

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**SURINAME**

**Revenue Policy and Administration I**

**(SU-L1037)**

**LOAN PROPOSAL**

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<b>REQUIRED</b>	
1. Policy Letter	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38228312">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38228312</a>
2. Results Matrix	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019184">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019184</a>
3. Means of Verification	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019156">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019156</a>
<b>OPTIONAL</b>	
1. Public Expenditure and Financial Accountability (PEFA)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36275158">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36275158</a>
2. Economic Analysis	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38057444">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38057444</a>
3. Monitoring and evaluation plan	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019176">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38019176</a>
4. Bank interventions in Suriname	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37117844">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37117844</a>
5. Suriname Tax and Customs Administration Diagnostic (2005)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37726240">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37726240</a>
6. Review of Revenue Administration IT Systems and Public Expenditure IT Systems	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37724640">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37724640</a>
7. Safeguard Policy Filters	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37725196">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37725196</a>

## **ABBREVIATIONS**

AFD	French Development Agency (Agence Française de Développement)
ASYCUDA	Automated System for Customs Data
CARTAC	Caribbean Regional Technical Assistance Centre
CIT	Corporate Income Tax
DOTC	Directorate of Taxes and Customs
FFF	Flexible Financing Facility
GDP	Gross Domestic Product
GOS	Government of Suriname
GST	General Sales Tax
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
IT	Information Technology
MOF	Ministry of Finance
PBL	Policy Based Loan
PBP	Programmatic Policy-Based Loan
PC	Project Coordinator
PEFA	Public Expenditure and Financial Accountability
SWF	Sovereign Wealth Fund
TC	Technical Cooperation
VAT	Value Added Tax
WAL	Weighted Average Life
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

## PROJECT SUMMARY

### SURINAME

#### Revenue Policy and Administration I (SU-L1037)

Financial Terms and Conditions			
<b>Borrower:</b> The Republic of Suriname (GOS)		<b>Flexible Financing Facility (FFF)*</b>	
		<b>Amortization Period:</b>	20 years
<b>Executing Agency:</b> Ministry of Finance (MOF)		<b>Original WAL:</b>	12.75 years
		<b>Disbursement Period:</b>	12 months
<b>Source</b>	<b>Amount (US\$)</b>	<b>Grace period:</b>	5.5 years
		<b>Supervision and Inspection Fee:</b>	**
<b>IDB:</b> Ordinary Capital (OC)	20,000,000	<b>Interest Rate:</b>	Based on Libor
<b>Local:</b>	0	<b>Credit Fee:</b>	**
<b>Total:</b>	20,000,000	<b>Currency of Approval:</b>	US\$ chargeable to the Ordinary Capital
Project at a Glance			
<p><b>Project Objective/Description:</b>  The objectives of the program are to strengthen the country's fiscal position over the medium and long term, through an increase in tax revenue and improve efficiency in tax and customs administration. The program will support a comprehensive set of policy interventions through four components: (i) Macroeconomic Stability; (ii) Tax policy; (iii) Tax Administration; and (iv) Customs Administration. The program will set the foundation for a modern tax system that will broaden and even the distribution of the tax burden.</p> <p>This operation is the first of a programmatic policy based loan series, which will be made up of three contractually independent and technically linked loans to be disbursed in a single tranche each. The second and third operations (SU-L1040 and SU-L1041) will be presented for Board consideration in 2014 and 2016, respectively.</p>			
<p><b>Components:</b> I. Macroeconomic Stability; II. Tax policy; III. Tax Administration; and IV. Customs Administration.</p>			
<p><b>Special contractual clauses:</b> The single disbursement of loan resources will be subject to compliance with the conditions summarized in the Policy Matrix (Annex II).</p>			
<p><b>Exceptions to Bank policies:</b> None</p>			
<p><b>Project qualifies for:</b>    SEQ <input type="checkbox"/>    PTI <input type="checkbox"/>    Sector <input type="checkbox"/>    Geographic <input type="checkbox"/>    Headcount <input type="checkbox"/></p>			

\* Under the Flexible Financing Facility (FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original Weighted Average Life (WAL). In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

\*\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

## **I. DESCRIPTION AND RESULTS MONITORING**

### **A. Introduction**

- 1.1 As part of an ambitious reform agenda to improve the country's economic and social development, the Government of Suriname (GOS) seeks to lay the foundation for modern expenditure and revenue systems. To that effect, the present program will support the modernization of tax policy and strengthen tax and customs administration. This program will complement the public expenditure reforms underway and supported by the Bank through the Programmatic Policy-Based Loan (PBP) "Public Expenditure Management Program" (2666/OC-SU; 2862/OC-SU; and SU-L1029). For this purpose, the GOS has requested support from the Bank to design and implement a set of policies geared towards enhancing revenue policy and management.
- 1.2 To respond to the GOS request, the Bank is developing a new PBP. This US\$20 million loan operation is the first of three consecutive single operations that, while technically related, are being financed independently under the PBP lending modality in accordance with the new lending framework (CA-450-1) and Policy Based Loans (CS-3633) documents.<sup>1</sup>

### **B. Background, Problem Addressed, Justification**

#### **1. Macroeconomic situation**

- 1.3 Suriname's economy continues to perform well, although there has been some slippage in fiscal performance. The country is still dependent on gold, oil, and bauxite; however, recently rebased GDP estimates show stronger contributions from the manufacturing and services sector over the last four years. GDP growth in 2012 was around 4.5%. Higher levels of investment, particularly in mining and the public sector, will support GDP growth reaching the same expansion in 2013. IMF projects a medium term average growth rate of 4.7%, especially as the country's oil refinery capacity will expand by 2015.<sup>2</sup>
- 1.4 Robust export performance supports the sustainability of the current account balance. In 2010 and 2011, exports grew faster than imports, resulting in current account surpluses of 6.4 and 5.5% of GDP, respectively. For similar reasons, the current account surplus was around 6% of GDP in 2012.<sup>3</sup> The current account balance should decline to around -3% of GDP in 2013 and reach a low of -6% in 2014 before returning to positive territory of 5% by 2017.<sup>4</sup>

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<sup>1</sup> It is expected that the value of the second and third operations will be similar to the one currently being proposed, but may be adjusted depending on GOS financing needs and availability of programming resources at the time of approval.

