some limited data at the aggregate level, for the aggregate of current exporting, local and foreign firms, it is not disaggregated by gender which makes it difficult to identify women-owned firms and therefore analyze their needs and propose adequate interventions.⁶⁴
- 1.9 The percentage of female participation in top management and in firm ownership is low compared to the LAC regional average as well as for economies with similar income levels. Despite government efforts, 33% of the 233 companies interviewed for the 2018 Enterprise Survey showed any presence of female participation in comparison with a 50% in upper middle-income economies. And in terms of firms with a female top manager, Suriname is also below with 12%, versus 19% for the mentioned upper middle-income countries.⁶⁵ Through the operation, the collection of accurate and reliable data disaggregated by gender will be improved, which will facilitate a diagnostic to address gender disparities within the TI sector. Training and technical assistance to public institutions and private companies should be given in gathering such data by introducing methods and techniques for adequate gender data collection.
- 1.10 Countries around the world have designed and implemented a range of policies to favor the internationalization of their economies. These policies mainly take the form of promoting exports, attracting investment, and facilitating linkages between domestic producers and MNEs. The trend is toward integrating promotional activities (export, investment, business development, and even tourism in a few cases) into single organizations generally called TIPOs: the Republic of Korea's [KOTRA](#), Rwanda's [RBD](#),⁶⁶ and Jamaica's [JAMPRO](#). Export Promotion Agencies (EPAs) offer exporters training in export procedures, business negotiations and specialized counseling.⁶⁷ These activities are likely to reduce the fixed costs that firms incur when penetrating a new foreign market and address a market failure in the form of information externalities.⁶⁸ On the other hand, IPAs interventions are normally focused in national image-building, investment generation, servicing

⁶⁰ [State Decree of March 17](#), 2017 for the implementation of article 15 paragraph 2 of the 2001 Investment Act.

⁶¹ Formed by 9 members (5 belong to the public sector and 4 to the private sector).

⁶² InvestSur is located in the past IDCS office (Paramaribo).

⁶³ Letter issued by the MoF on November 13, 2018 committing to cover InvestSur staff, management and general operation costs.

⁶⁴ Situation Analysis of Woman and Men in Suriname, Ministry of Home Affairs, 2018.

⁶⁵ www.enterprisesurveys.org.

⁶⁶ Captured 47 FDI projects in 2016 (US\$541 million/US\$45.91/capita), representing 13.6% increase over 2015.

⁶⁷ Development in the Americas (DIA) series. [A World of Possibilities: Internationalization for Productive Development](#), 2014. IADB.

⁶⁸ Biesebroeck, Konings and Volpe, 2016.

policy advocacy and aftercare.⁶⁹ There are clear complementarities between both export and FDI interventions, for example, EPA's facilitate production linkages with multinational companies while IPA's attract foreign investors as well as foreign buyers and facilitate matchmaking with local suppliers.

- 1.11 Export and investment promotion services have been successful in attracting FDI projects and increasing exports in the intensive and extensive margins. Evidence from specific interventions in the region confirms this. In Peru, export promotion actions implemented by [PromPeru](#) were associated with higher exports, primarily along the extensive margin (i.e., the number of products exported, and countries served).⁷⁰ The [Costa Rica Provee Program](#) provided by the Costa Rica Export Promotion Agency ([PROCOMER](#)), links multinational companies to local suppliers. From 2001 to 2012, the program created 1,355 linkages between more than 400 local companies and 301 exporters, primarily multinational companies.⁷¹ Investing in promotion assistance has also significant important positive effects on the probability that multinational enterprises are present, establishing a first affiliate, and expanding their number of affiliates in the host country.⁷² Other TIPO's successful interventions are facilitation services, and interactive web page,⁷³ diaspora connection programs,⁷⁴ missions, overseas offices,⁷⁵ skills and talent services, one-stop shops platforms,⁷⁶ and boosting exports/access to markets programs.⁷⁷ Evidence shows, that programs are likely to be more effective -and probably encourage greater spillovers- when they bundle investment and export services. Joint services provide exporters with integrated assistance throughout the export development process, which is more effective than isolated support and predictably costlier. Hence, cost-benefit ratios should be computed and compared to decide on the allocation of a given budget across these support strategies.
- 1.12 **Justification.** Transforming and operationalizing InvestSur into a strong TIPO capable of promoting exports, attracting investment and contributing to economic diversification seems to be a natural conclusion based on the previous evidence and international best practices. Through an effective and professional agency, Suriname could maximize the untapped potential for investment attraction and export growth in a variety of value chains which would support economic diversification.⁷⁸ According to a recent competitiveness assessment⁷⁹ and a location benchmarking analysis,⁸⁰ the sector segments where Suriname has competitive strengths in short and medium term are: fruits and vegetables, cereals and animal feed, coconuts, pork, aquaculture, horticulture, tourism, cultural

⁶⁹ Harding and Javorcik, 2011. UNCTAD, 2007.

⁷⁰ Volpe and Carballo, 2010.

⁷¹ Paus and Gallagher, 2008; Monge-González, Rivera, and Rosales-Tijerino, 2010; MIF, 2010.

⁷² Volpe, Carballo and Blyde, 2018.

⁷³ Harding and Javorcik, 2013.

⁷⁴ Best practice: [Connect Ireland](#).

⁷⁵ Volpe and Sztajerowska, 2018.

⁷⁶ Providing investors with a unique portal to manage process to locate operations. Best practices are [Invest in Istanbul](#), and [Invest in Estonia](#).

⁷⁷ Best practices: [ICEXNext](#), and [Enterprise Ireland Export program](#).

⁷⁸ [Investment Opportunities in Suriname](#). IBM-PLI, 2018.

⁷⁹ World Bank Group. Suriname Sector Competitiveness Analysis. "[Identifying Opportunities and Constraints to Investment and Diversification in the Agribusiness and Extractives Sectors](#)", 2017.

⁸⁰ [Investment Opportunities in Suriname](#). IBM-PLI, 2018.

industries and Information and Communications Technology (ICT) enabled services in Dutch language.

- 1.13 **Coordination with other Bank projects.** The Inter-American Development Bank (IDB) has supported the GoS to increase the value-added of the private sector in the economy, to promote innovation, strengthen public-private sector dialogue and improve the business climate in the country financing the program 3401/OC-SU. It is also supporting Suriname's efforts to return to a sustainable fiscal path in the medium term through a reduction of its fiscal deficit through the operation 4112/OC-SU. In addition, operations 4097/OC-SU and 4615/OC-SU have the objectives to increase the competitiveness and diversify the agriculture sector.
- 1.14 **Bank experience and learned lessons.** The program takes into consideration the fundamental aspects and lessons learned from the design and execution of projects of similar nature, in which, the Integration and Trade Sector (INT/INT), has supported export promotion and investment agencies such as: Haiti (2879/GR-HA), Trinidad and Tobago (3575/OC-TT; 3112/OC-TT), Chile (2539/OC-CH), Ecuador (4754/OC-EC), Paraguay (3131/OC-PR), Guatemala (2094/OC-GU), Guyana (4659/BL-GY), Uruguay (1971/OC-UR; 1894/OC-UR; 4430/OC-UR) and Argentina (2523/OC-AR; 3869/OC-AR). From a research perspective, INT/INT has undertaken relevant studies about effectiveness of TIPO's and programs including: [Is Export Promotion Effective in Developing Countries?](#),⁸¹ [Odyssey in International Markets](#),⁸² [How Effective is Investment Promotion?](#),⁸³ and [How to resolve the investment promotion puzzle?](#).⁸⁴ Lessons learned from these include the need for: strong and sustained political support, inter-institutional leadership and coordination, active participation of the private sector, institutional and operational autonomy to execute the agency's strategy, financial autonomy and long term planning capacity, cloud-based technological solutions, and strong emphasis on on-the-job training. Past experiences suggest also strategic public-private coordination through a Supervisory Board with a strong political backing and at least one meeting annually involving the President and top Ministers supporting FDI as a national priority. For more information on TIPO lessons learned and how they are incorporated in this Program, please see [OEL#12](#).
- 1.15 **Government Strategy.** This operation aligns with the priorities of the GoS under the National Policy Development Plan 2017-2021. Specifically, it is aligned with the National priorities through: (a) chapter IV.3.3 of promoting Investments, Entrepreneurship and Export by creating an Institutional Framework to Promote and Facilitate Investments through the operationalization of InvestSur (IV.3.3.1); (b) chapter IV.4 of National priority of Trade by: (i) participating in the international trade, the international organizations that set standards and regulations, regional integration and promoting exports; (ii) promoting national trade including increasing the efficiency of local markets; and (iii) providing input market for the export production (IV.4.4); and (c) chapter V of Encouraging Sectors, by:

⁸¹ Volpe and Carballo, 2010.

