

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **SURINAME**

### **TRADE SECTOR SUPPORT PROGRAM**

**(SU-L1002)**

### **LOAN PROPOSAL**

This document was prepared by the project team consisting of: Michael McLeod (RE3/SC3) Project Team Leader; Raimundo Arroio (RE3/SC3); Mario Berrios (INT/ITD); Anneke Jessen (INT/ITD); Matthew Stone Shearer (INT/ITD); Silvano Tjong-Ahin (COF/CSU); Diego Buchara (LEG); Gabriela Martinez (RE3/FI3) and Adriana Abreu-Combs (RE3/SC3) who were in charge of document production.

## CONTENT

I.	FRAME OF REFERENCE .....	1
A.	The importance of trade in Suriname's economy.....	1
B.	Suriname's participation in trade agreements and negotiations.....	3
C.	Institutional framework: characteristics and weaknesses.....	5
D.	The country's trade sector strategy.....	8
E.	The Bank's country and sector strategy .....	8
F.	The program strategy.....	9
II.	THE PROGRAM .....	11
A.	Objectives and description .....	11
B.	Components.....	11
C.	Cost and financing.....	18
III.	PROGRAM EXECUTION .....	20
A.	The borrower, guarantor and executing agency .....	20
B.	Program execution and administration.....	20
C.	Accounting and auditing.....	21
D.	Procurement of goods and services .....	22
E.	Revolving fund .....	22
F.	Execution and disbursement schedule.....	23
G.	Monitoring, evaluations and progress reports .....	23
IV.	VIABILITY AND RISKS .....	25
A.	Institutional and financial viability.....	25
B.	Environmental and social impact .....	26
C.	Potential benefits .....	26
D.	Potential risks .....	26

## ANNEXES

ANNEX I	Logical Framework
ANNEX II	Tentative Procurement Plan

## BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## **INFORMATION AVAILABLE IN THE FILES OF RE3**

### **PREPARATION:**

### **EXECUTION:**

1. Draft Operations Manual
2. Draft First Year Annual Operating Plan
3. Detailed Budget

#### ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
AOP	Annual Operating Plan
ASYCUDA	Automated System for Customs Data
ATPL	Agricultural and Trade Policy Program
CARICOM	Caribbean Community
CET	Common External Tariff
CSME	CARICOM Single Market and Economy
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Services
FTAA	Free Trade Area of Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IC	International Competition
ICB	International Competitive Bidding
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IP	Intellectual Property
IT	Information and Technology
KKF	Chamber of Commerce and Industry
LAC	Latin America and Caribbean
MFA	Ministry of Foreign Affairs
MFN	Most Favored Nation
MTI	Ministry of Trade and Industry
NC	National Competition
NCB	National Competitive Bidding
NIMOS	National Environmental Agency
OC/IFF	Ordinary Capital/Intermediate Financing Facility
PCR	Project Completion Report
PCU	Program Coordination Unit
PPMR	Project Performance and Monitoring Report
PSC	Program Steering Committee
PSMSP	Public Sector Management Strengthening Program
PTI	Poverty Targeted Investment
RNM	Caribbean Regional Negotiating Machinery
SPS	Sanitary and Phytosanitary
TC	Technical Cooperation
TOR	Terms of Reference
VSB	Trade and Industry Association
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

**TRADE SECTOR FACILITY**  
**TRADE SECTOR SUPPORT PROGRAM**  
**(SU-L1002)**

**EXECUTIVE SUMMARY**

<b>Borrower:</b>	Republic of Suriname		
<b>Executing agency:</b>	Ministry of Trade and Industry (MTI)		
<b>Financing amount and source:</b>	IDB: (OC/IFF)	US\$	4,000,000
	Local:	US\$	400,000
	Total:	US\$	4,400,000
<b>Financial terms and conditions:</b>	Amortization Period:	20	years
	Grace Period:	42	months
	Execution Period:	36	months
	Disbursement Period:	42	months
	Interest Rate:	Variable	
	Inspection and Supervision:	0	%
	Credit Fee:	0.25% of undisbursed balance	
	Currency:	US\$ from Single Currency Facility	

The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.<sup>1</sup>

**Objectives:** The overall objective of the program is to improve public management of Suriname's foreign trade by strengthening the country's technical and institutional capacity to formulate, negotiate and implement trade policy and related agreements.

To those ends, the program's specific objectives are: (i) to strengthen the MTI's capacity to lead, coordinate and support the trade policymaking process and to establish effective mechanisms for consultation among relevant government agencies and between these and the private sector; (ii) to implement an effective information and communications system to support the trade policymaking process;

---

<sup>1</sup> With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount, divided by the number of six-month periods included in the original disbursement period.

(iii) to develop the technical capacity of human resources in trade-related public and private sector institutions; and (iv) to address specific sector issues related to agricultural trade, sanitary and phytosanitary measures and intellectual property.

**Components:**

In pursuit of its general and specific objectives, the program will encompass the following four components:

**1. Organization and coordination of trade policymaking (US\$864,000):** This component aims to strengthen the trade policymaking process in Suriname by improving intra- and inter-agency organization and coordination, as well as consultation with the private sector and other relevant non-government actors. Based on the definition of an overall trade policy for Suriname (see paragraph 1.20), including well-defined short and medium-term priorities, the component will provide technical assistance to support: **a)** assessment of trade policymaking mechanisms in the country and recommendations for appropriate institutional reforms; **b)** based on the above assessment and recommendations pertaining specifically to the MTI, develop and implement an action plan for reform of the ministry; **c)** examine trade procedures and assessment of current data collection system and recommendations for revision; **d)** establishment of Dispute Settlement Section within the MTI; **e)** establishment of the national Bureau of Standards; **f)** coordination with the private sector; and **g)** public education and outreach programs to raise public awareness of impending changes in the area of trade.

**2. Implementation of effective information and communications system (US\$544,000):** Complementing the above activities, this component aims to support institutional strengthening of trade-related public agencies through the provision of the necessary information and communications infrastructure to formulate, negotiate and implement trade policy. Activities will include: **a)** design and implementation of an integrated, secure and computerized information and communications system for the MTI, including purchase of necessary computer, copying and printing equipment and software, link-up to high-speed Internet access and establishment of effective communications channels with Brussels, Geneva and other important trade policy locations; **b)** creation of a modern trade information and documentation center in the MTI that will support the ministry's data collection, analysis and dissemination capacity (including in the area of services trade); **c)** implementation of a computerized system for monitoring the ministry's work program and activities; and **d)** design, implementation and maintenance of MTI website.

**3. Capacity-building in trade (US\$669,000):** This component aims to strengthen the technical expertise of staff in the MTI and other trade-related agencies, particularly in trade policy areas that are of

strategic interest to Suriname. It will provide relevant government agencies with access to technical expertise to support policy formulation, negotiations and implementation. Such support can be in the form of internships, short- or longer-term attachments of experts to the MTI and other agencies in order to transfer know-how to existing personnel, or hiring and supervising outside technical work in an effort to insure program effectiveness. Due to the acute lack of sufficient technical capacity, in the short-term and medium-term, this approach intends not only to provide practical solutions to priority issues but also to contribute to the training of officials. It is expected that this transfer of technical knowledge over time would create sufficient accumulated expertise. Support will be provided in the following areas: **a)** design and implementation of annual training programs based on identified needs; and **b)** technical support in trade negotiations and export diversification.

**4. Sector specific support (US\$1,378,000):** This component will address three sector issues which require specific attention: the Ministry of Agriculture; sanitary and phytosanitary measures and the Bureau of Intellectual Property. The activities in this component are designed to assist institutions with specific programs in order to enhance their participation in the trade policymaking process and their effectiveness in implementing resulting agreements. Support for the Ministry of Agriculture will be provided in two areas: (i) general institutional support, which includes an institutional assessment, training, website development, development of an information and communications system, technical studies and legal support; and (ii) sanitary and phytosanitary measures (SPS) which includes SPS infrastructure, food safety and strengthening the SPS Enquiry Point. Support for the Bureau of Intellectual Property will be in the following areas: institutional strengthening, legal advice, technical studies and implementation of a computer and information system.