<sup>2</sup> IMF 2012. Suriname Article IV Consultation and 2013 Public Information Notice.

<sup>3</sup> Central Bank of Suriname National Summary Statistics <http://www.imf.org/external/np/ms/2013/070213.htm>

<sup>4</sup> IMF 2012. Suriname Article IV Consultation and 2013 Public Information Notice.

**Table 1.1. Macroeconomic Indicators<sup>5</sup>**

<b>Indicators</b>	<b>2011</b>	<b>2012e</b>	<b>2013p</b>
Real GDP (% change)	4.2	4.75	4.75
Consumer Price Index (end of period) (% change)	15.3	4.3	5.0
Exchange Rates (end of period) (per USD)	3.35	3.35	3.35
Primary Deficit (% of GDP)	-1.7	-1.4	-2.4
Fiscal Balance (% of GDP)	0.9	-2.4	-2.8
Total Public Debt (% of GDP)	18.6	20.7	21.5
Public Debt over Fiscal Revenues (%)	75.0	85.1	72.6

- 1.5 The GOS is working to improve public finances and implement prudent and well-timed tax policies with support from the IDB. The country kept current expenditures relatively stable while expanding its absorptive capacity until the end of 2012. A weakening of this position in late 2012 resulted in a larger fiscal deficit, due to a 10% increase in public sector wages and a substantial pent-up demand in capital expenditure and goods and services. Based on the GOS and IMF figures, the fiscal balance went from a surplus of 0.9% of GDP in 2011 to a deficit of 2.4% of GDP in 2012, and it is estimated that there will be a deficit of 2.8% of GDP in 2013 (see table 1.1). Improved tax administration and higher revenue from the General Sale Tax allowed an increase in tax revenues over the past four years by 2.6 percentage points of GDP, with an estimate of 21.6% of GDP for 2013. In the meantime, the country had a primary deficit of -1.7% of GDP for 2011, which GOS projects to decline to -0.7% by 2016.<sup>6</sup>
- 1.6 As absorptive capacity grows, GOS is pushing large capital investment projects to enhance transportation, energy, and housing. Notwithstanding, based on its concerted effort to overcome years of sub-optimal levels of capital investments, GOS projected a gross financing gap of approximately US\$197 million, of which this operation will disburse the equivalent of 11%, in 2013.<sup>7</sup> The medium term fiscal balance is expected to be about -2% of GDP.
- 1.7 Debt remains low and sustainable at around 20% of GDP. In August 2012, S&P, Fitch, and Moody's upgraded Suriname's long-term foreign-currency rating to BB-, BB-, and Ba3, respectively, and were upheld during the first semester of 2013. Risks to fiscal sustainability are moderate, mainly due to volatility of non-tax revenues (commodities). Consistent with its plans to implement permanent countercyclical fiscal policies, GOS established an interim Sovereign Wealth Fund (SWF) with US\$20 million in 2012 and is working to formalize it in 2013.
- 1.8 Based on the Independent Macroeconomic Assessment (IMA) of May 2013, the financing assumptions discussed in this document are fully consistent with maintaining debt sustainability over the medium and long-term.

<sup>5</sup> IMF 2012. Suriname Article IV Consultation (data for 2011) & MOF 2013 Financial Note (data for 2012e-2013p).

<sup>6</sup> Computed using Central Bank of Suriname and Ministry of Finance Data (Financial Note 2013).

<sup>7</sup> Ministry of Finance, Financial Note 2013. The rest of the financing gap will be covered by disbursements from other IDB operations (53%), China (20%), India (3%), French Development Agency (AFD) (4%), and others (9%).

## **2. Problems and challenges addressed to increase tax coverage and improve efficiency in tax and customs administration.**

- 1.9 Suriname is a small and open economy that depends heavily on natural resources; typically fluctuating in a cyclical manner between short periods of stability and growth followed by periods of macroeconomic crisis and instability.<sup>8</sup> While the contributions of manufacturing and, particularly trade (up from 10% to 17%) have increased, the economy remains heavily dependent on the production of commodities, mostly bauxite, oil and gold.<sup>9</sup>
- 1.10 Suriname has also traditionally relied heavily on the Dutch Treaty Funds,<sup>10</sup> averaging at one point 7.7% of GDP and 25.7% of total revenues and grants. The depletion of those funds has meant that the government needs to improve its revenue system in order to develop alternative revenue sources to finance public investment and maintain a strong fiscal position.<sup>11</sup> Two of the most important channels through which fiscal policy can affect growth are taxation and public expenditures.<sup>12</sup> To that regard the GOS has undertaken a series of reforms in public expenditure and revenue, two areas that are intrinsically related and have an impact on economic diversification and fiscal sustainability.<sup>13</sup>
- 1.11 In public expenditure, the GOS faces the challenge of funding infrastructure needed to increase the country's industrial capacity and thus promote a more competitive private sector with better access to international markets. In turn, diversification would help steer the economy away from over-reliance on commodities and toward new growth and employment opportunities. The GOS is currently overhauling its expenditure cycle in order to facilitate public investment, with effective financial management, procurement and controls.<sup>14</sup>
- 1.12 In the area of revenue, there is increasing empirical evidence to support the claim that the choice of tax system can have a major impact on economic growth.<sup>15</sup> To that regard, the GOS faces the challenges of transforming taxation into a real instrument of development; generating revenue to develop key infrastructure and creating a favorable environment for foreign direct investment and economic diversification.<sup>16</sup> The GOS needs to remove distortions, increase predictability and create a level playing field. The Suriname tax administration needs to be

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<sup>8</sup> Caribbean Regional Technical Assistance Centre (CARTAC) 2005, page 6.