⁸² Volpe, 2010.

⁸³ Volpe, Carballo and Blyde, 2018.

⁸⁴ Volpe and Sztajerowska, 2018.

(i) supporting the ICT sector (V.5); and the (ii) technical and vocational education (V.6).

- 1.16 **Strategic alignment.** The program aligns with the IDB Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and with the development challenges of: (i) Productivity and Innovation; and (ii) Economic Integration, by increasing FDI inflows and promoting exports in non-extractive sectors. It is also aligned with the cross cutting themes of: (i) Institutional Capacity and the rule of law, by improving the quality and timeliness of services provided to the population related to trade; and (ii) with gender equality and diversity by promoting training for public employees and a talent portal with a gender focus, by promoting that women-owned companies are registered in ConnectAmericas, by developing a survey of Surinamese companies focused on identifying specific needs of those firms with female participation, a study to propose actions in how firms with female participation can become providers of foreign companies and specific technical training for women-owned or women-led firms.
- 1.17 It is aligned with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) through the indicators: (i) Micro, Small and Medium Enterprises (MSMEs) financed; (ii) MSMEs enterprises provided with non-financial support; (iii) professionals from public and private sectors trained or assisted in economic integration; (iv) government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery; (v) the amount of international trade promoted; and (vi) amount of FDI promoted. The Program is also aligned with the IDB Group Country Strategy with the Republic of Suriname (2016-2020) (GN-2873) in the objectives of improving the regulatory framework for doing business and increasing agricultural exports and their diversification. The program is consistent with the Integration and Trade Sector Framework Document (GN-2715-6) through its goal of reducing the transactions costs as listed in section 2.21. This operation is included in the 2019 Operational Program Report (GN-2948).

B. Objective, components, and cost

- 1.18 The general objective is to promote FDI inflows and exports through the operationalization of InvestSur. The specific objectives are to: (i) attract FDI greenfield⁸⁵ and expansion⁸⁶ projects to Suriname; (ii) strengthen the capacity of both current exporters-to expand their export volumes, particularly those operating in non-extractive industries and services- and potential exporters who will export for the first time; and (iii) promote linkages between local and foreign companies. To achieve the above-mentioned objectives, the Program will implement three components which are intertwined. The first one will set up a strong institutional architecture and the second and third ones will implement programs so InvestSur can provide adequate services.
- 1.19 **Component 1. Institutional operationalization of InvestSur (US\$2,024,500).** This component will support and further roll-out the operationalization of InvestSur to become a modern TIPO with a clear role, mandate and operational capacity to

⁸⁵ A type of FDI where a parent company builds its operations in a foreign country from the ground up.

⁸⁶ Foreign companies with current presence in the country and plan to expand their location.

attract new FDI, generate reinvestment and promote exports. The goal is that InvestSur -established according to international best practices- becomes the real one-stop-shop for investors and exporters. Activities included are: (i) the modernization of the legal framework of InvestSur and related institutions including anew modern InvestSur Act which will be drafted regrouping FDI and export promotion, with a proactive/client-oriented focus⁸⁷ and clear competences; (ii) a TI national sector strategy and an InvestSur action plan to govern exports and investment partnering with both public and private sector; (iii) a business process reengineering⁸⁸ to map investment attraction and export promotion processes across InvestSur and other ministries in related issues. An interim house expert team⁸⁹ will provide technical support under the purview of the CEO; (iv) a gender-focused training to InvestSur, and public&private institutions in TI areas; (v) information technology infrastructure, hardware and software, including a customer relationship management⁹⁰ (CRM) cloud-based solution to manage the interactions with clients; (vi) an open source information platform to collect and disseminate business intelligence data,⁹¹ including training in gender-related data collection; and (vii) purchase of equipment and furniture.⁹²

- 1.20 **Component 2. Investment promotion, facilitation and country branding (US\$3,864,000).** This component will contribute to position Suriname as an attractive destination for new foreign investment and reinvestment. It includes the following interventions: (i) a sector targeting strategy to attract investment in sectors in which Suriname has a competitive advantage;⁹³ (ii) a marketing campaign to build up the business image of Suriname including a country branding strategy,⁹⁴ web site, investment guide, promotional videos, investment missions,⁹⁵ and boutique investment events;⁹⁶ (iii) an effective investment lead generation program⁹⁷ through fee-based sales representatives overseas; (iv) an intermediary strategy with site selectors⁹⁸ aiming to increase the number of prospects; (v) facilitation activities focused on assisting potential investors to locate in Suriname. Activities include the implementation of a One-Stop-Shop (OSS) platform for investment,⁹⁹ the elaboration of a portfolio of projects to promote overseas, feasibility studies and red-carpet service program; and (vi) a set of

⁸⁷ JAMPRO, BELTRAIDE and ICEX have successfully grouped FDI and export activities.

⁸⁸ See [Michael Hammer' definition](#), 1990. It would involve an analysis and design of workflow within and between the public and private sector institutions involved in TI.

⁸⁹ [Invest Hong-Kong](#), [Mauritius Board of Investment](#), and [Rwanda Development Board](#) hired similar profiles when they were created.. See [Institutional review of InvestSur](#). Scheiffler, 2018.

⁹⁰ [Vale Columbia Center](#), 2009.

⁹¹ Country information and sector data will be published. See [Morocco open data platform](#).

⁹² [Institutional review of InvestSur](#). Scheiffler, 2018.

⁹³ Through a sector evaluation matrix. [UNCTAD](#), 2001.

⁹⁴ Wells and Wint, 1990.

⁹⁵ Ibid.

⁹⁶ UNCTAD, 1999.

⁹⁷ Process of generating qualified investment projects from foreign investors with interest in locating in Suriname.

⁹⁸ Targeting, not only the end-user (MNEs), but also "intermediaries" who advise/influence MNEs on the investment location. See [CINDE](#) and [Czech invest](#).

