**EVOLUTION OF POLICY MATRIX**

**Policy Conditions in SU-L1035 Compared to**

**Triggers Proposed in Previous Operation**

| **Issues** | **Objective** | **Triggers 2nd Operation proposed in previous operation (SU-L1022)** | **Policy Conditions**  **2nd Operation**  **(SU-L1035)** | **Comments** |
| --- | --- | --- | --- | --- |
| **I. Macroeconomic Stability** | | | | |
|  | Maintain a stable general Macroeconomic Framework | Macroeconomic framework is consistent with the objectives of the program and with policy letter | Macroeconomic framework is consistent with the objectives of the program and with policy letter | No changes. |
| **II. Development of a Sustainable Power Sector Framework** | | | | |
| Lack of an integrated policy and regulatory framework to regulate sector activity. | Define the regulatory and legal framework to contribute to a more effective power sector with increased efficiency, transparency and accountability. | The first draft of a Policy document that addresses the main guidelines for sector reform and the basic institutional structure for the power sector has been developed. | The first draft of a Policy document that addresses the main guidelines for sector reform and the basic institutional structure for the power sector has been submitted to the Council of Ministers. | No changes.  The Policy Condition reflects the fact that the document was developed and also submitted to Council of Ministers. |
| A draft of the legislation that will regulate the organization and functioning of the Electricity Sector has been developed. | Steps towards the drafting of the legal instruments that will regulate the organization and functioning of the Electricity Sector have been taken. | Partial change.  Both agreements on a draft policy document and consolidation of a dedicated sector office proved to be necessary in order to launch the preparation of regulatory draft documents. The revised condition reflects the expected sequence in this condition. |
| High level of subsidies from the government to the utility due to low electricity tariffs. Lack of proper price signals to consumers and inefficient operation of the utility. | Implement institutions with a view to having a commercially-based operation and clear social, economic and financial incentives to achieve efficiency. | The proposal for the creation of a specialized entity to regulate and manage the energy sector affairs is presented for consideration of and approval by the Council of Ministers. | A proposal to assign the roles and responsibilities to a sector office for the coordination of the Energy Sector’s affairs has been presented for consideration of and approval by the Council of Ministers. | Partial change.  While a regulatory framework is established, the office created within the MNH (the Energy Desk) is expected to be assigned responsibilities as a sector office through the approval by Council of Ministers. |
| The new tariff structure and new tariff schedule have been established, laying out principles for a subsidy policy. | A tariff structure proposal, that includes a revision of the subsidy levels, has been submitted to the Council of Ministers for consideration. | Partial change.  A tariff structure and tariff scheduled were effectively developed by the power utility. The proposed schedule identifies the required level of subsidies to transition from the current status to a stage of financial sustainability. The proposal requires consideration by the Council of Ministers and the revised condition reflects this step. |
| A significant increase in power demand due to new residential, commercial and industrial projects. | Update the expansion strategy of the sector to improve supply efficiency. | EBS Board and pertinent authorities of the Sector have approved the use of the proposed new contract model for PPAs. | A revised draft model of PPA contract was developed by EBS as guideline. | Partial change.  A contract model for PPAs was adopted by EBS a guideline for future contracts. The technical objective was achieved as EBS acquired knowledge and support to negotiate future contracts. The approval of such a document by GOS did not prove to be necessary nor consistent with business practices. |
| The sector expansion plan included basic environmental and social sustainability principles. | The sector expansion plan included basic environmental and social sustainability principles. | No changes. |
| The Government of Suriname has approved the financing for the implementation of the Program with Renewable Energy Technologies (RETs). | The Government of Suriname has approved the financing for the implementation of the Program with Renewable Energy Technologies (RETs). | No changes. |
| **III. Strengthen sector corporate capabilities** | | | | |
| EBS faces several operational and financial challenges including: (i) production costs; (ii) financial sustainability; (iii) electricity rates; and (iv) increase of electricity demand with new investments or through contracts for the purchase of reliable supply,. | Strengthen utility’s capabilities to operate by contributing to improvements in technical tools and corporate governance, transparency and accountability. | The EBS Board has approved the expansion plan. | EBS Board has approved the expansion plan. | No changes. |
| EBS has issued an action plan to implement fundamental technical recommendations from corporate assessment. | EBS has developed specific action plans to address fundamental technical recommendations from corporate assessment. | No changes. |
| EBS is carrying out a study to strengthen its corporate structure to enhance its governance, transparency and accountability.  EBS is making public its operational statistics, preferably on the web. | EBS is carrying out a study to strengthen its corporate structure to enhance its governance, transparency and accountability.  EBS is making public  its operational statistics, preferably on the web. | No changes. |