<sup>9</sup> Fiscal exposure to oil is high, as it accounts for 29% of revenues and in turn gold accounts for 67% of exports and 13% of fiscal revenues. (IMF Article IV preliminary conclusions, 2013).

<sup>10</sup> In 1975 the Netherlands made the Treaty Funds available to support Surinam as an independent state.

<sup>11</sup> CARTAC 2005, page 7.

<sup>12</sup> Canavire-Bacarreza, G. and J.Martinez-Vazquez and V.Vulovic. *Taxation and Economic Growth in Latin America*. Washington DC. 2013.

<sup>13</sup> Suriname Development Plan 2012-2016.

<sup>14</sup> Supported by an IDB programmatic series (2666/OC-SU; 2862/OC-SU; and SU-L1029).

<sup>15</sup> Canavire-Bacarreza, G. and J.Martinez-Vazquez and V.Vulovic. *Taxation and Economic Growth in Latin America*. Washington DC. 2013.

<sup>16</sup> Ter-Minassian (2013); "Fiscal policy and economic growth: an overview of theory and empirical evidence". Draft, August 1, 2013. Inter-American Development Bank.



strengthened so that all citizens and businesses meet their tax obligations, which is a requirement for the legitimacy and sustainability of any modern tax system.<sup>17</sup> While public revenues have moderately improved over the past few years due to tax increases (see table 1.2), compliance remains low, enforcement and transparency could be improved and there is a pressing need to enhance the domestic revenue base in a sustainable fashion.<sup>18</sup>

**Table 1.2. Fiscal Indicators<sup>19</sup>**

Indicators as % of GDP	2010	2011	2012e	2013p	2014p	2015p	2016p
<b>Revenues</b>	22.8	26.0	24.3	29.6	27.3	27.0	27.3
Tax Revenues	15.7	18.9	18.3	20.0	18.5	18.8	19.1
Direct Tax	8.1	10.0	9.6	9.7	7.7	7.4	7.1
Indirect Tax	7.6	8.8	8.7	10.2	10.8	11.3	12.0
Non-Tax Revenues	5.1	6.4	6.1	6.9	6.9	6.9	6.9
Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	2.0	0.8	0.0	2.8	1.9	1.3	1.4
<b>Expenditure</b>	25.9	25.5	26.7	32.4	29.5	29.1	29.3
Current	20.9	19.4	22.3	25.3	21.1	20.7	20.7
Capital	4.9	6.0	4.4	7.3	7.3	7.3	7.2
<b>Primary Deficit</b>	-2.3	-1.7	-1.4	-2.4	-1.2	-1.1	-0.7
<b>Fiscal Balance</b>	-3.1	0.9	-2.4	-2.8	-2.2	-2.1	-2.0
<b>Amortization</b>	-0.4	-0.5	0.9	0.8	1.1	1.1	1.3
<b>Interest</b>	0.8	1.2	1.0	0.4	1.0	1.0	1.3
<b>GDP Growth</b>	4.1	4.2	4.75	4.75	4.5	5.0	5.0

1.13 These challenges are reflected in the PEFA indicator<sup>20</sup> “Effectiveness of tax collection”<sup>21</sup> and the Global Competitiveness Index indicator<sup>22</sup> “Extent and Effect of Taxation” where Suriname currently ranks 86 out of 144 countries.<sup>23</sup> The Bank has accompanied the GOS in developing a set of policy and administrative reforms detailed in this program to address these challenges. In order to improve effectiveness and efficiency in tax and customs administration, the following structural problems and gaps need to be addressed.

1.14 **Tax Policy.** In the area of tax policy, the legal framework is not clearly and concisely legislated. Tax and customs laws adopted long ago have not been maintained current and modern regulations to manage tax issues have not been developed and/or adopted. There is a lack of clarity in tax laws resulting in too many discretionary decisions by administrative officials and objections to assessments. This is reflected in the low PEFA score (C) on clarity and

<sup>17</sup> IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

<sup>18</sup> CARTAC (2005).

<sup>19</sup> IMF 2012. Suriname Article IV Consultation (data for 2010-2011) & MOF 2013 Financial Note (data for 2012e-2016p).

<sup>20</sup> For more information see: [http://www.pefa.org/sites/pefa.org/files/attachments/PMFEng-finalSZreprint04-12\\_1.pdf](http://www.pefa.org/sites/pefa.org/files/attachments/PMFEng-finalSZreprint04-12_1.pdf)

<sup>21</sup> PI-15. PEFA Report (2011).

<sup>22</sup> For information on the WEF Global Competitiveness Report methodology see

<http://www3.weforum.org/docs/GCR2011-12/25.GCR2011-2012TechnicalNotesandSources.pdf>

<sup>23</sup> Indicator 6.04. World Economic Forum. Global Competitiveness Index 2012-2013.

comprehensiveness of the tax system.<sup>24</sup> The area of revenue policy has the following constraints:

- a. Tax Collection legislation, dating from the 19th century, requires cumbersome processes and mandatory paper-based registration. Additionally it prevents consolidation of activities across various tax types, as is considered good practice in a modern tax system.<sup>25</sup>
- b. The DOTC has an inadequate structure and is fragmented by tax and by functions. Although the agency collects revenues of approximately 15% of GDP, it has limited autonomy to decide on its expenses. These challenges have resulted in political pressures, the inability of hiring and retaining qualified staff, paying adequate salaries and benefits, and purchasing goods and services.<sup>26</sup> There is a need therefore to restructure the DOTC in order to increase its level of autonomy and efficiency.
- c. The Wage Tax<sup>27</sup> over-relies on wage earners as compliance within the self-employed population is low. About 35,000 self-employed workers contribute only 2% of total revenues, while 83,000 salaried workers contribute approximately 25% of total revenues. This creates a perception of unfairness and discourages compliance. Legislation is vague and subject to interpretations in defining taxable income, expenses against income, or depreciation rules.<sup>28</sup>
- d. The Corporate Income Tax (CIT) rate is currently at an excessively high level of 36%, which is among the highest in the region as compared to the 27% average for Latin America.<sup>29</sup> In a recent study by Gordon and Li (2009), using data from 70 countries, the authors found that corporate income tax rates have a negative impact on economic growth.<sup>30</sup> Internationally, such a high rate discourages foreign direct investment and affects competitiveness. However, exemptions, special tax incentives, liberal methods of calculating net profits and other tax benefits generate low effective rates and undermine revenue. Finally, the outdated legislation (1922) leaves many aspects open to interpretation by both the taxpayers and tax authorities.<sup>31</sup> This can result in discretionary incentives for specific sectors or even companies which can generate distortions and have a negative fiscal impact.<sup>32</sup>

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<sup>24</sup> PI-13 (i) PEFA (2011), page 61.