⁹⁹ Service to provide investors a single point of entry for information, creating linkages to the appropriate regulatory agencies using one interface. It's expected that InvestSur will be authorized to accept documents for other government bodies and the applicant will only deal with one institution. In a second stage some key business applications and processes can be digitized. [OEL#11](#).

investment services covering aftercare and policy advocacy,¹⁰⁰ including an annual barometer of investment climate.¹⁰¹

- 1.21 **Component 3. Local linkages and export promotion (US\$2,665,000).** This component will support companies to export for the first time, current exporters to access to new markets and export new products/services and, connect local providers to foreign investors. Specific activities include: (i) a community skills and smart talent platform to connect national skilled gender-based workforce to foreign companies looking to hire staff;¹⁰² (ii) a supply chain linkage and development platform to connect foreign MNEs to local SMEs previously accredited as qualified suppliers;¹⁰³ (iii) an on-line exporters' marketplace connected to IDB's platform ConnectAmericas.com and specifically to the [ConnectAmericas for Women](#) program to provide access to international buyers for Suriname products and services from female owned firms;¹⁰⁴ (iv) an export initiation program¹⁰⁵ to support SMEs to export for the first time; (v) access to services for export-ready companies and market information including promotion activities, training, sector-industry studies and sector-based portals; (vi) a survey of female participation in the workforce and in top managerial positions in Surinamese companies to identify specific needs. Based on the results of the survey; (vii) a study to propose actions in how firms with female participation can become providers of foreign companies; and (viii) specific technical training for women-owned/women-led firms.
- 1.22 **Target beneficiaries.** For the whole Program, beneficiaries include potential InvestSur clients- companies that could receive InvestSur services-. Potential clients are part of an universe of 12,475¹⁰⁶ companies identified, specifically: (i) those currently investing in Suriname and that seek to expand its operations; (ii) those that have not invested in Suriname before but potentially could; (iii) local companies with no prior exporting experience (estimated at 11,667 companies);¹⁰⁷ (iv) companies that are already exporting (estimated at 808);¹⁰⁸ (v) local companies that could become providers/suppliers of services to foreign companies; and (vi) Surinamese companies owned by women that can become active in ConnectAmericas (estimated at 14) and Surinamese companies with a top female manager (at least 28), identified and trained to become providers of foreign companies. Additionally, at least 360 individuals working in TI related public and private entities (i.e., Ministry of Finance (including Customs and Tax Office), Ministry of Trade and Industry, [Central Bank](#), Ministry of Foreign Affairs, General Bureau of Statistics, [Chamber of Commerce and Industry](#), [Anton de Kom University](#), and private organizations, such as [Suriname Manufacturer Association](#)

¹⁰⁰ UNCTAD, 2007.

¹⁰¹ [REL#2](#).

¹⁰² Best practice: [Uruguay XXI](#).

¹⁰³ The case of [CzechInvest](#) and [CINDE](#) suppliers platforms show how these initiatives increase the capability of local SMEs.

¹⁰⁴ Currently, just 11 Surinamese companies are active in ConnectAmericas, and only 3 are owned by women. In comparison, Guyana has 28 companies active and 8 are women owned. See Results Matrix (Annex II).

¹⁰⁵ The program will provide the key elements to create and increase the export base in Suriname by supporting 135 companies, through a tutoring and accompanying program [Export Initiation Program in Suriname](#). Amigo, 2018.

¹⁰⁶ Including foreign and local companies. GBS, 2015.

¹⁰⁷ Estimated as the difference between the number of firms in the country (GBS, 2015) and the number of exporting firms. (Customs, 2017).

¹⁰⁸ There is a total of 811 exporting companies. 808 of them do not include gold and bauxite, (Customs, 2017).

(ASFA), and the [Surinamese Trade and Industry Association](#) (VSB) who will be benefited from trainings, which at least 10% of the total will be female apart from being users of the information hosted by the Open data system and the OSS platform among other activities.

Table 1. Target Beneficiaries

Universe of potential beneficiaries (local and foreign-including multinationals, SMEs- in Suriname)		12,475
Firms with no prior exporting experience		11,667
Firms with prior exporting experience		808
Firms with female owner*		81
Firms with top manager female**		28
Type of service/program	Type of beneficiary	Number of beneficiaries
Export boosting program	No prior exporting experience	At least 135 (out of the 11,667)
ConnectAmericas	All firms	At least 41 (out of the 11,667)
ConnectAmericas (owned by women)	All firms owned by women	At least 14 (universe unknown)
Services to support exports	Exporting experience	At least 102 firms
Potential providers accreditation	Local firms	At least 250 firms
Foreign firms that are potential investors	Foreign firms	At least 135 (35 per year)

Source: IDB compilation.

* Based on data from Enterprise Survey, 2019. Sample is 233 of 12,475.

** Ibidem.

C. Key results indicators

1.23 As indicated in the Results Matrix (Annex II) the Program's expected impact is to increase FDI¹⁰⁹ inflows, and other than traditional extractive goods and services exports.¹¹⁰ Expected result 1 is an increased number of existing and new companies with FDI projects in Suriname and will be measured through the indicator of percentage of international investors/companies assisted by InvestSur that establish a firm in Suriname. Expected result 2 is an increased number of companies that are ready to export and exporting companies that increase exports volume in other than traditional extractive products and services. They will be measured by: (i) the previously non-exporting companies that are ready to export goods and services (excluding those related to traditional extractive sector) for the first time as part of the [Export Initiation Program](#); and (ii) the firm's average exports volume change. Lastly, expected result 3, linkages between local and foreign companies are promoted, will be measured by the local companies that are accredited as potential providers to foreign companies.

1.24 Net incremental social benefits in Net Present Value (NPV) were estimated at US\$8.93 million and the Internal Rate of Return (IRR) at 51%. A cost benefit analysis was applied to the Program as a whole, and sensitivity exercises have been carried out modifying the impact estimates on the Program on a set of key variables and using different discount rates. In all estimated scenarios the Program

¹⁰⁹ Based on IPA&TIPO's experience, it is estimated that 650 prospect leads can turn into 125 qualified prospects and into 25 active projects that can become in 5 project successes. Conversion rate is estimated in 20%. (Cycle is prospect leads→ qualified prospects→ active projects→ project successes). WAVTEQ, 2016.

¹¹⁰ Traditional goods in the extractive industry are gold and bauxite.

results profitable and its net benefits range between US\$197 million and US\$507 million and IRRs between 23% and 257%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation will be financed through a specific investment loan for an estimated total cost of US\$10 million chargeable to the Ordinary Capital (OC) of the Bank. Given the timeline of the Program, an original disbursement period of five years is being proposed. Gender related outputs are detailed in Annex II.

Table 2. Program Budget (in US\$)

Component 1	Institutional operationalization of InvestSur	2,024,500
1.1	Legal framework for InvestSur and other government institutions	123,000
1.2	T&I national and InvestSur strategic plans	292,000
1.3	Business Process Engineering	640,000
1.4	Training in foreign T&I for public/private institutions. Gender focused	210,000
1.5	IT equipment, infrastructure and systems	150,000
1.6	Open Data platform for statistics. Gender focused	340,000
1.7	Equipment and furniture	269,500
Component 2	Investment promotion, facilitation and country branding	3,864,000
2.1	Sector targeting strategy	260,000
2.2	Lead generation services and intermediary strategy	2,039,000
2.3	Facilitation services	1,055,000
2.4	Aftercare services and advocacy implementation	510,000
Component 3	Local linkages and export promotion	2,665,000
3.1	Gender oriented community skills & talent program	455,000
3.2	Supply chain linkage and development program	550,000
3.3	Online catalog of exportable Surinamese products connected to ConnectAmericas	90,000
3.4	Export initiation program	414,000
3.5	Services for export-ready companies	726,000
3.6	Specially focused on women owned/participated firms services.	430,000
Monitoring and Evaluation		220,000
Program management and execution		986,500
Contingencies		140,000
Audits		100,000
TOTAL		10,000,000

Table 3. Disbursement Schedule (in US\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total	911,000	1,782,000	2,189,000	2,499,000	2,619,000	10,000,000
%	9.11	17.82	21.89	24.99	26.19	100

- 2.2 Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the Borrower has been notified of the same in writing.

B. Environmental and social safeguard risks

- 2.3 This operation will finance mostly soft interventions dealing with trade facilitation for which no environmental or social impacts and risks are anticipated. Improvements to the InvestSur building/offices will be realized under Component 1 of which only the painting aspects will have minor environmental impacts. To mitigate such impacts, the firm hired for the improvements will follow sustainable practices (such as adequate use of personal protective equipment for their workers, use of eco-friendly paint and adequate disposal of paint waste). Based on those very limited impacts, the operation has been classified as Category C under the Environment and Safeguards Compliance Policy (OP-703).