**Special  
contractual  
conditions:**

**Conditions precedent to first disbursement:** (i) creation and staffing of the Program Coordination Unit (PCU) (paragraph 3.2); (ii) creation of the Program Steering Committee (PSC) and appointment of its members (paragraph 3.3); (iii) adoption of the Operations Manual in accordance with the text already agreed upon with the Bank (paragraph 3.10); and (iv) adoption of the Annual Operating Plan for the first year of the program in accordance with the text already agreed upon with the Bank (paragraph 3.11).

**Conditions precedent to the disbursement of resources for Component 1 a (Assessment of trade policymaking mechanisms in the country) and b (Action plan for reform of the MTI); Component 2 a (Information and communications system for the MTI) and c (Computerized system for monitoring the MTI's work program and activities); and Component 4 a) (i) a (Ministry of Agriculture-**

**General institutional support-Institutional assessment) and d (Information and communications systems),** the Borrower will have to present to the satisfaction of the Bank, evidence that the trade sector strategy for Suriname has been duly approved by the corresponding authority (paragraph 3.4).

**Conditions precedent to the disbursement of resources for Component 1 e (Bureau of Standards),** the Borrower will present to the satisfaction of the Bank, the recommendations to assist with the initial establishment and operation of a national Bureau of Standards produced under technical cooperation ATN/CC-9093-SU (paragraph 3.4).

**Special disbursement:** Once the Loan Contract has entered into effect, and the Borrower has complied with the conditions precedent set forth in the General Conditions of the Loan Contract, the Bank may disburse to the Executing Agency up to the amount of US\$250,000 in order to hire the staff for the PCU as well as for the contracting of the evaluation consultant (paragraph 3.2)

**Relationship to Bank's country and sector strategy:**

As articulated in the 2000 Country Paper (GN-2080-1), the core of the Bank's country strategy in Suriname is to support policy and institutional reforms in order to improve institutional and incentive frameworks. The principal areas of focus are: (i) private sector development; (ii) modernization of the state; (iii) human resource development; (iv) environmental management; and (v) improved macroeconomic management. The proposed project, which will contribute to improving public management of Suriname's foreign trade as well as use the potential of knowledge and information technologies in public management, is in keeping with the Bank's Modernization of the State Strategy (OP-1004) and is specifically mentioned in the 2003 Suriname Country Strategy Update. Furthermore the proposed program is consistent with the Bank's Regional Integration Strategy (OP-1006) insofar as it supports training to develop the expertise required to manage negotiations and implement agreements.

The proposed program is also fully consistent with the Bank's regional strategy for CARICOM, which seeks to facilitate the group's effective international insertion through activities supporting the full implementation of the CARICOM Single Market and Economy (CSME), expansion of the regional market (through the negotiation and implementation of new trade agreements), improved collection and management of trade data and institutional strengthening, among other things. In the Bank's support to regional initiatives such as the Caribbean Regional Negotiating Machinery (RNM), it has become increasingly obvious that, in order to yield the expected benefits, such initiatives depend crucially on effective member state involvement. The proposed program seeks specifically to help Suriname in this respect.

**Coordination with  
other Multilateral  
Development  
Institutions:**

The Bank program will complement the trade-related assistance of other donor agencies in Suriname, which mostly focuses on support to the private sector. The European Commission (EC) has approved and set in motion a €2.4 million private sector support program in Suriname. The aim is to establish a Business Center that will be managed by the Suriname Business Forum, a consultation mechanism aimed at facilitating public/private sector discussion and coordination on business development issues. The Center will have funds to undertake a number of private sector support activities related to trade. Suriname will moreover benefit from some technical assistance funded under two regional EC programs to help African, Caribbean and Pacific (ACP) countries negotiate Economic Partnership Agreements (EPAs) with the European Union (EU). In addition, the Dutch Development Agency is planning a few smaller-scale trade-related initiatives for the private sector in the area of export facilitation and promotion of trade between Suriname and the EU. There is little other donor activity in the area of trade. A TC program entitled *Support for the Design, Implementation and Management of Trade Policy and Technical Standards*, financed by the IDB-Canada Trade Fund (ATN/CC-9093-SU, CAN\$150,000), and approved in February 2005, will provide relevant input to two activities contemplated in the proposed program, namely the formulation and implementation of a trade sector strategy for Suriname, and the launching of a national Bureau of Standards (see paragraph 1.24c).

**Environmental  
and social  
classification:**

It is not anticipated that the activities to be financed in this program will have negative direct social effects, but it could be expected that the program could have a positive influence on the country's trade performance by supporting the increase and diversification of labor-intensive exports. It could thereby contribute to employment creation and the mobilization of resources to support sustainable improvements in the delivery of social services.

This program opens the opportunity to discuss important environmental issues with the government as well as to support it as it addresses their implications. It is therefore recommended that, to the extent possible, technical studies and training be incorporated on matters such as sustainable methods of production, the link between environmental and trade issues, other key market access related issues, enhancing competitiveness, building local capacity and creating a framework to develop organic agriculture and stimulating certification of products, among others. Likewise, it is not expected that the activities to be financed in this program will have any negative direct environmental effects.

**Potential benefits:** The program will increase the technical capacity of Suriname to conduct trade negotiations, to implement trade agreements and to exploit the opportunities and face the challenges arising from trade liberalization. This will enhance the country's insertion into the global economy, support the development of non-mineral exports and contribute to improving the efficiency of the economy, thereby increasing the potential for economic growth and development.

**Potential risks:** The Bank has recently approved two operations related to public sector reform in Suriname: a technical cooperation to assist the country in identifying a Roadmap for Medium and Long Term Public Sector Reform (ATN/SF-8664-SU) and a loan to finance the Public Sector Management Strengthening Program (PSMSP) (1547/OC-SU) to support the reform process by implementing a selection of urgent short term activities in the ministries of Home Affairs and in Finance. The latter also includes the establishment of a connectivity backbone to electronically connect all sixteen ministries and some strategic government agencies. To prevent overlap and/or conflicts, it is imperative to coordinate the Information Technology (IT)-related activities of the proposed operation with those of the PSMSP and to ensure that the activities being financed under the aforementioned technical cooperation are taken into consideration in the design of the proposed program.

A key risk in implementing the program is the limited institutional capacity of the MTI. The program addresses this risk by establishing from the outset a solid Program Coordination Unit (PCU) that would build up managerial capacity, more efficient administrative methods, executive decision making processes and qualified personnel. In addition, the program envisages the contracting of three long-term consultants (senior trade specialist, senior agricultural specialist and an IT support technician) who will work directly with personnel from their respective ministries as a means of insuring implementation of program consultants recommendations and building an inherent element of sustainability into the program. Furthermore, the Bank's Country Office in Suriname will provide assistance, as required, to insure satisfactory execution of the program.

Given the inadequate response from line ministries, the private sector and other stakeholders through the existing consultation methods that do not function well, a key to the success of this program is also for the private sector and Government to continue to improve mutual cooperation. This goal will be addressed on the one hand through the European Commission program which will establish a Business Center to serve as a consultation mechanism aimed at facilitating public/private sector coordination and, on the other, through additional activities to be financed under the proposed operation to improve inter-agency coordination and public/private sector dialogue.

**Poverty-targeting and social equity classification:**

This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty-targeted investment (PTI).

**Procurement Plan & Timeframe, threshold amounts for ICB:**

**Goods.** The procurement of goods will be carried out in accordance with Bank policy established in document GN-2349-4 ("Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank" of January 19, 2005). It is not foreseen that any civil works will be financed under this program. International Competitive Bidding (ICB) is mandatory for the acquisition of goods that exceed the equivalent of US\$100,000 partially or totally financed with loan resources. National Competitive Bidding (NCB) may be used for goods between US\$25,000 and US\$100,000 and shopping for goods below US\$25,000. Procurement of Goods will be carried out in accordance with the annual Procurement Plan previously approved by the Bank. The Draft Procurement Plan and Timeframe is attached (see Annex II). The Procurement Plan will be reviewed every six months.