<sup>25</sup> CARTAC (2005).

<sup>26</sup> CARTAC (2005), page 10.

<sup>27</sup> Between 18% and 23% of total tax revenue.

<sup>28</sup> The Income Tax Law was passed in 1922, as an adaptation of the Dutch Income Tax Law of 1918.

<sup>29</sup> IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

<sup>30</sup> Canavire-Bacarreza, G. and J.Martinez-Vazquez and V.Vulovic. *Taxation and Economic Growth in Latin America*.

<sup>31</sup> CARTAC (2005), page 9.

<sup>32</sup> IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

- e. The General Sales Tax (GST) is effectively a manufacture production tax as it excludes agriculture, most services and it does not include the final point of sale at retail. The main issue is the limited scope of the GST (5% of GDP) due to the exempted sectors, including the services of wholesale and retail trade which are far more significant than all other services of the economy put together.<sup>33</sup> The GOS intends to phase out the GST and replace it with a VAT over the course of the programmatic series, which has several advantages, among which include rendering investment and savings decisions more neutral, avoiding discrimination between imports and local production and finally by avoiding taxing or covertly subsidizing exports.<sup>34</sup>
  - f. In the case of customs, the outdated legislation (1908) is ambiguous and is not aligned with the World Customs Organization (WCO) SAFE Framework of Standards practices and Caribbean Community and Common Market (CARICOM) agreements.<sup>35</sup> It does not provide an adequate legal framework for key issues in customs administration, such as: provisions for advanced electronic information, management by risk analysis, legal authorities of customs officers, treatment for unclaimed or abandoned goods, participation of the trade community, guidelines for post-clearance audit, and application of penalties or administrative fines. Not only are these challenges an impediment for an effective collection of revenue but also do not provide a good environment for attracting new businesses to expand the tax base.<sup>36</sup>
  - g. The Entertainment Tax has a single common rate of 25% for all audiences without any differentiation. This rate discourages participation in certain types of activities such as cultural, educational, and sporting events. Also the law is out of date as it does not have provisions for electronic ticketing.<sup>37</sup>
  - h. Currently administration of the different excise taxes is overly complicated as there are different excise tax acts to manage them. Consolidation is needed in order to align rules, policies, filing dates, penalties and interest provisions to simplify and thus improve voluntary compliance.<sup>38</sup>
- 1.15 **Tax Administration.** In the area of tax administration, processes are inefficient, organization is fragmented, lines of responsibility are not clearly defined and there is a lack of transparency. Additionally, Suriname faces the challenge of establishing a structure capable of carrying-out the several VAT implementation activities as well as the future introduction of the tax. This is reflected in the low PEFA score (C) on transparency of tax payers obligations and liabilities<sup>39</sup> and the

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<sup>33</sup> CARTAC (2005), page 9.

<sup>34</sup> IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

<sup>35</sup> SAFE Framework of Standards to Secure and Facilitate Global Trade adopted by World Customs Organization Council in 2005 provides the blueprints for the modernization of Customs Administrations.

<sup>36</sup> CARTAC (2005).

<sup>37</sup> Ibid.

<sup>38</sup> CARTAC (2005).

<sup>39</sup> PI-13. PEFA Report (2011), page 61.

WEF indicator 6.04 “Extent and effect of taxation” where Suriname ranks 86 out of 144 countries.<sup>40</sup> The GOS tax administration is constrained by the following issues:

- a. Taxpayer education and service functions are limited in the DOTC. Taxpayer service is largely reactive on transactional issues rather than taxpayer education and awareness campaigns.<sup>41</sup> Queues at customs and tax windows where forms are submitted and payments made are long, web services are largely non-existent, and telephone enquiries largely go unanswered. Limited taxpayer service has a negative effect on voluntary compliance.<sup>42</sup>
- b. Tax compliance with direct taxes is low, estimated by the authorities to be in the range of 40% of potential revenue. Individual tax yields are low and there is room for improvement particularly in the collection of personal income taxes, and sales taxes.<sup>43</sup> In the case of the wealth tax, there is a narrow tax base as the department does not have the resources to identify and assess all those who should pay the tax, which has resulted in low revenues.<sup>44</sup> Problems with tax compliance and collection are reflected in the low PEFA score (D+) for Effectiveness of tax collection.
- c. The DOTC has no updated and/or integrated Information Technology (IT) system; in fact the three areas within the Directorate have their own systems which do not interface. No wide area network that links offices and departments is available; limited data analysis is carried out and data are hard to access, insufficient and unreliable.<sup>45</sup> This is reflected in the low (C) PEFA score received on application of controls in the tax payer registration.<sup>46</sup>
- d. Currently the excise tax on alcoholic beverages does not include vodka which has become a product with a major share of the alcoholic beverage market. This creates distortions in the market and industry, and is a significant revenue source that remains untapped. The enforcement of the excise tax is limited, given the constraints on staffing and budget, thus this targeted implementation approach is necessary.

1.16 **Customs Administration.** In the area of customs administration, risk analysis concepts are not applied, in principle a 100% revision of documentation and goods is performed. In the clearance process of goods by officers, inspectors or unit, Customs is working with an outdated administrative organization, which is now under review by a special team at Customs.