C. Fiduciary risk

- 2.4 As indicated in Annex III, the overall fiduciary risk of the Program evaluated using the Institutional Capacity Assessment Tool (PACI) is deemed to be medium. Financial Management risks identified and specific mitigation measures includes: (i) lack of internal financial control norms and procedures; the response planned included to establish specific fiduciary functions and responsibilities in the PEU, detail overall policies, procedures and internal control requirements of the program areas of planning, budgeting, cash flow, accounting, procurement and reporting processes; to include in the IDB fiduciary supervision plan semi-annual inspection visits, provide financial management and procurement training and detail administrative and internal control processes in the POM; (ii) the Integrated Financial Management Information System is partially installed, doesn't function as required by international accounting and reporting standards (ARR) and isn't suitable for bookkeeping of IDB financed projects. The mitigation measure proposed is to implement an off-the-shelf accounting system; and (iii) for the risk delays in processing of payment through the Treasury Single Account, the plan proposed is to monitor and supervise closely to enhance payment processing time and control of payment transactions between PEU and MoF. Procurement risks and specific mitigation measures are: (i) lack of internal procurement norms, procedures, process flow charts, manuals, and plan; Planned response is to include a procurement specialist in the PEU and detail in the POM the administrative and internal control processes including target processing times for each procurement modality; and (ii) limited scope and experienced personnel in IDB policies. Mitigation responses propose to conduct trainings, review ex-ante procurement methodology for all processes in the first 12 months of execution and close procurement supervision.

D. Other risks and key issues

- 2.5 Potential medium risks identified are: (i) if the missive from the Council of Ministers is not issued in the first year of execution, the results of the Program could be more difficult to achieve; (ii) if effectiveness and eligibility are achieved in the average portfolio time (3-6 months) execution could be delayed; (iii) if InvestSur transparency is questioned, investors could be reluctant to contact the institution; (iv) if InvestSur supports a foreign company involved in non-responsible practices, the Program could generate a negative perception; (v) if the business climate remains weak, investors could be disincentivized to invest in Suriname; (vi) if local SMEs are not strengthened, local linkages and export goals will be affected; and

(vii) if there is another major commodity price shock, which could potentially influence the Government's priorities, including investments in the promotion of FDI and exports, the Government may find it difficult to undertake its financial commitments for InvestSur. Mitigation measures proposed for the mentioned risks are: (i) issue the missive as a special contractual clause prior to the first disbursement; (ii) work jointly with the MoF in fulfilling the special conditions prior to execution; (iii) elaborate a Code of Ethics for InvestSur and publish an InvestSur annual report; (iv) screen potential investors prior to qualification and train InvestSur in how to attract/negotiate sustainable investments; (v) identify critical processes/bottlenecks, operationalize the OSS and coordinate with IDB 3402/OC-SU; (vi) coordinate with the World Bank initiative "Facilitating Private Investment and Sector Diversification"; and (vii) coordinate with 4112/OC-SU that is supporting Suriname's efforts to return to a sustainable fiscal path in the medium term through the implementation of fiscal reforms and expected increase in gold production from existing and new gold mines.

- 2.6 **Sustainability.** This loan does not finance fixed expenses such as the salaries of InvestSur management/staff and the use of the building; rather, these expenses are paid for by the annual budget of the GoS. Nonetheless, in order to ensure the continuity of the Program, every two years the MoF will present to the IDB a Biennial Sustainability Plan that allocates enough resources to cover the fixed and operating expenses of InvestSur for the following two years. Additionally, InvestSur's expected results in terms of increased FDI and exports will contribute to additional tax revenues for the GoS. This outcome will be tracked through the Results Matrix of this Program (as well as the CRM of InvestSur) with the support of the IDB and will be presented annually by InvestSur in order to justify adequate budget allocations.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and Executing Agency (EA).** The Borrower will be the Republic of Suriname and the EA will be the MoF. The EA will have the following responsibilities: (i) support the actions required for compliance with the Program; and (ii) collect, through the PEU, information on performance indicators necessary to evaluate the Program results, once the Program disbursements have been made.
- 3.2 **Execution mechanism.** Within the MoF, a PEU will carry out project execution. The PEU will supervise the progress of Program activities, consolidating the information on expenses, hiring and acquisitions, and will elaborate the financial statements for the Program. The PEU will be composed of a core operational team consisting of a program manager, a procurement specialist, a financial specialist, and a monitoring and evaluation (M&E) specialist. Through its Program Manager, the PEU will report to the Program Steering Committee (PSC) (see 3.3). The PEU should coordinate the negotiation and signature of the Memorandums of Understanding (MOUs) with partner organizations that will be collaborating with InvestSur in achieving the objective of the Program. A preliminary identification of these institutions has been conducted with the GoS. Within the first six months of

Program execution, signature of MOUs¹¹¹ with key institutions will be pursued, as set forth in the POM. The remaining MOUs will be negotiated and signed in due course, as needed.

- 3.3 **Governance structure.** The MoF will also act as the Chair of the PSC. The PSC will provide the strategic direction and broad oversight for all matters related to the Program through the assessment and review of the Program's operations. The PSC will be formed by at least, by three representatives of key organizations who are partners in the Program, and/or who have expertise useful to the Program and/or whose clients are the intended users of the output of the Program. The PSC will be meeting at least once a month with the CEO or a decision level representative of InvestSur in order to align/coordinate the execution of the activities with InvestSur own strategy and core operations. The PEU will oversee the operations of the Program, the execution of the activities and will be responsible for the program administration. InvestSur Supervisory Board (SB) and the CEO will have an advisory role.
- 3.4 Likewise, to detail all the execution mechanism operational aspects above described, the Program needs a [Program Operating Manual \(POM\)](#). The POM will contain the details of the program execution mechanism and operational aspects that the Program needs. The POM will establish standards and procedures for the EA regarding programming activities, execution plan, procurement audits, fiduciary management arrangements and M&E Arrangements, among others. It will set forth the requirements of the PEU structure, as well as the functions and participants of the PSC, the role of SB and CEO and the profile for the technical advisors.
- 3.5 **Programming.** Each fiscal year, the PEU will present an AOP, the Financial Plan, and the Procurement Plan (PP) to the Bank for its non-objection. The Fiduciary Arrangements (Annex III) provide guidance on financial management and procurement during program execution. Such arrangements have been developed based on Suriname's fiduciary context, the EA's institutional analysis, and discussions held with key EA personnel and participating entities.
- 3.6 **Special Contractual Conditions Prior to the First Disbursement of the Financing.** The GoS shall provide evidence that: **(i) the establishment of the PEU and the appointment of the Program Manager**, to ensure that the implementing unit and staff required for Program execution are in place and available; **(ii) the approval of the POM by the EA to the satisfaction of the Bank**, to ensure that the responsibilities, norms and procedures that will govern project execution have been clearly defined and adopted; and **(iii) the issuance of a missive by the Council of Ministers: (a) reinforcing InvestSur as the one single point of contact for investors in Suriname; and (b) mandating the T&I related institutions¹¹² to collaborate with InvestSur**, to ensure key collaboration from public institutions on a general basis and, specifically, on the exchange of data, information and access to contacts.

¹¹¹ Ministry of Trade and Industry, Tax Office and Central Bank.

¹¹² [Ministry of Finance](#), [Ministry of Trade and Industry](#), [Central Bank](#), [Ministry of Foreign Affairs](#), [Customs](#), [Tax Office](#), [General Bureau of Statistics](#), [Chamber of Commerce and Industry](#), [Anton de Kom University](#), [Ministry of Home Affairs](#), [Ministry of Natural Resources](#), [Ministry of Public Works](#), [Ministry of Labor and Agriculture](#), [ASFA](#), and [VSB](#), among others.