**Consultants.** Selection and contracting of consultants will be carried out following the policy set out in document GN-2350-4 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" of January 19, 2005). For the selection and contracting of consulting services with a value equal to or greater than the equivalent of US\$100,000, the short list will include international consulting firms (ICB). A short list may comprise entirely national consultants: (i) if the assignment is below the equivalent US\$100,000 and a sufficient number of firms are available for having a short list with competitive costs (NCB). However, if foreign firms express interest, they shall be considered; and (ii) when competition including foreign consultant is *prima facie* not justified or foreign consultants have not expressed interest. Contracting of consulting services will be done in accordance with the Procurement Plan previously approved by the Bank.

Given the fact that the PCU will be created as part of the program and will have had no experience in the acquisition of goods and consulting services using Bank procurement procedures, the *ex-ante* method will be adopted for the revision of procurement of goods and services. This method will be used until such time that the Bank's procurement specialist determines that the PCU has demonstrated a satisfactory level of procurement capacity, in which case the review will be *ex-post*.

**Key Performance Indicators & Monitoring Benchmarks:**

At the end of the program the following key performance indicators will be used to measure the achievement of program goals:

- (a) Goals: (i) the private sector conducts international commercial transactions in improved conditions of market access (e.g.

improved use of existing preferences, better capacity to address SPS and technical standards issues, or implementation of new trade liberalization initiatives); (ii) domestic regulatory environment is more compatible with trade agreements reached (e.g. greater compatibility with international trade obligations); and private sector has greater access to commercial information (e.g. better identification of demand for Surinamese products in foreign markets, more active participation in foreign trade fairs).

- (b) Purpose: (i) Demonstrated higher level of technical knowledge and analytical skills of trade officials in the country as measured by the degree of satisfaction among experts as well as private sector and other relevant stakeholders and (ii) Government manages trade policy with a clear sense of priority, based on a clearly defined national trade strategy.

**Reporting  
arrangements  
jointly with Bank  
and Executing  
Agency:**

**Monitoring.** A draft Operations Manual for the program has been prepared and agreed upon with the Surinamese authorities and is available in the technical files of RE3/SC3. This manual contains the operating instructions for each of the program activities, including the Program Coordination Unit. These operating instructions include: the schematic qualifications and terms of reference for each of the consultancies to be contracted as part of the program, as well as a tentative timetable for their contracting and the execution of their responsibilities.

On the basis of the existing Operations Manual and schematic Terms of Reference (TOR) for the activities, at the beginning of each year of project execution, the PCU will prepare an Annual Operating Plan (AOP) for each component of the program. This document will present an updated version of the information described in the Operations Manual concerning the activities, calendar, TOR and goals to be achieved in the ensuing 12-month period. The AOPs, with the exception of the one for the first year of the program, should present an evaluation of the previous period and justification for modifications with respect to the originally envisioned goals. A draft AOP for the Program's first year has been prepared and agreed upon with the Surinamese authorities and is available in the technical files of RE3/SC3. The first year draft AOP includes: (i) detailed functions of the PCU; (ii) detailed TOR for the PCU personnel and the consultants to be contracted during the first year of project execution; (iii) the main activities to be carried out in the first year of project execution (contracting and procurement) with an indication of their cost and sequencing.

**Mid-term review and final evaluation.** Resources are provided for in the loan for the Bank to contract a consultancy to carry out an independent mid-term and final evaluation of the program (draft terms of reference are in the Operations Manual). This consultant will be

contracted within six months of the signature of the loan contract and will establish, within three months of his contracting, an evaluation framework based primarily on the indicators and goals established in the Logical Framework. As part of the evaluation framework, an initial survey should be carried out in order to establish a baseline for the goals and purpose performance indicators of the Logical Framework. The PCU will be responsible for collecting the relevant data during the execution of the program. Within 18 months of the signature of the loan contract, or once 50% of the project financing has been disbursed, the evaluation consultant will carry out a mid-term review of the project. Immediately before the mid-term evaluation, a review of each of the AOPs will be carried out to determine if any changes should be made to the execution of the program. This review will also be based on the agreed indicators, and the degree to which the program is achieving the goals established. The assumptions in the Logical Framework will also be reviewed and updated as required. If necessary, the consultant will make recommendations for actions to improve execution. Finally, once the execution of the main components of the program has concluded, the consultant will carry out a final evaluation. This evaluation will analyze the results of the execution of the program and the achievement of the proposed goals in all sections of the Logical Framework.

**Progress reports.** Progress reports on the execution of the project will be presented to the Bank by the PCU on June 1 and December 1 in each year of execution so that they can serve as the basis for preparation of Project Performance and Monitoring Reports (PPMRs) by COF/CSU, which are due June 30 and December 31. The progress reports will be prepared in accordance with the relevant guidelines agreed upon with the Bank.

**Ex-post evaluation.** In accordance with Bank policy, the MTI was consulted as to whether or not it wanted to carry out an ex-post evaluation of the program. It responded that, rather than the ex-post evaluation, it supports the Bank's initiative to utilize the Annual Operating Plans, mid-term review and final evaluation as a means to evaluate the project, as described in paragraphs 3.11–3.12. In this regard, the evaluations included in the POAs, the mid-term review, and final evaluation will include indicators and parameters that will enable the Bank and the borrower to understand the impact of the program and the goals achieved as a result. This information will be available to the Bank in the event that it should later decide to carry out its own ex-post evaluation.

## **I. FRAME OF REFERENCE**

### **A. The importance of trade in Suriname's economy**

- 1.1 Suriname is a small economy with one of the highest trade/GDP ratios in the Western Hemisphere – 145%<sup>2</sup>. Because external trade plays such a dominant role in Suriname's economy, it also substantially determines the country's development prospects. Exports are particularly important in this respect: export income is needed to spur capital accumulation and investment, create and sustain jobs, finance imports, and maintain balance in the country's external accounts, all of which is necessary to achieve sustainable levels of economic growth. Successful participation in the global economy through improved trade performance is therefore a central aim of Suriname's development strategy, and a necessary condition for eliminating the poverty that currently affects almost half of the country's population. The effective management and implementation of trade policy is crucial in this respect.
- 1.2 After two decades of economic stagnation, Suriname has experienced renewed growth in recent years, mainly as a result of a stable political environment, increased investment in the mining sector and higher international prices for some of the country's main export commodities. Between 2000-2004, GDP growth averaged over 4% a year. The short-term outlook for the economy is good, with the IMF predicting growth of 4.8% in 2005.
- 1.3 While this growth trend is encouraging, its medium to long-term sustainability is not guaranteed. Suriname's relative economic openness renders it extremely vulnerable to external shocks such as fluctuations in commodity prices or policy changes abroad. This vulnerability is compounded by the fact that Suriname depends for its export earnings on a very small number of natural resource products – mainly alumina, gold, crude oil, shrimp, rice, bananas and timber. Alumina exports alone account for almost two thirds of Suriname's total exports; a sudden downturn in prices for this product could thus quickly reverse the growth trend witnessed in recent years. Price changes largely explain the huge fluctuations in Suriname's annual export earnings over the past decade, with export values contracting or expanding by as much as 60% in some years. Bauxite mining and alumina production are fully controlled by two multinationals: Alcoa and Billiton. Oil and banana production are monopolized by state-owned enterprises, while rice production is supported via direct and indirect subsidy schemes.
- 1.4 In addition to the vulnerabilities associated with a narrow export base, Suriname faces substantial new trade challenges ahead. For some important export crops

---

<sup>2</sup> Period average 2000-2002. The trade openness indicator is calculated as export and imports of goods and services, divided by GDP. By comparison, the average ratio for the Caribbean Community (CARICOM) is around 100%; the average for Latin American countries is only 40%.