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<sup>40</sup> WEF. Global Competitiveness Report 2012-2013, indicator 6.04.

<sup>41</sup> PEFA Report (2011), pages 60-61.

<sup>42</sup> IDB Technical Report (June 2013) and CARTAC (2010).

<sup>43</sup> CARTAC (2005), page 8.

<sup>44</sup> CARTAC (2010), page 11.

<sup>45</sup> CARTAC (2010), page 11.

<sup>46</sup> PI-14 (i). PEFA Report (2011), page 63.

- 1.17 The DOTC has developed an organizational chart with the Comptroller General as the Head of Customs as it has the authority to determine its own organizational structure.<sup>47</sup> The current organization focuses solely on routine operations and not on strategic areas such as improving risk management and post release audit capacity, or implementing authorized economic operator programs.<sup>48</sup> Specifically the Customs Department faces the following challenges:
- a. The Automated System for Customs Data (ASYCUDA) offers very limited capability and the technical platform is extremely vulnerable to failure.<sup>49</sup> The version installed (v2.7) had no interphases, interoperability or protocols to share information with other revenue systems. It became non-functional at remote ports some years ago and suffered a total failure in the summer of 2012. Customs processing will continue to rely largely on manual processing until the system is upgraded to the newest version (ASYCUDA World), scheduled to be completed in 2014.<sup>50</sup>
  - b. Staff positions are currently linked to rank, type of operation in the clearance process and even experience in the field, without a clear classification and description of duties. The current organization lacks sufficient primary operational positions while it has too many supervisors. This results in internal conflicts during the clearance process and creates further inefficiencies. Planned activities include creation of documented procedure aligned to WCO best practices.<sup>51</sup>

### **3. Justification and strategy for the programmatic series**

- 1.18 In order to transform taxation into a real instrument of development and address the challenges mentioned above, this program will support a comprehensive set of policy interventions. In the area of tax policy, it will support reforms that are in line with international best practices particularly for small and developing countries, which recommend relying more on consumption taxes and personal income or wealth taxes, rather than on trade taxes, corporate income taxes or turnover taxes.<sup>52</sup> The program will set the foundation for the introduction of the VAT that will broaden and even the distribution of the tax burden. With regard to tax administration, it will address administrative inefficiencies, define roles and responsibilities and promote transparency in tax administration. Finally, in

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<sup>47</sup> The Ministerial Organization Decree 2000, no. 35 gives the DOTC this authority.

<sup>48</sup> CARTAC (2005), page 33.

<sup>49</sup> ASYCUDA was initially installed in 1994. In 2003 a Bank loan sponsored a technical upgrade to hardware and software that is now obsolete and unsupported.

<sup>50</sup> CARTAC (2010), page 11.

<sup>51</sup> CARTAC (2005), page 10.

<sup>52</sup> Waglé, S. (2011) "Coordinating tax reforms: can lost tariffs be recouped?" Policy Research Working Paper 5919. World Bank; Canavire-Bacarreza, G. and J.Martinez-Vazquez and V.Vulovic. "Taxation and Economic Growth in Latin America". Washington DC. 2013; Ter-Minassian (2013); "Fiscal policy and economic growth: an overview of theory and empirical evidence." Draft, August 1, 2013. Inter-American Development Bank; and IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

customs administration, the program will support efforts to improve the efficiency and effectiveness of fiscal and para-fiscal controls while having a positive impact on trade facilitation.

- 1.19 The program outlines a comprehensive reform of the revenue system at a policy and administration level. The program follows a vertical logic, where each intervention logically contributes to the next higher level. The present operation, first of the programmatic series represents the initial step, lays the foundation for the rest of the program. It focuses on the approval by the MOF of the legislation proposals and organizational structure necessary to establish the framework of the overall reform. The second operation will focus on the formalization of the reforms through the tabling of draft legislation in Parliament. Finally, the third operation will seek outputs indicating that the new legislation, tools and procedures are being implemented.

#### **4. The Bank Strategy with Suriname and the GCI-9**

- 1.20 The program is aligned with the Country Strategy with the Republic of Suriname 2011-2015 (GN-2637-3), which mentions dialogue on the area of tax administration with a view to possible additional lending support. In addition, the program is consistent with the GCI-9 target “lending to small and vulnerable countries” and “regional integration” as well as contributes to the results indicator regarding the number of public financial systems implemented or upgraded (budget, treasury, accounting, debt and revenue). It will also add up to the goal of 15% of projects with integration components set by the IDB Results Framework 2012-2015. In addition, the program is in line with the Institutions for Growth and Social Welfare Strategy (GN-2587), which calls for an improvement in efficiency, equity and revenue mobilization capacity; and the new Competitive Global and Regional Integration Strategy (GN-2565) that considers trade facilitation efforts and customs strengthening as vehicles for economic growth and improved competitiveness.

#### **C. Bank’s Interventions in Suriname**

- 1.21 The Bank has supported the GOS efforts to achieve fiscal sustainability through a holistic approach that undertakes reforms in both expenditure and revenue systems. In the area of expenditure, the Bank has provided the GOS with technical and financial assistance in areas related to this reform through a PBP (2666/OC-SU, 2862/OC-SU and SU-L1029); investment loans (1547/OC-SU and 1710/OC-SU); and non-reimbursable technical cooperation programs (ATN/SF-8664-SU, ATN/SF-10319-SU, ATN/OC-12149-SU, and ATN/FI-13102-SU). In the area of revenue, the Bank has provided the GOS with technical assistance through one non-reimbursable technical cooperation (ATN/SF-10087-SU).
- 1.22 In June 2011, the Public Sector Management Strengthening Program (1547/OC-SU) was cancelled due to limited: (i) program governance arrangements; (ii) strategic approach; and (iii) political support and program ownership. Since then, the creation of a joint desk has solved the issue of program

governance arrangements and strategic approach.<sup>53</sup> With regard to political support and program ownership, the use of the policy-based modality will enable the country to undertake deeper and more strategic policy measures rather than only solving short-term operational issues within the directorate as was the case with 1547/OC-SU.