- 3.7 **Procurement.** The Program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-9), and the Policies for the Selection and Contracting of Consultants Financed by the Bank (GN-2350-9), with the provisions established in the Loan Contract and PP. The supervision method for procurement will be ex-ante until the PEU Procurement Specialist has gained experience in observing and executing Bank policies, procedures, and use of standard bidding documents. Supervision visits will be performed every 12 months as indicated in the project supervision plan. When ex-post review is recommended, supervision visits will be performed jointly with financial management. When the procurement processes are carried out through the country system, the supervision will also be carried out through the country system. Ex-ante supervision will be maintained for high risk/value activities.
- 3.8 **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval for an amount up to US\$300,000 (3% of the total amount) for consultancy services including PEU staff costs, and goods such as office equipment and furniture for InvestSur office. These expenses must have been incurred on or after Project Profile approval date (October 22nd, 2018) and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.9 **Disbursement.** The PEU will maintain strict control over the utilization of the Advance of Funds to ensure the easy verification and reconciliation of balances between the EA's records and IDB records. The Program will provide adequate justification of the existing Advance of Funds balance in accordance with the Bank's Financial Management Guidelines (OP-237-6) and Disbursement handbook.
- 3.10 **Auditing.** The PEU will submit the following documents to the Bank: (i) annual audited financial statements of the Program, to be submitted within 120 days after the close of each fiscal period; and (ii) final audited financial statements, to be submitted within 120 days after the day of the last disbursement date of the Program. The financial statements must be conducted by an independent external audit firm approved by the Bank.

B. Summary of arrangements for monitoring results

- 3.11 Program monitoring will be based on the Results Matrix (Annex II), the M&E Arrangements, PP and PEP. The PEU's M&E Specialist will be tasked with maintaining data collection and monitoring systems. The AOP for the first 18 months of the execution of the Program will be submitted within 60 days after the entry into effect of the Contract. It will include: (i) an estimated budget; (ii) an updated PP; (iii) expected indicators for the RM; (iv) planned activities; and (v) schedule of implementation. The AOPs for each of the subsequent years will be submitted for the Bank's non-objection before November 30 of each calendar year and will cover the activities to be carried out in the following year. Also, InvestSur will submit semiannual progress reports within 60 days of the end of each semester, containing: (i) narrative description of activities, procurement processes, and implementation issues for the reported period; (ii) RM indicator update; (iii) statement of costs by component activities and RM indicator; and (iv) identification of implementation risks/events and mitigation measures [REL#2](#).

- 3.12 Results will be evaluated according to the M&E Arrangements [REL#2](#). For the result indicator 1, a non-experimental before and after comparison of the percentage of companies assisted by InvestSur that establish in Suriname will be implemented. In a similar manner, for results indicators 2 and 4, non-experimental trends analysis will be performed measuring the number of non-exporting companies that are ready to export goods and services for the first time as part of the Export Initiation program [OEL#8](#), and the number of local companies that are accredited as potential providers to foreign companies during the program execution. For result indicator 3, a quasi-experimental design will be implemented combining the difference-in-differences and the propensity score matching methods in order to measure the firm's average exports volume before and after the program while comparing it with a set of similar companies.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Micro / small / medium enterprises provided with non-financial support (#)* -Professionals from public and private sectors trained or assisted in economic integration (#)* -Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Amount of international trade promoted (US\$)* -Amount of FDI promoted (US\$)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2873	2.1 Improve the regulatory framework for doing business; 2.4 Increase agricultural exports and their diversification
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	9.4	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	9.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	0.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	10.0	
5.1 Monitoring Mechanisms	2.5	
5.2 Evaluation Plan	7.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Low	
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
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.

The objective of the program is to increase FDI inflows to and exports from Suriname through the operationalization of InvestSur. The specific objectives are to: (i) attract FDI greenfield and expansion projects to Suriname (ii) strengthen the capacity of both current exporters - to expand their export volumes, particularly those operating in non-extractive industries and services - and potential exporters who will export for the first time, and (iii) promote linkages between local and foreign companies.

Suriname is highly dependent on non-renewable natural resources and traditional commodities, which dominate exports of goods, accounting for close to 90% of the total. Similarly, foreign investment in the country is very low overall and is focused in the mining sector, which has a low value added and few linkages to the rest of the economy. The project identified these two as the key problems it will address, with the aim of increasing the amount and sectoral diversification of both FDI and exports, primarily through the strengthening of a national investment promotion agency. The design of the three components of the program – (i) institutional operationalization of InvestSur, (ii) investment promotion, facilitation and country branding, and (iii) local linkages and export promotion - is pertinent to addressing these problems.

The cost-benefit analysis of the project is adequate, suggesting a positive net present value; however, some of the assumptions used in the calculation are not fully supported by evidence, due to lack of data from similar interventions.

Evidence of effectiveness for this specific type of project is scarce; as a result, the project includes an impact evaluation. The evaluation plan relies on a non-experimental methodology, which is adequate given the type of intervention and circumstances in which it is being implemented.

RESULTS MATRIX

Project Objective:	To promote FDI inflows and exports through the operationalization of InvestSur. The specific objectives are to: (i) attract FDI greenfield and expansion projects to Suriname; (ii) strengthen the capacity of both current exporters - to expand their export volumes, particularly those operating in non-extractive industries and services - and potential exporters who will export for the first time; and (iii) promote linkages between local and foreign companies.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline (BL)		Goal		Means of verification	Observations
		Value	Year	Value	Year		
Impact #1. Increase FDI inflows ¹							
1. FDI inflows.	US\$ millions	163.3	2017	212.42	2023	Central Bank of Suriname (CBoS), Balance of Payments	Definition: US\$ amount of FDI inflows for the country. All sectors and industries aggregated. Baseline: Balance of Payments from the Central Bank of Suriname, Statistics Department. Goal: Increase of 30% in FDI inflows to Suriname. Estimations based on the impact of the extra budget in the flow of FDI attraction in Suriname (Volpe Martincus & Szatjerowska, 2019). M&E: To be evaluated using a Before&After non-experimental methodology. See REL#2 .
Impact #2. Increase other than traditional extractive goods & services exports							
1. Amount of exports of goods & services in sectors other than traditional extractive.	US\$ millions	463.23	2015-2017	484.29	2021-2023	CBoS, Balance of Payments and Customs Data	Definition: Average of the total goods and services exports excluding mining as a proxy for gold and bauxite, in US\$ for the last three years. Baseline: Balance of Payments from the CBoS, Statistics Department. Average. Period from 2015-2017. Goal: Increase of 4.5% in the amount of exports of goods and services in sectors other than traditional extractive. Based on a 7% increase in Chilean companies' exports due to export promotion program assuming a moderate impact due to Suriname's context (Volpe & Carballo, 2010). M&E: To be evaluated using a Before& After non-experimental methodology. See REL#2 .
2. Companies exporting products other than traditional extractive.	Number of companies	808	2017	910	2023	Customs	Definition: Number of companies in Suriname that exported any amount of goods, excluding goods related to gold and bauxite as captured by Customs. Baseline: Customs. Goal: Currently, only 6.5% out of the 12,475 companies established in Suriname export. After the program, we

¹ FDI Inward flows represent transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy less transactions that decrease the investment of foreign investors in resident enterprises. [OCDE, 2014](#).