(rice and bananas), Suriname faces renegotiation of its preferences in the European Union (EU) market and stronger competition in international markets in the coming years. Although rice and bananas constitute only a small share of the country's exports, they account for a significant share of employment, and even small changes in market access could spell sizeable economic disruptions in the agricultural sector. The mining sector is globally competitive and an important foreign exchange earner for the country, but contributes little in terms of employment (only 2.5% of the labor force work in the bauxite industry, compared to 11% in agriculture). Meanwhile, the economic weight of manufacturing has declined steadily since the country's entry into the Caribbean Community (CARICOM), and with the exception of alumina production and some (mainly fisheries-related) food-processing industries, manufacturing activity is mostly limited to supplying the small domestic market. Only further expansion of export activity would provide space for growth and employment creation. Diversification of the export base is therefore also of strategic importance.

- 1.5 A history of state control, coupled with the lack of an enabling environment and the small size of the domestic market, has hindered the development of Suriname's private sector. Local investors are not sufficiently prepared to confront the challenges (or grasp the opportunities) posed by the trend towards increased global market liberalization. At the same time, international investors are becoming more selective in choosing their investment destinations, opting for countries with attractive investment climates built on good governance, sound institutions and protection of property rights. Despite sizeable new investment inflows in recent years, *net* inflows of foreign direct investment (FDI) to Suriname have been negative in most years since the late 1980s.<sup>3</sup> Apart from structural economic conditions, macroeconomic instability and the presence of a legal and regulatory environment that is not conducive to private sector development are generally considered to be the key factors behind Suriname's recent poor record with regard to inward FDI.
- 1.6 In the medium to long term, growth and diversification of the trade base will require substantial improvements to the local investment environment and infrastructure. To begin addressing these challenges, the Bank and the Foreign Investment Advisory Services (FIAS) are currently funding a consultancy to review and improve the country's regulatory system in order to raise Suriname's attraction as a business location for both local and foreign investors. To date, infrastructure improvements have been financed primarily through the Dutch Treaty Fund, but given the planned phasing out of this source of funding over the next five years, the Bank is expected to play a significant role in the medium term in identifying unmet demands for infrastructure and channeling resources,

---

<sup>3</sup> These negative inflows are most likely driven by intra-company loans. In other words, these are repayments of loans by foreign affiliates to their parent companies. These large repayments could be due to efforts to improve debt-equity ratios, to take advantage of periods of low interest rates, or due to tax planning strategies.

including some Bank financing, towards addressing those demands through other possible operations. In the short term, however, the Surinamese authorities also face the immediate challenge of negotiating a favorable outcome for the country in a series of ongoing trade negotiations. The results of these negotiations and the alliances that are formed will serve to drive the country's future opportunities and economic development. Equally urgent is the effective implementation of existing trade agreements in order to enable the private sector to take full advantage of the market access opportunities inherent in these accords. The design and implementation of effective trade policies, aimed at facilitating Suriname's successful international insertion, are indeed a necessary condition for improving the local business environment and attracting the investment that is needed to ensure the economy's sustained growth.

- 1.7 Given Suriname's traditional trade concentration on mining activity, other sector-specific trade needs and concerns have been neglected. Today, however, several sector issues have become central to Suriname's trade potential and to the participation of the country in trade negotiations and the implementation of trade agreements. Some of the most pressing needs related to specific sectors are concentrated on agricultural, sanitary and phytosanitary and intellectual property issues.

## **B. Suriname's participation in trade agreements and negotiations**

- 1.8 Suriname has been a contracting party of the General Agreement on Tariffs and Trade (GATT) since 1978 and became a founding member of the World Trade Organization (WTO) in 1995. The country completed its first WTO Trade Policy Review in 2004. It currently faces two challenges as a result of its multilateral commitments: the first relates to the full implementation of the agreements reached in the Uruguay Round of multilateral trade negotiations, which concluded in 1994. A decade later, Suriname is still in the process of completing this difficult process, which involves a considerable number of legislative and institutional changes. The second challenge relates to Suriname's participation in the current Doha Development Round, which was launched in 2001 and includes a large number of technically difficult negotiating areas. Suriname's active participation in these negotiations is hindered by the fact that it does not have a WTO mission in Geneva.
- 1.9 In addition to its participation in the WTO, Suriname has been a member of CARICOM since 1995. CARICOM countries are currently in the process of establishing a single market, the CARICOM Single Market and Economy (CSME), which includes the free movement of goods, services, capital and skilled persons within the sub-region, growing harmonization of economic and regulatory policies, and a common external tariff (CET). Suriname already enjoys duty-free access to the CARICOM market for virtually all its merchandise exports and has fully implemented the CET, but still faces important negotiation and implementation issues in other areas of the single market. There are, moreover, some problems of non-compatibility with respect to the adoption of CARICOM's

CET and Suriname's WTO tariff bindings. These issues were identified in the WTO Trade Policy Review of 2004 and constitute pending matters that the country will need to address.

- 1.10 Suriname also benefits from non-reciprocal trade preferences granted by the EU under the ACP-EU Cotonou Agreement, and is a beneficiary of the Generalized System of Preferences (GSP) of various countries - although only a fraction of its exports are eligible under this scheme. Through CARICOM, Suriname has moreover signed trade agreements with a number of Latin American countries, with resulting improvements in access to these markets once the agreements are ratified and enter into force. In all these markets, however, preferences are being eroded by global tariff reductions agreed in the WTO and by bilateral trade initiatives between Suriname's trade partners and third countries. This trend towards preference erosion is likely to intensify in the coming years because of further trade liberalization under the WTO and the entry into force of new trade agreements in the Western Hemisphere, which would gradually reduce Suriname's market access advantages relative to those of other LAC countries in the US/Canadian and Caribbean markets. These processes, along with the negotiation of a reciprocal trading arrangement with the EU, will also put increased pressure on Surinamese firms producing for the domestic market.
- 1.11 Of particular challenge for Suriname is the planned reform of the EU's banana import regime, whereby existing preferential quotas for banana imports from ACP countries (including Suriname) will be replaced by tariffs. The need for reform stems from various challenges raised by WTO members against the EU's existing import regime. These and other trade disputes in the WTO have important repercussions for Suriname; to respond to them efficiently, it is of crucial importance for the country to build capacity on trade policy issues such as reform of the EU's banana regime; the granting of trade preferences and effects on most favored nation (MFN) treatment; agricultural subsidies; special crops; and dispute settlement.
- 1.12 Suriname's reliance on trade preferences is lower than that of other CARICOM countries, reflecting the heavy weight of minerals in the country's exports, most of which enjoy MFN (i.e. non-preferential) duty-free access to foreign markets. It is nevertheless estimated that about one quarter of Suriname's exports currently benefit from some form of preferential treatment. A key issue in 2005 is that the country can no longer depend on unilateral preferences that in past decades facilitated growth of certain industries in Caribbean countries. Growing worldwide liberalization presents a particular challenge for specific sub-sectors (mainly rice and bananas). In addition, Suriname's business sector will have to brace itself for greater competition in domestic markets once the EPA and Free Trade Area of Americas (FTAA) agreements enter into force. Further trade liberalization will also affect fiscal revenues. Customs duties currently account for almost one fifth of such revenues, and new revenue sources may have to be found to compensate for this shortfall.

- 1.13 At the same time, there are significant opportunities to be derived from these new trade initiatives, not only in terms of improved access to both traditional and new markets, but also in terms of a more secure and transparent trading environment based on contractually agreed rules rather than unilaterally applied preferences. Free trade agreements in fact offer countries like Suriname the opportunity to consolidate their existing preferences by changing them into permanent market access rights. What is certain, however, is that in an ever more liberalized world economy where a growing number of countries enjoy mutually agreed market access “privileges” that were previously reserved for only a few trade partners, competition will increase, and only those with the most favorable conditions will capture the benefits of new markets and business opportunities. In such a context, questions of export performance and diversification as well as competitiveness become even more relevant for Suriname, as does the country’s capacity to effectively negotiate and implement the new agreements in order to maximize their potential benefits.
- 1.14 The simultaneous engagement in several highly complex international negotiations (including the EPA and the Doha Development Round), along with participation in the CSME process and implementation of existing trade agreements, places a severe burden on Suriname’s limited human, financial and technical resources. The difficulties of such engagement lie not only in the need to negotiate on several fronts simultaneously, but also in the fact that these negotiations are technically more complex, and potentially far more influential in their outcome than any previous trade talks in which Suriname has participated. The creation in 1997 of the Caribbean Regional Negotiating Machinery (RNM), whose mandate is to coordinate CARICOM’s external trade negotiations on behalf of all member states, has eased some of the pressure on national authorities to be present at all meetings and technically competent in all areas covered by the negotiations. The RNM, however, cannot function effectively without support from member states, and relies on national authorities to help define the region’s joint negotiating position. Likewise, Suriname cannot expect to have its national interests properly represented at the negotiating table unless it is actively engaged in the process. Neither can it reap the full benefits of the resulting agreements without their proper and timely implementation. The effective management of trade policy requires not only a strong trade ministry, but also efficient inter-agency coordination and consultation with the private sector and other relevant stakeholders. Suriname faces significant challenges in this regard.