## **D. Objective, Components and Cost**

### **1. Objective**

- 1.23 The objectives of the program are to: (i) strengthen the country's fiscal position through an increase in tax revenue over the medium and long term; and (ii) improve efficiency in tax and customs administration.
- 1.24 The reforms include policy measures to be met by the GOS<sup>54</sup> in three areas: (i) tax policy; (ii) tax administration; and (iii) customs administration. The first area addresses issues related to broadening and evening the distribution of the tax burden to most citizens and businesses through the revision and update of the legal framework. The second area is considered key to enhance administrative efficiencies through organizational restructuring and simplification of tax compliance. Finally the third area will support efficiency and effectiveness of customs administration to increase revenue from trade while having a positive impact on trade facilitation.

### **2. Components**

- 1.25 **Component I: Macroeconomic Stability.** The program requires that the Borrower maintain a sustainable macroeconomic policy framework that is compatible with achieving the objectives of this program. Based on the IMA, the GOS has a macroeconomic policy framework in place that meets these criteria. In fact, this program will strengthen even further the sustainability of macroeconomic and fiscal policies in the medium and long term.
- 1.26 **Component II: Tax Policy.** The objective of this component is to support the development of clear and concise tax legislation while updating the legal framework and introducing modern regulations. The GOS has a fairly broad legislative framework review in progress where new legislation is being drafted as part of a major overhaul of different tax regimes. One key component of the tax policy reform is the introduction of the VAT that offers advantages with regard to revenue generation, neutrality and fairness for all sectors, and ease of administration.<sup>55</sup> Revenue increases related to VAT will start having an effect in 2016-2017.

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<sup>53</sup> In 2012, a Joint Desk was created to coordinate donor-financed programs. It includes the MOF and the Central Bank.

<sup>54</sup> For the first operation, the Permanent Secretary of the MOF will certify the approval of all policy measures. For the means of verification for each specific condition see [Required Electronic Link #3](#).

<sup>55</sup> IDB (2013) More than Revenue: Taxation as a Development Tool. Inter-American Development Bank, Washington, DC. 2013. Corbacho, A., V. Fretes and E. Lora, Editors.

- 1.27 For this first operation, the policy conditions<sup>56</sup> to be met by the GOS are: (i) draft legislation for tax collection: this new law will enable the GOS to modernize tax collection processes reducing significantly paper processes and manual signatures. It will also include a more consolidated approach to managing taxpayer liabilities and obligations, phasing out operation by tax type; (ii) proposal for the restructuring of the DOTC, streamlining its structure, reorganizing departments by process and enhancing autonomy on the directorate; (iii) draft wage, wealth tax, corporate and income tax amendments. This legislation will close loopholes and eliminate outdated and confusing provisions that undermine compliance especially on the self-employed portion of the population. It will also significantly reduce discretionary decision making and complicated assessment and audit; (iv) draft VAT legislation that will phase out the current GST while broadening the tax base, rendering investment and savings decisions more neutral, and improving the competitiveness of exports; (v) VAT consultation with public and private sector stakeholders to ensure a participatory process; (vi) revised VAT implementation plan; (vii) draft customs act closely aligned to WCO practices and CARICOM agreements. It will clarify legal authorities of customs officers, treatment for unclaimed or abandoned goods, participation of a trade community,<sup>57</sup> guidelines for post-clearance audit, and application of penalties or administrative fines. This measures will increase transparency and trade norms, which in turn will increase predictability and improve the investment climate; (viii) draft legislation for a revised entertainment tax that will increase fairness by introducing electronic ticketing and lower rates for local cultural and sporting events currently subjected to a single rate targeted for international events; and (ix) proposal for consolidation of four excise tax acts.<sup>58</sup> The legislation will be simplified, aligning rules, policies, filing dates, penalties and interest provisions, which will contribute to voluntary compliance.
- 1.28 **Component III: Tax Administration.** The objective of this component is to enhance administrative efficiencies, define roles and responsibilities and promote transparency in tax administration. It is expected that activities underway supported by this component will ensure proper administrative arrangements for the introduction of VAT.
- 1.29 For this first operation<sup>59</sup>, the policy conditions to be met by the GOS are: (i) implementation plan for the consolidation of tax payer services, including taxpayer education and awareness campaigns; (ii) proposal to introduce a self-assessment system for the Wealth Tax to broaden the base, reduce administration costs and improve compliance; (iii) VAT media and public relations campaign plan; (iv) VAT organizational structure and staffing plan to ensure a successful VAT implementation; (v) training program for VAT implementation; (vi) technical specifications for an IT solution for the DOTC that is integrated

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<sup>56</sup> See Annex II for policy conditions for the second and third operations of the programmatic series.

<sup>57</sup> Customs broker associations, transporters associations, cargo forwarders, courier companies, etc.

<sup>58</sup> These include: (i) Tobacco Products; (ii) Alcoholic Drinks Act; (iii) Beer Act; and (iv) Alcohol Free Drinks Act.

<sup>59</sup> See Annex II for policy conditions for the second and third operations of the programmatic series.



among tax types and provides reliable data for analysis and decision making; and (vii) proposal for the introduction of an Excise Stamp Tax on Vodka. The implementation of this tax will contribute to fairness in the industry, especially for locally produced spirits such as beer.<sup>60</sup>

- 1.30 **Component IV: Customs Administration.** The objective of this component is to support the GOS efforts to improve the efficiency and effectiveness of fiscal and para-fiscal controls while having a positive impact on trade facilitation and strengthening its institutional capacity. The GOS Customs Modernization program has several initiatives underway or soon to begin. Customs procedures and training improvements are being launched in response to the 2012 Customs Assessment Trade Toolkit (World Bank assessment). The ASYCUDA World system implementation has begun and protocols will be established to improve data sharing with relevant government institutions once the new ASYCUDA system is in place. A workforce renewal through new hires within Customs is launching as is the creation of a Customs Special Operations Team to detect and deter smuggling activities and tax avoidance.
- 1.31 For this first operation the conditions<sup>61</sup> are: (i) development of an action plan for customs modernization. This action plan will detail steps needed to align Suriname with WCO best practices and CARICOM agreements; (ii) revised implementation plan for IT system (ASUCUDA World). The implementation plan will include steps needed to improve controls, transparency and efficiency, and enable sustainability; (iii) protocols within ASYCUDA World established for electronic data sharing with relevant government institutions. These protocols will generate data for better fiscal planning by the MOF; (iv) profiles for Customs Department staff and budget headline for increasing the number of customs officers developed to launch a workforce renewal and address staff shortages; and (iv) creation of the Customs Special Operation Team.