Indicators	Unit of measure	Baseline (BL)		Goal		Means of verification	Observations
		Value	Year	Value	Year		
							<p>expect to increase companies' probability of exporting by a third of the impact achieved in the case of Brazil: 2.3pp (Cruz, 2014) for a total of 910 or 7.3% of companies exporting.</p> <p>M&E: To be evaluated using a Before&After non-experimental methodology. See REL#2.</p>

EXPECTED RESULTS

Indicators	Unit of measure	Baseline (BL)		Goal		Means of verification	Observations
		Value	Year	Value	Year		
Result #1: Increased number of existing and new companies with FDI projects in Suriname.							
1. Percentage of international investors/companies assisted by InvestSur that establish a company in Suriname.	Percentage (%)	0	2017	14	2023	Client Relations Management (CRM) System implemented by InvestSur	<p>Formula: (Number of international investors/companies assisted by InvestSur that establish a company in Suriname/ Total number of international investors/companies assisted by InvestSur) *100. A firm will be considered as established in the country if it performs one of the following activities: (i) has started the process to be registered in the country; (ii) has signed a lease; or (iii) has started recruiting personnel. Such activities will be recorded by InvestSur.</p> <p>Baseline: As InvestSur was not operational prior to 2018, the baseline is 0.</p> <p>Goal: We expect that InvestSur can assist around 35 international companies per year (half of what the IPA in Haiti (CFI) assists in its fifth year of operation),² and that about 14% of them establish a firm in Suriname. Estimates based on Costa Rica’s results (Volpe, Carballo & Blyde, Forthcoming).</p> <p>M&E: To be evaluated using a before & after non-experimental methodology. See REL#2.</p>
Result #2: Increased number of companies that are ready to export and exporting companies that increase exports volume in other than traditional extractive products and services.							
1. Previously non-exporting companies that are ready to export goods and services (excluding those related to traditional extractive sector) for the first time as part of the Export Initiation Program (EIP).	Number of companies	0	2018	13	2023	CRM System implemented by InvestSur	<p>Traditional products and services are defined as gold and bauxite.</p> <p>Definition: A company is considered “ready to export” reaching if it has successfully passed the three Export Initiation Program (EIP) phases. See Export Initiation program and REL#2, for criteria details.</p> <p>Baseline: As the EIP will be implemented for the first time, baseline value is 0.</p> <p>Goal: Out of 135 companies invited to the EIP, we expect that 13 will finalize the program (based on the experience from best practice PIPE program).</p> <p>M&E: To be evaluated using a trend analysis non-experimental methodology. See REL#2.</p>
2. Companies’ average exports volume change.	Percentage (%)	0	2017	7	2023	Evaluation based on Customs data	<p>Formula: Average exports volume per firm of the treatment group relative to the control group. The treatment group will be formed by all the assisted companies by InvestSur while the control group will be formed by non-assisted companies.</p> <p>Baseline: 0 as we assume no differences between groups, since treatment has not started.</p>

² Supported by 2879/GR-HA.

Indicators	Unit of measure	Baseline (BL)		Goal		Means of verification	Observations
		Value	Year	Value	Year		
							Goal: Based on a 7% increase in Chilean companies' exports due to export promotion (Volpe Martincus & Carballo, 2010). M&E: To be evaluated using a propensity score matching in a difference in difference non-experimental methodology. See REL#2 .
Result #3: Linkages between local and foreign companies are promoted							
1. Local companies that are accredited as potential providers to foreign companies.	Number of companies	0	2018	250	2023	CRM System implemented by InvestSur	Formula: Sum of the total companies accredited as potential providers to foreign companies. The accreditation will be provided by InvestSur after analyzing the firm's adequacy to become a potential supplier/provider of a firm with foreign sharing. ³ Local companies that qualify as accredited have to fulfill a set of criteria ⁴ in some indicators such as services, experienced team, knowledge of languages, website, customer satisfactory testimony, standard process and a business oriented culture. The companies that are currently providers of a foreign one won't count for this indicator. Baseline: The accreditation program has not been implemented, (baseline value is 0). Goal: Based on Haiti considering the investment amount in Suriname. ⁵ M&E: To be evaluated using a trend analysis non-experimental methodology. See REL#2 .

³ This program is based: [Czech Supplier Programme](#) and [Costa Rica Provee](#). See [presentation for details](#). See criteria in [link](#).

⁴ See criteria in [REL#2](#).

⁵ Under 2879/GR-HA, the [Haitian IPA \(CFI\)](#) developed, the Haiti Service Providers Program with these results: 1,000 companies visited/interviewed, 800 of them registered and 600 accredited. Budget was US\$600,000.

PRODUCTS

Outputs	Estimated Cost (US\$)	Unit	Baseline	Y1	Y2	Y3	Y4	Y5	Goal	Frequency of Measurement	Means of Verification
Component 1: Institutional operationalization of InvestSur											
1. Legal framework set of recommendations for InvestSur and other government institutions developed.	123,000	Number of documents	0	-	-	-	1	-	1	Annual	Recommendations may include a draft of the new InvestSur Act decree and a mapping of competences. Document with the recommendations included, received and signed by the MoF.
2. Trade & Investment (T&I) National Plan including InvestSur Strategic and Action Plan developed.	292,000	Number of plans	0	-	1	-	-	-	1		Document with the plan included, received and signed by the MoF. Revisions and updates will be done biannually.
3. InvestSur set of processes reported to be fully-operational according to international standard practices.	909,500	Number of reports	0	-	-	-	-	1	1		Report with the results of the processes and the adoption of the international standard practices attached in the bi-annual and/or final report.
4. InvestSur ICT infrastructure system operational.	150,000	Number of systems	0	-	-	-	1	-	1		The system may include hardware, software, set up and maintenance costs. Copy, visual proof and/or description of the infrastructure attached in the bi-annual and/or final report.
5. Training places for InvestSur personnel and public employees, with a gender focus.	210,000	Number of training places	0	43	49	85	86	97	360		Report with the content of the trainings, the list of participants attached and at least 10% of female in the bi-annual and/or final report.
6. Open Data Platform operational including training in gender-related data collection.	340,000	Number of platforms	0	-	-	-	1	-	1		Link to the website and a description of the indicators included in the bi-annual and/or final report. It will require a capture of one of the following indicators: (i) Logistics Performance Index of the World Development Indicators . (ii) Country profile complete at INTTrade .

Outputs	Estimated Cost (US\$)	Unit	Baseline	Y1	Y2	Y3	Y4	Y5	Goal	Frequency of Measurement	Means of Verification
Component 2 - Investment promotion, facilitation and country branding											
1. InvestSur website.	188,000	Number of sites	0	-	1	-	-	-	1	Annual	Link to the website. Yearly updates are considered.
2. Investment guide developed.	50,000	Number of documents	0	-	1	-	-	-	1		Document with the guide included and approved by InvestSur. Yearly updates are considered.
3. Investment opportunities prospectus developed.	195,000	Number of documents	0	-	2	2	2	2	8		Documents with the identification of market niches for investment included approved by InvestSur.
4. Suriname country brand image package.	602,000	Number of country brands packages	0	-	-	-	1	-	1		Report with the description of country-brand-image package included. This report could include: (i) copy of the logo, (ii) link to a promotional video and (iii) a visual identity presentation.
5. Outreach&lead generation program functioning.	1,079,000	Number of programs	0	-	-	1	-	-	1		Report with the description of the activities/results included in the bi-annual and/or final report. The program will include: (i) in country visits with a delegation of international intermediaries; (ii) contracting leads consultants in targeted markets; (iii) inward missions of foreign investors; (iv) the organization of two investment forums; and (v) InvestSur participation in overseas forums.
6. Portfolio of projects to promote overseas developed.	70,000	Number of reports	0	-	-	-	1	-	1		Report with a portfolio of projects to promote overseas identified and described. The report will include feasibility studies/ due diligence on demand. Approved by InvestSur.
7. Red carpet services operations manual developed.	80,000	Number of operations manual	0	-	1	-	-	-	1		Document with the operations manual included. Annual updated included.
8. Investment online cost calculator developed.	40,000	Number of online calculators	0	-	-	1	-	-	1		Link to the platform that contains the calculator. Approved by InvestSur.
9. Sector target strategies developed.	260,000	Number of strategies	0	-	1	2	2	3	8		Document with the strategy/action plan included in the bi-annual and/or final report.
10. One-stop-Shop operational.	790,000	Number of systems	0	-	-	-	1	-	1		Report including the OSS processes and companies registered.
11. Aftercare services support program operational.	510,000	Number of Programs	0	-	1	-	-	-	1		Document with the Investor Climate Barometer Report gender-focused, reflecting the companies' perception of the country's business climate including InvestSur aftercare services.