**C. Institutional framework: characteristics and weaknesses**

- 1.15 The Ministry of Trade and Industry (MTI) is the lead agency for trade policy formulation, management and coordination in Suriname. It does not however, have the basic institutional capacity to address issues in an efficient and systematic manner. While historically the MTI performed a mainly administrative role in such areas as the administration of trade licenses and interventions in the rice sector, its mandate was expanded several years ago to more policy-oriented tasks. The Ministry is largely organized into four Directorates: Industry, Trade,

Market Control and Administrative. The Trade Directorate has 19 full-time professional staff members, of which some 17 work on international trade issues

- 1.16 Apart from the MTI, several other ministries and public entities have responsibilities in trade. The Ministry of Foreign Affairs (MFA) has traditionally taken the lead in matters related to the WTO and oversees the political and diplomatic elements of Suriname's various trade agreements; Suriname's ambassador to the EU is also the country's representative to the WTO. MFA officials attend CARICOM and WTO meetings. The MFA is the only ministry that has permanent representation abroad. Other entities with responsibilities in trade include the Ministry of Labor, Environment and Technological Development, the Ministry of Agriculture, Animal Husbandry and Fisheries (agriculture negotiations and sanitary and phytosanitary (SPS) issues), the Ministry of Finance (through its Directorate of Taxation and Customs Department), the Central Bank (monetary policy, economic planning), the Ministry of Justice and Police (intellectual property rights), the Bureau of Intellectual Property, the National Bureau of Statistics, and the National Environmental Agency (NIMOS).
- 1.17 To fulfill its coordinating mandate, the MTI consults on a regular basis with different actors with a direct stake in trade and economic issues. For this, the ministry uses existing consultation networks to bring together representatives from different ministries, as well as relevant private sector organizations such as the Suriname Business Forum, the Chamber of Commerce and Industry (KKF), the Suriname Trade and Industry Association (VSB) and other representatives of civil society. As a member of CARICOM, moreover, Suriname is committed to a regionally harmonized trade policy. The MTI therefore coordinates closely on trade policy matters with regional agencies such as the RNM and the CARICOM Secretariat.
- 1.18 In executing their respective mandates, the MTI and the other agencies face significant constraints. These constraints, in turn, inhibit the proper functioning of existing consultation mechanisms both within and among public sector agencies, between these and the private sector, and vis-à-vis regional agencies.
  - a. The MTI's capacity to lead and coordinate the country's trade policymaking process, and to provide effective and timely input to the formulation of regional negotiating positions, is constrained by several factors, including the lack of a coherent and well-defined trade policy that clearly spells out the country's priorities; the absence of specific work plans and definition of priority areas of work for the trade unit in the ministry; a sub-optimal organization of the ministry's scarce resources as a result of the above; weak technical capacity resulting from both the limited number of, and insufficient technical knowledge among existing staff in specific areas of trade policy; inadequate response from line ministries, the private sector and other stakeholders through the existing consultation mechanisms which are weak to begin with; huge gaps and deficiencies in basic office equipment such as

computers, printers, photocopiers, fax machines and supplies; and the absence of an efficient information and communications system that is needed to obtain, analyze and disseminate crucial trade information, monitor the ministry's work program, and efficiently connect the various agencies involved in trade policymaking both with each other and with external partners (RNM, FTAA Secretariat etc.).

- b. Technical capacity in areas related to trade is weak not only in the MTI, but across all public agencies and within the private sector, as well. The trade section of the Ministry of Agriculture, which is expected to support the MTI in matters related to agricultural trade negotiations (including sanitary and phytosanitary measures) and implementation of resulting agreements, lacks the institutional organization, technical capacity and information and communications infrastructure needed to confront the multiple challenges that Suriname faces in this area. The Bureau of Intellectual Property was only recently established and does not have the human and technical resources to fulfill its key mandate, which is to provide intellectual property rights and the legal means for their protection – crucial not only for the promotion of innovation at home, but also for attracting foreign direct investment and maintaining harmonious trade relations with third parties. Weaknesses are equally evident in the private sector. With some notable exceptions, the private sector is ill equipped to play a meaningful role in the trade policymaking process, and technically too weak to influence the formulation of national negotiating positions.
  - c. Suriname has recently benefited from a number of donor-financed training activities in the area of trade, but they have mostly been of very short duration, limited to the public sector and not thorough enough to close the knowledge gap between Suriname and its trading partners. Lack of financial resources has prevented public agency staff from accessing the best training available in trade negotiations, which is participation in real negotiations (learning by doing). Access to international expertise has been on a very ad-hoc, short-term basis, and too infrequent to allow for efficient transfer of knowledge to local staff.
- 1.19 In the area of implementation, Suriname has been overwhelmed by the multiple commitments emerging from recently concluded trade agreements. Responsibility for the implementation of WTO and CSME obligations is diffused across different ministries and there is no effective coordination among them. The authorities lack a coherent implementation plan and the legal and technical resources to follow through with it. Of equal concern is the absence of a functioning mechanism to monitor trade partners' adherence to existing agreements, with potentially serious implications for Suriname's export opportunities in these markets. Without solving these problems, Suriname cannot begin to address the combined challenges of eroding trade preferences in key export markets, growing competition at home and worldwide and, as a result, the urgent need to formulate, negotiate and implement effective trade policies and

agreements that both promote and safeguard Suriname's national interests. The proposed program, by addressing the above urgent shortcomings and focusing on the strengthening of technical skills for the negotiating table, seeks to support the government in paving the way for the country's more effective insertion into the global economy as a vital condition for improving its long-term development prospects.

**D. The country's trade sector strategy**

- 1.20 Despite the major challenges that a small, trade-dependent economy faces in an ever more open global economy, Suriname has yet to define an overall trade sector strategy. The proposed program, along with a recently approved Technical Cooperation financed by the IDB-Canada Trade Fund (ATN/CC-9093-SU), aims to rectify this situation. The consultant who will assist in the preparation of the strategy is in the process of being contracted. Nonetheless, as part of its continuing efforts to enhance economic growth, the Government has indicated that it seeks to reform certain key aspects of its trade policy. The essential thrust of its new policy is to liberate traders from as many restrictive administrative burdens as possible. This will be achieved by reducing government interventions in export and import processes.

**E. The Bank's country and sector strategy**

- 1.21 As articulated in the 2000 Country Paper (GN-2080-1), the core of the Bank's country strategy in Suriname is to support policy and institutional reforms in order to improve institutional and incentive frameworks. The principal areas of focus are: (i) private sector development; (ii) modernization of the state; (iii) human resource development; (iv) environmental management; and (v) improved macroeconomic management. The proposed project, which will contribute to improving public management of Suriname's foreign trade as well as use the potential of knowledge and information technologies in public management, is in keeping with the Bank's Modernization of the State Strategy (OP-1004) and is specifically mentioned in the 2003 Suriname Country Strategy Update. Furthermore the proposed program is consistent with the Bank's Regional Integration Strategy (OP-1006) insofar as it supports training to develop the expertise required to manage negotiations and implement agreements.
- 1.22 The proposed program is also fully consistent with the Bank's regional strategy for CARICOM, which seeks to facilitate the group's effective international insertion through activities supporting the full implementation of the CSME, expansion of the regional market (through the negotiation and implementation of new trade agreements), improved collection and management of trade data, and institutional strengthening, among other things. In the Bank's support to regional initiatives such as the RNM, it has become increasingly obvious that, in order to yield the expected benefits, such initiatives depend crucially on effective member state involvement. The proposed program seeks specifically to help Suriname in this respect.