### **3. Cost**

- 1.32 This program is structured as a PBP, with three sequential operations (see Policy Matrix, Annex II). This first operation consists of a series of policy and operational reforms whose compliance will be precedent for a sole disbursement of US\$20 million.

## **E. Expected Impact and Key Results**

- 1.33 Over the next three years, the program is expected to have a combined positive fiscal impact. At the end of the series, the following results are expected: (i) macroeconomic stability; (ii) increased tax revenue in the medium and long-term; (iii) increased tax coverage; and (iv) improved efficiency in tax and customs administration. In addition, the streamlined processes will reduce the cost of

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<sup>60</sup> The DOTC has confirmed that the MOF 2013 and 2014 budgets include expenses related to the IT systems.

<sup>61</sup> See Annex II for policy conditions for the second and third operations of the programmatic series.

compliance for the tax payer, improve taxpayer service, facilitate trade and decrease distortions, thereby increasing economic efficiency.

- 1.34 The program's direct beneficiaries will be: (i) the general population which will benefit from more efficient and effective processes and a fairer and more transparent tax system; (ii) businesses, which will benefit from predictability in the tax system and lower CIT; and (iii) the trade community, which will benefit from an operational shift towards a greater focus on trade facilitation. Based on the completed economic analysis, the net benefit of the program would be US\$637.4 million in present value terms, assuming a VAT rate of 15% and low implementation efficiency of 50%.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing Instrument**

- 2.1 Given its depth and breadth, this program is structured as a Programmatic Policy-Based Loan. The present operation is the first of a series of three, which is expected to be disbursed in December 2013. The financing arrangement is considered the most appropriate because it is a flexible and effective mechanism to support complex and long term reforms that require sequenced actions for implementation and broader dialogue. The second and third operations (SU-L1040 and SU-L1041) will be presented for Board consideration in 2014 and 2016, respectively.

### **B. Environmental and Social Safeguard Risks**

- 2.2 Given that this is a PBP, there are no associated environmental or social risks. In accordance with the Directive B.13 of the Bank's Environment and Safeguards Compliance Policy (GN-2208-20 and OP-703), no ex-ante environmental impact classification is required given the nature of the program.

### **C. Other Key Issues and Risks**

- 2.3 There is a risk that the reforms could eventually be delayed or limited in scope given the 2015 elections. This risk will be mitigated by: (i) media and public relations campaigns; (ii) meetings with key stakeholders;<sup>62</sup> and (iii) public awareness efforts currently underway. In addition, there is also a risk that the government will not have the technical capacity to carry out such an ambitious reform program. This risk will be mitigated by the technical assistance program currently under preparation (SU-T1069) that will support: (i) organization and operational restructuring; (ii) development of a customer service desk; (iii) change management for VAT implementation; (iv) training for DOTC staff; and (v) development of an indicator baseline. Finally, there is the risk of resistance to change, particularly of certain private sector and civil society groups. This risk will

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<sup>62</sup> Private sector associations, civil society and political stakeholders such as political parties and congress.

be mitigated by the preparation and implementation of a change management strategy and raising public awareness of the need for reform.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of Implementation Arrangements**

- 3.1 The executing agency will be the Ministry of Finance (MOF) which will provide the evidence of compliance with the program's conditions (and for the subsequent individual operations). The MOF appointed focal points<sup>63</sup> responsible for: (i) coordinating program execution in technical matters; (ii) revising and presenting the work plans and progress reports; (iii) monitoring compliance with targets set out in the policy matrix as agreed between the GOS and the Bank; and (iv) collecting means of verification of compliance with the program's targets.

#### **B. Summary of Arrangements for Monitoring Results**

- 3.2 The implementation of the reform program will be monitored by the GOS through the MOF with technical support from the project team. The Borrower and the Bank will hold meetings every trimester in order to review the progress achieved in implementing the program and on the fulfillment of the conditions for the subsequent operations, as reflected in the policy matrix.
- 3.3 The team will evaluate the achievement of the program's objectives. A reflective evaluation method will be applied, using as a reference the targets and indicators set in the policy and results matrixes and input from an independent consultant. At the end of the programmatic series, the Bank will prepare a project completion report to assess results achieved by the program, its long-term sustainability and lessons learned to improve the design and execution of future operations.

#### **C. Complementary Bank Interventions and Technical Support Activities**

- 3.4 Activities for achieving the goals of the second and third operations as well as a the development of a baseline for the evaluation of the program is expected to be supported by the technical assistance program, Revenue and Expenditure Administration Support (SU-T1069). This program will include: (i) project management; (ii) change management; and (iii) implementation of action plans.

### **IV. POLICY LETTER**

- 4.1 The GOS commitment and ownership of the operation is reflected in the policy letter (see [Required Electronic Link #1](#)).