Outputs	Estimated Cost (US\$)	Unit	Baseline	Y1	Y2	Y3	Y4	Y5	Goal	Frequency of Measurement	Means of Verification
Component 3 - Local linkages and export promotion											
1. Gender oriented community skills and talent portal including a skill database operational.	425,000	Number of Platforms	0	-	-	-	-	1	1	Annual	Link to the platform and description of the skills database in the bi-annual and/or final reports.
2. Survey of firms with female workers participation/ownership.	80,000	Number of surveys	0	0	0	0	1	0	1		Report with the conclusions.
3. Study for firms with female participation/ownership to become providers of foreign firms.	30,000	Number of studies	0	-	-	-	1	0	1		Report of the study.
4. Suriname Service Provider's Platform operational for registering certified companies.	550,000	Number of Platforms	0	-	-	-	-	1	1		Link to the platform included in the bi-annual and/or final reports.
5. Surinamese companies active in ConnectAmericas.com	50,000	Number of Companies	11	-	-	8	10	12	41		ConnectAmericas reports. Goal: Based on Guyana (28 companies registered).
6. Surinamese companies that are owned by women and that are active in ConnectAmericas.com .	40,000	Number of Companies	3	-	-	2	3	6	14		ConnectAmericas reports. Goal: Based on Guyana (8 companies registered).
7. Export training program with a focus in companies owned/with a top/ middle manager being a woman.	60,000	Number of training programs	0	-	-	1	1	1	3		Report with the content of the trainings and the list of participants attached in the bi-annual and/or final report.
8. Information section for exporters available in InvestSur website.	290,000	Number of sections in the website	0	-	-	-	-	1	1		Links to information section at InvestSur website included in the bi-annual and/or final report.
9. Export-ready program active.	726,000	Number of programs	0	-	-	-	-	1	1		Report with the companies ready to export and the services provided.
10. Companies invited to the EIP.	414,000	Number of Companies	0	-	-	15	42	78	135		Report of the program results with a list of the companies participating in the different phases included in the bi-annual and/or final report.

FIDUCIARY ARRANGEMENTS

Country: Suriname
Project Name: Foreign Investment and Export Promotion Program
Project Number: SU-L1056
Executing Agency: Ministry of Finance
Prepared by: Bhagirath Vikash (FMP/CSU); and Mariska Tjon A. Loi (FMP/CSU)

I. EXECUTIVE SUMMARY

- 1.1 The objective of the Program is to promote FDI inflows and exports through the operationalization of InvestSur. The specific objectives are to: (i) attract FDI greenfield and expansion projects to Suriname; (ii) strengthen the capacity of both current exporters -to expand their export volumes, particularly those operating in non-extractive industries and services- and potential exporters who will export for the first time; and (iii) promote linkages between local and foreign companies.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The fiduciary context of the Government of Suriname and its line ministries are documented in the Public Expenditure Financial Accountability (PEFA) report of 2011¹ indicate that the legal framework and practices for Public Financial Management Systems (PFMS) and procurement are outdated and not consistent with best practices and international standards.
- 2.2 An Institutional Capacity Assessment (PACI) was carried out by the IDB as a methodology for evaluating public executing agencies that will be responsible for the management of projects funded by the IDB. In summary, the results of PACI indicate that the Ministry of Finance (MoF) needs assistance from the Bank to build additional fiduciary capacity for a successful execution of the program. In particular, the weaknesses encountered in MOF's internal control systems reduce the overall control capacity and the risk level assessed is categorized as medium.
- 2.3 Some specific fiduciary features of the MoF are:
- a. With regards to procurement: (i) the Ministry doesn't have a centralized Procurement Unit that ensures necessary internal controls with appropriate and efficient segregation of responsibilities and functions throughout the procurement administration cycle. As the procurement processes are spread across several agencies and units within the Ministry, there is a lack of human resources with the requisite knowledge to execute the procurement activities of such a program. Furthermore, the Ministry does not have specialized procurement officers who are trained in the Bank's procurement regulations; (ii) the lack of an annual procurement plan to guide the overall

¹ Suriname has carried out a PEFA assessment in 2011 and again in the period 2014/2016. The assessment of 2014 was not accepted by the GoS. This was followed by a new, updated report in 2016 in which a limited number of indicators were updated. This report was approved by the GoS but faced challenges in getting approval by the PEFA Secretariat due to inconsistencies in the coverage of the fiscal years.

procurement administration and process for goods, services and works; and (iii) the need to formalize the composition and proceedings of the evaluation commissions, taking into consideration concrete internal controls related to the segregation of authority, balance of power, and independency in their composition.

- b. With respect to financial reporting, and monthly preparation of revenue and expenditure reports, that are prepared by the Ministry of Finance. It is noted the integrated financial management information system (IFMIS) platform presents concrete limitations with respect to required formats and templates, which determines that financial reports are prepared in Excel, from information obtained in IFMIS.
- c. Internal Control System (SCI). There is a limited level of progress in the implementation of the IFMIS platform, which requires for financial reporting to be based on Excel applications/worksheets; this in addition to the limited number of licenses/authorizations issued by the Ministry of Finance. The lack of internal processes and procedures which can lead to ambiguities in the management and decision-making structures, including those related to the internal control systems. Satisfactory implementation of corrective actions identified by the central governments accounting agency (CLAD) is recommended.
- d. With respect to external controls, the compliance with the yearly external audit requirements as defined in the legislation and carried out by the Supreme Audit Institution of Suriname.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The overall fiduciary risk rating of the program is medium. The PACI analysis indicates that there are specific fiduciary areas that require concrete institutional building and/or strengthening efforts. Even though, in most cases such factors will not affect the actual capacity of the MoF to commit to program implementation, addressing such aspects would, over the medium-term, improve and enhance the Ministry's governance and institutional environment and ultimately contribute to enhanced decision-making capacities, optimal allocation of resources, and safeguard of the Institution's resources.
- 3.2 It is recommended that the MoF effectively coordinates, streamlines and integrates the functions of the fiduciary personnel of the Program Execution Unit (PEU) with the activities of the Ministry regarding program 4112/OC-SU Fiscal Strengthening to Support Economic Growth Program to allow for continuous process of knowledge transfer, as well as the strengthening of its permanent institutional capacity.