- 1.23 Bank experience with Trade Sector projects using the Flexible Lending Instruments approved in March 2000 currently extends to eight countries: Guatemala (1318/OC-GU) approved in 2001; Peru (1442/OC-PE), Nicaragua (1117/SF-NI) and Bolivia (1118/SF-BO) approved in 2002; Trinidad and Tobago (1454/OC-TT)<sup>4</sup>, Ecuador (1524/OC-EC) and the Dominican Republic (1511/OC-DR) approved in 2003 and Panama (1641/OC-PN) approved in 2005. The increased use of the Trade Sector Facility illustrates the growing demand in the region for projects that help strengthen institutional capacity in the area of trade and, in doing so, contribute to improved trade performance. A review of program execution to date of the aforementioned projects has led to the identification of the following lessons learned that are being taken into consideration in the design of this program: (i) the need for strong political commitment and support; (ii) the positive impact of internships on creating new skills; and (iii) the need to provide training on Bank policies and procedures at the outset of the program in the case of Project Execution Units without experience in the execution of Bank projects, in order to avoid initial program start up delays.

#### **F. The program strategy**

- 1.24 In preparing the program, careful consideration was given to:
- a. **Urgent priorities.** Suriname faces a multitude of problems in its trade sector, not all of which can be addressed simultaneously. In order to achieve maximum impact, the program focuses on the country's most urgent priorities in the area of trade policymaking, particularly the need to defend Suriname's national interests in the various trade negotiations and agreements in which it currently participates, and to implement its commitments under already existing agreements.
  - b. **Previous Bank support to the trade sector.** The Bank approved a US\$30.0 million Agricultural and Trade Policy Program (ATPL) in 1998 (1148/OC-SU). Among the objectives of this fast disbursing sector loan were the elimination of unnecessary and non-transparent administrative controls in external trade and administrative market controls, and the reduction of pricing and export-taxation distortions in the rice sub sector. The program included some institutional strengthening in the areas of customs, export promotion and trade negotiation, among others. The loan was completely disbursed in 2003, having met full compliance with both tranches. A review of the Project Completion Report (PCR) of this project revealed the following lessons learned: (i) policy conditions must be kept to a minimum; (ii) political will to complete institutional changes is likely to be more

---

<sup>4</sup> It should be noted that important synergies, complementarities and coordination of activities could be established between the Trade Facility loans for Suriname and Trinidad and Tobago. Certain experiences have already been accumulated in the latter program, which could be important for Suriname.

intensive during project design than during project implementation and changes in administrations may introduce additional difficulties in maintaining original policy commitments; (iii) number of components (subject areas and contractual conditions) should be kept to a minimum; (iv) changes in the minister at the ministry responsible for implementation require a mission to review status, benchmarks and commitments; and (v) strict and clear responsibilities for implementation have to be specified at the level of the implementing agency and not limited to the level of the minister. To the extent that these lessons are applicable, they will be taken into account in the design of the proposed project.

- c. **Existing support to the trade sector.** The Bank program will complement the trade-related assistance of other donor agencies in Suriname, which mostly focuses on support to the private sector. The European Commission (EC) has approved and set in motion a €2.4 million private sector support program in Suriname. The aim is to establish a Business Center that will be managed by the Suriname Business Forum, a consultation mechanism aimed at facilitating public/private sector discussion and coordination on business development issues. The Center will have funds to undertake a number of private sector support activities related to trade. Suriname will moreover benefit from some technical assistance funded under two regional EC programs to help African, Caribbean and Pacific (ACP) countries negotiate EPAs with the EU. In addition, the Dutch Development Agency is planning a few smaller-scale trade-related initiatives for the private sector in the area of export facilitation and promotion of trade between Suriname and the EU. There is little other donor activity in the area of trade. A TC program entitled *Support for the Design, Implementation and Management of Trade Policy and Technical Standards*, financed by the IDB-Canada Trade Fund (ATN/CC-9093-SU, CAN\$150,000), and approved in February 2005, will provide relevant input to two activities contemplated in the proposed program, namely the formulation and implementation of a trade sector strategy for Suriname, and the launching of a national Bureau of Standards Draft legislation for the establishment of the Bureau has been prepared and is in the process of being reviewed prior to submission to Parliament for approval.
- d. **Other relevant Bank support to Suriname.** The Bank is supporting the Public Sector Management Strengthening Program (1547/OC-SU), which includes the installation of a secured electronic communication network to provide connectivity to the management and information systems for all ministries and strategic institutes. This connectivity ‘backbone’ will complement component II of this operation: the implementation of an information and communication system.

## II. THE PROGRAM

### A. Objectives and description

- 2.1 The overall objective of the program is to improve public management of Suriname's foreign trade by strengthening the country's technical and institutional capacity to formulate, negotiate and implement trade policy and related agreements.
- 2.2 To those ends, the program's specific objectives are: (i) to strengthen the MTI's capacity to lead, coordinate and support the trade policymaking process and to establish effective mechanisms for consultation among relevant government agencies and between these and the private sector; (ii) to implement an effective information and communications system to support the trade policymaking process; (iii) to develop the technical capacity of human resources in trade-related public and private sector institutions; and (iv) to address specific sector issues related to agricultural trade, sanitary and phytosanitary measures, and intellectual property.

### B. Components

- 2.3 In pursuit of its general and specific objectives, the program will encompass the following four components:

**1. Component I: Organization and coordination of trade policymaking (US\$864,000)**

- 2.4 This component aims to strengthen the trade policymaking process in Suriname by improving intra- and inter-agency organization and coordination, as well as consultation with the private sector and other relevant non-government actors. Based on the definition of an overall trade sector strategy for Suriname (to be prepared under the IDB-Canada Trade Fund project referred to in paragraph 1.20), including well-defined short and medium-term priorities, the component will provide technical assistance and transfer of knowledge, through the contracting of consultants, to support the following activities:
- a. **Assessment of trade policymaking mechanisms in the country**, focusing on the MTI and trade-related functions of other ministries and agencies<sup>5</sup> (including the Ministry of Labor, Environment and Technological Development, Ministry of Finance, Ministry of Foreign Affairs, Customs, Central Bank, Ministry of Justice and Police, the National Bureau of Statistics, and the National Environmental Agency-NIMOS); and recommendations for appropriate institutional reforms. The assessment will include inter-agency and public/private sector coordination and consultation matters.

---

<sup>5</sup> This assessment will not include the Ministry of Agriculture nor the Bureau of Intellectual Property since specific assessments of these two entities will be carried out under Component IV.