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<sup>63</sup> Three focal points have been selected, one for direct taxes, one for indirect and one for customs.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		i) Lending to small and vulnerable countries, and ii) Lending to support regional cooperation and integration.		
Regional Development Goals		i) Ratio of actual to potential tax revenue, and ii) Trade openness (trade as percent of GDP).		
Bank Output Contribution (as defined in Results Framework of IDB-9)		Public financial systems implemented or upgraded (budget, treasury, accounting, debt, and revenues).		
2. Country Strategy Development Objectives		Not aligned		
Country Strategy Results Matrix				
Country Program Results Matrix		GN-2696	The intervention is not included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		GN-2637-3	Tax administration is identified as an area for continued strategic dialogue in the Country Strategy with a view to possible additional lending support.	
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		8.4		10
3. Evidence-based Assessment & Solution		8.9	33.33%	10
4. Ex ante Economic Analysis		10.0	33.33%	10
5. Monitoring and Evaluation		6.1	33.33%	10
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B.13		
IV. IDB's Role - Additionality				
The project relies on the use of country systems (VPC/PDP criteria)				
The project uses another country system different from the ones above for implementing the program				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
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				
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan				

The diagnosis is clear. The first section summarizes the macroeconomic environment to conclude that although fiscal and macroeconomic performance has been consistent and prudent, there is a financial gap that this operation will help close in order to fund important large capital projects needed to overcome years of sub-optimal levels of capital investments. Closing this gap is critical and can only be achieved by undertaking a reform of the revenue system. The diagnosis of this system is well presented. The identified factors contributing to the fragility of the revenue system are presented with sufficient empirical evidence and linked with the proposed operation.

The project has been designed to address the challenges in the revenue system covering tax policy, tax administration and customs administration. In addition to a sustainable macroeconomic framework, the reforms include actions in three areas: i) tax policy, ii) tax administration, and iii) customs administration. The first area addresses issues related to broadening and evening the distribution of the tax burden to most citizens and businesses through the revision and update of the legal framework. The second area is considered key to enhance administrative efficiencies through organizational restructuring and simplification of tax compliance. Finally, the third area will support efficiency and effectiveness of customs administration to increase revenue from trade.

The proposed operation, first of the programmatic series represents the initial step towards the achievement of the overall program objectives, laying the foundation for the rest of the program. It focuses on the formal approval of the legislation proposals, tools and organizational structure necessary to establish the framework of the overall reform. The Results framework is clearly presented with indicators at output and outcome levels. The documentation includes a complete economic analysis. The monitoring and evaluation plan includes an ex-post reflexive evaluation.

## POLICY MATRIX

First Operation Conditions		Second Operation Conditions	Third Operation Conditions
<b>Component I: Macroeconomic Stability</b>			
1.1	That the macroeconomic framework of the borrower is consistent with the objectives of the program.	1.2	That the macroeconomic framework of the borrower is consistent with the objectives of the program.
<b>Component II: Tax Policy</b>			
2.1	That draft legislation for Tax Collection modernization is approved.	2.10	That a legislative proposal for Tax Collection presented to Parliament.
2.2	That the new structure for streamlining the Directorate of Taxes and Customs is approved.	2.11	That a legislative proposal for the restructuring of the Directorate of Taxes and Customs presented to the Council of Ministers.
2.3	That draft Income Tax and Wage Tax technical amendments to broaden tax base are approved.	2.12	That Income Tax and Wage Tax technical amendments are presented to Parliament.
2.4	That draft legislation for VAT implementation is approved.	2.13	2.20
2.5	That VAT consultations with public and private sectors are completed, including (trade and labor) unions, civil society and relevant government institutions.		
2.6	That a revised VAT Implementation plan is approved.		
2.7	That draft Customs Act aligned to WCO practices and CARICOM agreements is approved.	2.14	2.21
2.8	That draft legislation to modernize Entertainment Taxes is approved.	2.15	2.22
2.9	That a proposal for the consolidation of four excise tax acts into one Excise Tax Act is approved.	2.16	2.23

First Operation Conditions		Second Operation Conditions		Third Operation Conditions	
Component III: Tax Administration					
3.1	That an implementation plan for the consolidation of tax payer services is approved.	3.8	That the First phase of consolidated tax payer service center is implemented.	3.13	That a consolidated tax payer service center is fully operational.
3.2	That a proposal to introduce a self-assessment system for the Wealth Tax is approved.	3.9	That amendments introducing a self-assessment system for the Wealth Tax are presented to Parliament.	3.14	That a self-assessment system for Wealth Tax is fully implemented.
3.3	That the media and public relations campaign plan for VAT implementation is approved.			3.15	That VAT media and public relations campaign is implemented.
3.4	That the organizational structure and staffing plan for VAT implementation is approved.			3.16	That VAT organizational structure and staffing is implemented.
3.5	That a training program for VAT implementation is approved.	3.10	That a training program for VAT implementation is in progress.	3.17	That a training program for VAT implementation is in progress.
3.6	That Technical specifications for Request for Proposals (RFP) for a Tax IT solution are approved.	3.11	That a provider for the Tax IT solution is selected.	3.18	That a Tax IT solution is implemented according to strategy.
3.7	That an evaluation of proposal for extending the Excise Stamp Tax on Vodka is approved.	3.12	That a Ministerial Resolution (Ministeriele Beschikking) for the extension of the Excise Stamp Tax on Vodka is issued.	3.19	That an excise Stamp Tax on Vodka is implemented.
Component IV: Customs Administration					
4.1	That an Action Plan for Customs modernization is approved.	4.6	That a Business Processes Reengineering for the Customs Department is completed.	4.11	That core activities of an Action Plan for Customs modernization is implemented.
4.2	That an implementation plan for ASYCUDA World IT system is approved.	4.7	That ASYCUDA World is implemented and in use by staff.	4.12	That ASYCUDA World is implemented and in use by staff.
4.3	That protocols within ASYCUDA World are established to share information with relevant government institutions.	4.8	That data sharing protocols between ASYCUDA World and relevant government systems are in place.	4.13	That data sharing protocols between ASYCUDA World and relevant government systems are in place
4.4	That profiles for Customs Department staff and budget headline for increasing the number of customs officers are approved.	4.9	That new customs officers are hired and deployed.		
4.5	That a Customs Special Operations Team is created through the assignment of 10 officers to deter smuggling activities and tax avoidance.	4.10	That a Customs Special Operations Team is deployed.		