Table 1. Risks and Mitigating Measures

Risks Identified	Mitigating Measures
Financial Management: <ul style="list-style-type: none"> Lack of internal financial control norms and procedures: (i) formal assignment of functions and responsibilities for financial management (FM); and (ii) internal norms and procedures. 	<ul style="list-style-type: none"> Establish specific fiduciary functions and responsibilities in the PEU. Detail overall policies, procedures and internal control requirements of the program areas of planning, budgeting, cash flow, accounting, procurement and reporting processes. Include in the IDB fiduciary supervision plan semi-annual inspection visits. Provide financial management and procurement training. Detail administrative and internal control processes in the POM.
<ul style="list-style-type: none"> Integrated Financial Management Information System is partially installed, doesn't function as required by international accounting and reporting standards (ARR) and isn't suitable for bookkeeping of IDB financed projects. 	<ul style="list-style-type: none"> Implement an off-the-shelf accounting system.
<ul style="list-style-type: none"> Delays in processing of payment through the Treasury Single Account. 	<ul style="list-style-type: none"> Monitor and supervise closely to enhance payment processing time and control of payment transactions between PEU and MoF.
Procurement: <ul style="list-style-type: none"> Lack of internal procurement norms, procedures, process flow charts, manuals, and plan. 	<ul style="list-style-type: none"> Include a procurement specialist in the PEU. Detail in the POM the administrative and internal control processes including target processing times for each procurement modality.
<ul style="list-style-type: none"> Limited scope and experienced personnel in IDB policies. 	<ul style="list-style-type: none"> Conduct trainings. Review ex-ante procurement methodology for all processes in the first 12 months of execution. Close procurement supervision.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

4.1 The fiduciary arrangements that must be considered in the special conditions are:

- a. In addition to the special conditions presented in the Proposal for Operation Development (POD), **the implementation of an adequate financial information system and internal control structure per article 4.01 (d) of the General conditions for Investment loans is required.**
- b. **Exchange rate agreed on with the executing agency for accountability:**
The application of the exchange rate will be as follows: (i) reimbursement of expenses made: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Suriname; (ii) justification of the Advance of Funds: the effective rate of exchange used

in the conversion of the currency of the operation to the local currency; and (iii) disbursements in alternate currencies from the US Dollar and the Suriname Dollar: in cases of direct payment and reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.

- c. **Financial reports and audited financial statements:** (i) Semi-annual financial reports are to be included in the semi-annual progress report which will be submitted by the Executing Agency to the Bank; (ii) annual financial statements of the Program, audited by an independent external audit firm acceptable to the Bank, are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first Program expenditures are incurred; and (iii) final financial statements, audited by an independent audit firm acceptable to the Bank, are to be submitted to the Bank within 120 days following the last disbursement date of the Program.
- d. Pursuant to Document AB-2990, the disbursement of Bank financing will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the Borrower has been notified of the same in writing.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the Program.

A. Procurement Execution

- 5.2 Procurements for the proposed program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9) of March 2011, and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9) of March 2011, with the provisions established in the Loan Contract and the Procurement Plan (PP).
 - a. **Procurement of Works, Goods and Non-Consulting Services.** Procurement under the program will be governed by the policies contained in GN-2349-9 Policies for the Procurement of Goods and Works.² The PP indicates the procedures to be used for the contracting of works, goods and non-consulting services under the program. Procurement processes subject to International Competitive Bidding will be executed using the Standard Bidding Documents (SBDs) issued by the Bank. Processes subject to

² Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods.

National Competitive Bidding (NCB) may be executed using other documents satisfactory to the Bank. Where these are not available the Bank's SBD will be used. The review of technical specifications during the preparation of the selection process is the responsibility of the Program sector specialist.

- b. **Procurement of Consulting Services.** Procurement of consulting services will be conducted in accordance with GN-2350-9: Policies for the Selection and Contracting of Consultants. The PP indicates the procedures and methods to be used for the procurement of consultancy services. Review of the Terms of Reference for consultants is the responsibility of the Program sector specialist.
- c. **Selection of Individual Consultants.** Individual Consultants will be selected in accordance with the policies for the selection and contracting of consultants (GN-2350-9) referenced above and may be done by three (3) Curriculum Vitae comparison (comparison of qualifications), Single Source Selection or open advertisement.
- d. **Recurrent Expenses.** This category includes the payment of salaries of the PEU staff.
- e. **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval for an amount up to US\$300,000 (3% of the total amount) for consultancy services including PEU staff costs, and goods such as office equipment and furniture for InvestSur office. These expenses must have been incurred on or after Project Profile approval date (October 22nd, 2018) and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

Table 2. Thresholds (in US\$)

International Competitive Bidding Threshold*		National Competitive Bidding Range ** (Complex Works and non-common goods)		Consulting Services
Works	Goods	Works	Goods	International Short List
≥1,000,000	≥100,000	100,000 – 1,000,000	25,000 - 100,000	≥100,000

* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

** When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used.

Country Thresholds Table (US\$) www.iadb.org/procurement

- 5.3 **Procurement Plan (PP) and Supervision.** The PP covering the duration of the Program indicates the procedures to be used for the various categories and types of procurement. It also indicates the estimated cost of each contract or group of contracts and the requirement for prior or post review by the Bank. Ex-ante supervision will be maintained for high risk/value activities. Where ex-post review is applied, reviews will be performed at least once per year but may be more frequent if the volume of activities warrant. The ex-post review process will include at least once physical inspection visit. The PP will be updated annually or as necessary as required by the Bank.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and Budget.** For the purposes of the Program, the PEU will start with a strategic planning process that is the basis for the annual budgeting. It will prepare and implement an operational plan, which will include the budget plan, PP and financial plan, consistent with a 12-month financial plan that will be required from the PEU on an annual basis. Additionally, the PEU will report on a semi-annual basis on implementation matters via a comprehensive report that covers actual versus planned operational, financial and procurement matters.
- 6.2 **Treasury disbursements and flow of funds the PEU.** The PEU will establish adequate banking arrangements through the Ministry of Finance at the Central Bank of Suriname for the management of the Program resources. The financial plan will serve as the basis for the disbursement of funds to the PEU to cover the program's needs and for maintaining IDB's projections. The main disbursement methodology will be the advance of funds to cover a period up to 180 days, based on liquidity needs of the program. The funds will be advanced through the Treasury Single Account. Other disbursement methodologies that will be used on a smaller scale are the reimbursement of payments made and direct payment to supplier.
- 6.3 **Accounting and Information Systems.** The PEU will procure and utilize an off-the-shelf accounting and financial management software for the accounting and financial reporting of the program.
- 6.4 **Internal Control and Audit.** The PEU will establish an internal control system documented in the POM that should provide reasonable assurance that: (i) the program funds are used for their intended purpose; (ii) program assets are properly safeguarded; (iii) program transactions, decisions and activities are properly authorized and documented; and (iv) program transactions are executed in accordance with the established policies, practices and procedures delineated in the legal agreements.
- 6.5 **External Control and Reporting.** The external audit of the program will be performed by an independent audit firm acceptable to the IDB. Audits will be performed in accordance with IDB's Guidelines for Financial Reports and External Audit. The PEU will be responsible for contracting of an external auditor eligible to the IDB to perform the program audit as follows: (i) an annual financial audit to be submitted within 120 days of the end of each fiscal year; (ii) semiannual financial statements as part of the semiannual progress report of the program; and (iii) one final financial audit of the program to be submitted within 120 days after the date of last disbursement.
- 6.6 **Financial Supervision Plan.** IDB fiduciary staff will conduct inspection visits on a semi-annual basis to ascertain the proper functioning of the accounting systems, the adequacy of the internal control system and follow up the fiduciary risk initially assessed.

VII. EXECUTION MECHANISM

- 7.1 A PEU will be established within the Ministry of Finance and coordinate its activities with InvestSur and others. The PEU will be responsible for carrying out all the planning, fiduciary and technical responsibilities necessary for the program. To this end, the PEU will be composed of a Program Manager; one Financial Management Specialist; one Procurement Specialist, and a Monitoring and Evaluation Specialist.

VIII. RECORDS AND FILES

- 8.1 All records and files will be maintained by the PEU, in accordance with accepted best practices, and be kept for up to three years beyond the end of the operation's execution period.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Suriname. Loan ____/OC-SU to the Republic of Suriname
Foreign Investment and Export Promotion Program

The Board of Executive Directors

RESOLVES:

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, for the purpose of granting it a financing to cooperate in the execution of the Foreign Investment and Export Promotion Program. Such financing will be for the amount of up to US\$10,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2019)