- b. Based on the above assessment and recommendations pertaining specifically to the MTI, consultants will develop and support MTI officials in the implementation of an **action plan for reform of the ministry**, including reorganization and redistribution of human, technical, administrative, IT and financial resources; new work procedures; preparation of medium-term work plans and implementation of mechanisms for their annual review; formulation of job descriptions and strengthening of managerial and administrative capacity.
  - c. **Examine trade procedures** such as registration of exports/imports, negative list and licensing issues and make recommendations for their reform. This activity includes an assessment of the current data collection system in the country and recommendations for its revision and simplification.
  - d. The establishment of a **Dispute Settlement Section** within the MTI, including the development of operating manuals, documentation and job descriptions, identification and training of staff assigned to the new unit (through on-the job training, exchange programs etc.), and organization of workshops with the private sector to introduce the work of the unit.
  - e. Based on the legislation in place at the time of program approval, and recommendations from the IDB/Canada Trade Fund project referred to in paragraph 1.24 c, the program will support the establishment of the national **Bureau of Standards**, including institutional set-up and management, identification, hiring and training of technical staff, IT and laboratory equipment as needed, preparation of a private/public sector agreement on the functioning and financing of the Bureau and on management of technical standards; and training workshops on standards for the private sector.
  - f. **Coordination with the private sector.** This sub-component will finance six public/private sector consultations per year on technical issues relevant for trade negotiations.
  - g. **Public education and outreach programs** to raise public awareness of impending changes in the area of trade (particularly agricultural trade), focusing not only on potential challenges but also on the new business opportunities that open trade can bring to the private sector (radio programs, newspaper articles, public forums).
2. **Component II: Implementation of effective information and communications system at the MTI (US\$544,000)**
- 2.5 Complementing the above activities, this component aims to support institutional strengthening of trade-related public agencies through the contracting of consultants and the provision of the necessary information and communications infrastructure to formulate, negotiate and implement trade policy. Activities will include:

- a. Based on paragraph 2.4 a and b above, the design and implementation of an integrated, secure and computerized **information and communications system for the MTI**, supported by adequate electricity capacity. This would include consultancy services (design and implementation, training, maintenance); connection capability (cabling, servers) and high-speed internet access; computers (30), including for the Export/Import Division, network printers (3), standard printers (4), copying machines (2); fax machines (2); other hardware as needed (stabilizers); software for 20 units; software for data base: one statistical package. This sub-component would also include the definition of control and security policies for the equipment and the preparation of manuals for their implementation.
- b. Creation of a modern **trade information and documentation center** in the MTI that will support the ministry's data collection, analysis and dissemination capacity (including in the area of services trade). This will include consulting services to support the set-up of the statistics desk; training of staff to manage statistics; design and implementation of a work program for preparation of statistics reports, including consideration of a future link-up of the MTI and the Agriculture Ministry to the Automated System for Customs Data (ASYCUDA) in Customs and the Statistical Bureau as needed.
- c. Design and implementation of a **computerized system for monitoring the ministry's work program and activities** (management consultant, software development).
- d. **MTI website development.** Technical advice will be contracted to: design, implement, and provide regular maintenance and updating, and training.

### **3. Component III: Capacity-building in trade (US\$669,000)**

- 2.6 With the support of external technical trainers, this component aims to strengthen the technical expertise of staff in the MTI<sup>6</sup> and other trade-related agencies, as well as the private sector, particularly in trade policy areas that are of strategic interest to Suriname. It will provide relevant government agencies with access to technical expertise to support policy formulation, negotiations and implementation. Such support can be in the form of short-term training courses, internships, short- or longer-term attachments of experts to the MTI and other agencies in order to transfer know-how to existing personnel, or hiring and supervising outside technical work in an effort to ensure program effectiveness. It is expected that the transfer of technical knowledge over time would create sufficient accumulated local and "in-house" expertise. Support will be provided in the following areas:

---

<sup>6</sup> It is expected that the institutional reorganization of the MTI will be primarily limited to the functional aspects of the Ministry.

- a. **Training.** Design and implementation of annual training programs based on identified needs that include, *inter alia*, training in negotiating techniques, preparation of offers and requests, analysis of trade information, trade statistics, financial services, non-tariff issues, trade-related environmental issues, special and differential treatment, trade-related technical English, drafting of trade regulations and laws, trade promotion, trade remedies, and trade in services. Training will be in the form of: (i) traditional training courses in Suriname (to be provided by trainers contracted under the program) and at recognized international trade institutions; (ii) support to the direct participation in negotiations (learning by doing) of ministry officials, especially junior officers (twelve meetings per year); and (iii) in a few relevant cases, short-term internships at trade-related institutions, particularly for junior trade officials.
- b. **Technical Support.** The aim of this activity is to finance short- and long-term consultants, including exchange programs (secondments) involving government officials from third countries<sup>7</sup>, who will provide technical support for trade policy formulation, negotiation and implementation. Technical support would be provided in areas such as:
  - i. **Trade negotiations:** preparation of negotiating priorities, technical notes, policy positions and recommendations for current or planned trade negotiations (WTO, FTAA, EPA, CSME, bilateral accords), including on market access for goods (tariffs and non-tariff measures) and services; impact analysis (particularly for import-competing sectors); fiscal impact of trade liberalization and recommendations for fiscal reform;
  - ii. **Export diversification:** under this activity the program would fund additional technical assistance to help identify ways of facilitating the diversification of Suriname's export base, including the identification of product-specific export potential; marketing studies for specific sectors and markets, including non-traditional markets; analysis of constraints hindering the development of new export products, and recommendations for their removal; and design of support policies to promote the production of new products. Activities in the area of export diversification should in particular target sectors other than mining, given Suriname's high export concentration in the latter sector.

**4. Component IV: Sector-specific support: agriculture, sanitary and phytosanitary measures and intellectual property (US\$1,378,000)**

- 2.7 Components I-III seek to address weaknesses in Suriname's overall trade policymaking mechanisms. The institutional assessment in Component I therefore

---

<sup>7</sup> The program will co-finance such secondments (per diem and travel), based on agreements to be signed between the MTI and other trade ministries of donor countries.

covers all trade-related agencies (with the exception of the Ministry of Agriculture and the Intellectual Property Bureau); awareness-building activities are extended to the public and private sector alike, and the training and technical assistance offered in Component III is open to staff from all trade-related ministries. The main focus of these components, however, is on improving the capacity of the MTI, the government agency most directly involved in trade policymaking, coordination and implementation. It nevertheless became apparent during the project preparation process that, in addition to the MTI, two other institutions require specific attention: the Ministry of Agriculture and the Intellectual Property Bureau. Component IV is designed to assist these two institutions with specific programs in order to enhance their participation in the trade policymaking process and their effectiveness in implementing resulting agreements.

**a) Ministry of Agriculture**

- 2.8 Support for this agency will be provided in two areas: general institutional support and matters related to sanitary and phytosanitary (SPS) measures.

**(i) General institutional support**

- 2.9 The program will seek to strengthen the trade-related capacities of the ministry through the following activities:
- a. **Institutional assessment.** Consulting services will be contracted to review the institutional structure and capacity of the ministry as it relates to trade-related matters, and make recommendations on how the structure could be improved to maximize effectiveness. The assessment will be closely coordinated with the general assessment of Suriname's trade policymaking infrastructure as described in paragraph 2.4 above, and with the planned assessment of the ministry under the IDB's Public Sector Management Strengthening Program (1547/OC-SU). Both of these assessments are more general in nature and would provide the context for the more detailed assessment of trade-specific aspects of the ministry under this project.
  - b. **Training.** Consultants will be contracted to design and implement a technical training program on trade-related aspects of agriculture, based on the needs identified in the institutional assessment. The training would be open to staff from the Ministry of Agriculture as well as from other agencies, including MTI.
  - c. **Website.** The program would support the contracting of consulting services to design and implement a website for the ministry, in close coordination with the intra-network communications system being established under the Public Sector Management Strengthening Program.

- d. **Information and communications systems.** Based on the results of the institutional assessment and a more detailed technical assessment of the particular Information and Communications Technology (ICT) needs of the trade section of the Ministry of Agriculture, the program would provide resources to cover the basic hardware and Internet access necessary to put in place an integrated information system for this area of the ministry.
- e. **Technical studies.** To facilitate preparation of negotiating positions and implementation of trade agreements, the program would support the contacting of consultants to carry out the following technical studies: (i) recommendations regarding agricultural tariffs that would need to be re-negotiated under GATT Article XXVIII as a result of the difference between Suriname's tariff commitments made prior to becoming a member of CARICOM and its subsequent adoption of the CARICOM common external tariff; (ii) reform of EU's banana import regime: identification of main issues and strategic importance for Suriname; (iii) updating of previous analysis on competitiveness of the banana industry; (iv) WTO Agreement on Agriculture: identification of issues of strategic importance to Suriname, their current treatment in the Doha Round and main elements of Suriname's negotiating interests; (v) similar studies for the EPA and FTAA negotiations; and (vi) product-specific studies on the competitiveness of fresh vegetables, fish and shrimp.
- f. **Legal support.** This sub-component will provide funding to contract experts to provide legal and technical advice and translation services, through consultancies, to support ongoing reviews of laws and regulations concerning the agricultural sector, including SPS issues, and the design or revision of corresponding regulatory frameworks.

#### (ii) Sanitary and Phytosanitary (SPS) measures

- 2.10 The program will support capacity-building in this area with a view to improving SPS conditions and thus enabling local producers of agricultural products to both maintain export levels to existing markets and gain access to new markets. This sub-component includes the following activities:
  - a. **SPS basic framework.** Consulting services will be contracted to review the structure and functions of the sections of the Ministry of Agriculture that deal with SPS issues, and, based on that review, to provide recommendations on institutional arrangements, objectives and priorities, management, annual work plans, technical capacity and staffing requirements, upgrading of laboratory and testing equipment and coordination with other ministries and agencies. Based on these recommendations, the program would fund implementation of the most critical initial tasks.
  - b. **Food safety.** (i) Consulting services will be contracted to design a mechanism to improve coordination between the Agriculture and Health

Ministries and other agencies that participate in Suriname's Codex Commission; to define a work plan to address the key priority SPS areas for Suriname; to draft annual work plans; and to formulate proposals for discussion; (ii) the program will provide resources to implement a pesticide management system through activities related to: training and acquisition of basic equipment to implement the system; (iii) implementation of a trace back system for crop farms and packing facilities. The activities would include the funding of experts to carry out a training program on traceability and pesticides and investment in priority equipment to increase laboratory capability; and (iv) post-harvest training for technicians and producers.

- c. **SPS Enquiry Point.** Part of Suriname's commitment under the WTO is to establish an enquiry point on SPS matters. The program foresees activities to strengthen the enquiry point and to enhance Suriname's participation in the work of the WTO SPS Committee. It includes (i) contracting of consultancy services to carry out an assessment of the existing arrangements of the enquiry point with a view to re-structuring them; (ii) contracting experts to provide training on the functions, coordination, responsibilities and operation of the enquiry point; and (iii) to define priorities for Suriname in the work of the WTO SPS Committee.

#### **b) Bureau of Intellectual Property (IP)**

- 2.11 Suriname's newly created Bureau of Intellectual Property (IP) is participating with other countries' IP bureaus in a cooperation agreement with the World Intellectual Property Organization (WIPO) aimed at the creation of a global information system and network of IP agencies. Institutional weaknesses are nevertheless preventing Suriname's bureau from participating effectively in the WIPO program. The program will provide funding to support urgent priority tasks for strengthening the bureau's capacity to fulfill its mandate, including:

- i. **Institutional strengthening.** This will include (i) contracting of consultancy services for the development of recommendations and a comprehensive plan for upgrading the institutional structure, functioning and legal characteristics of the bureau; (ii) technical support, through consultants, for the preparation of legislation to fully implement the bureau once the government has reviewed the recommendations and made a decision regarding the bureau's structure; and (iii) funding to implement some of the most urgent tasks resulting from the agreed revisions to the bureau.
- ii. **Legal advice, capacity and awareness building.** Support for review and drafting of IP laws and regulations. Technical advice would be provided by experts to be contracted under the program to support the preparation and approval of new IP laws and regulations concerning trade marks, patents, industrial design, copyrights and related (neighboring) rights. This sub-component also includes the contracting

of experts to provide training of technical staff at the bureau and awareness building on IP issues activities among relevant stakeholders.

- iii. **Technical studies.** The program will fund technical studies and advice, through consultancies, to support the preparation of new laws concerning traditional knowledge and folklore, as well as coordination and technical advice to the Labor and Environment Ministry and the Ministry of Agriculture for the preparation of laws concerning biodiversity.
- iv. **Computer and information system.** This sub-component will finance the contracting of consultant services to provide an assessment of the Bureau's information system needs and, based on the assessment, implementation of relevant ICT infrastructure, taking into account the support that WIPO could provide.

### **C. Cost and financing**

- 2.12 The total cost of the program is estimated at US\$4.4 million. Of this amount, the Bank would finance US\$4.0 million as a reimbursable loan, while the Government of Suriname would provide US\$0.4 million as local counterpart. The operation does not qualify as a poverty-reduction loan. The following table presents a summary of the program costs by major component.

**Table II-1**  
**Consolidated Budget (thousand US\$)**

	<b>IDB</b>	<b>Local counter-part</b>	<b>Total</b>	<b>%</b>
<b>1. COMPONENT I: Organization and coordination of trade policymaking</b>	<b>830</b>	<b>34</b>	<b>864</b>	<b>19.6</b>
1.1 Senior Trade Specialist	216		216	
1.2 Dispute Settlement Section	46	2	48	
1.3 Establishment of Bureau of Standards	428	2	430	
1.4 Public/private sector consultations	58	15	73	
1.5 Public awareness activities	82	15	97	
<b>2. COMPONENT II: Information and communications system</b>	<b>544</b>		<b>544</b>	<b>12.4</b>
2.1 Information Technology Support Technician	75		75	
2.2 Design and implementation of information system for MTI	275		275	
2.3 Trade information and documentation	46		46	
2.4 MTI work program	72		72	
2.5 Additional hardware for other agencies	20		20	
2.6 MTI website development	56		56	
<b>3. COMPONENT III: Capacity building in trade</b>	<b>669</b>		<b>669</b>	<b>15.2</b>
3.1 Training workshops	489		489	
3.2 Technical support	180		180	
<b>4. COMPONENT IV: Sector-specific support</b>	<b>1,339</b>	<b>39</b>	<b>1,378</b>	<b>31.3</b>
4.1 Agriculture				
4.1.1 Senior Agricultural Specialist	216		216	
4.1.2 Ministry of Agriculture (non SPS)	395		395	
4.1.3 Sanitary and Phytosanitary measures	493	8	501	
4.2 Intellectual Property Measures	235	31	266	
<b>5. MONITORING AND EVALUATION</b>	<b>121</b>		<b>121</b>	<b>2.8</b>
5.1 Audits	45		45	
5.2 Monitoring and evaluation	76		76	
<b>6. FINANCIAL COSTS</b>		<b>246</b>	<b>246</b>	<b>5.6</b>
6.1 Interest		230	230	
6.2 Inspection and Supervision	-	-	-	
6.3 Credit Commission		16	16	
<b>7. ADMINISTRATION</b>	<b>398</b>	<b>29</b>	<b>427</b>	<b>9.7</b>
7.1 Program Coordinator	248		248	
7.2 Administrative/Financial Manager	90		90	
7.3 Administrative Assistant		29	29	
7.4 Office and equipment expenses	60		60	
<b>8. CONTINGENCIES</b>	<b>99</b>	<b>52</b>	<b>151</b>	<b>3.4</b>
<b>TOTAL</b>	<b>4,000</b>	<b>400</b>	<b>4,400</b>	<b>100.0</b>
<b>TOTAL %</b>	<b>90%</b>	<b>10%</b>	<b>100%</b>	

### III. PROGRAM EXECUTION

#### A. The borrower, guarantor and executing agency

- 3.1 The borrower would be the Republic of Suriname. The executing agency would be the Ministry of Trade and Industry (MTI).

#### B. Program execution and administration

- 3.2 For the purposes of project execution, a Program Coordination Unit (PCU) will be created within the MTI's Trade Unit under the direct supervision of the Permanent Secretary. The PCU will be headed by a Program Coordinator who will be responsible for day-to-day program management and technical leadership, and who will serve as the focal point for communication between the executing agency, the Bank and other participating public sector bodies. The Program Coordinator will be supported by an Administrative/Financial Manager whose duties will include internal coordination, liaison with the Bank and procurement, and an Administrative Assistant, who will assist with administrative matters. **The creation and staffing of the PCU will be a condition precedent to the first disbursement.** In order to make funds available for the initial contracting of PCU staff for start-up of the project, as well as for the contracting of the evaluation consultant, after compliance with the General Conditions for first disbursement, partial eligibility will be declared in an amount of up to US\$250,000. Ministry of Trade and Ministry of Agriculture staff will also assist in program implementation, as required.
- 3.3 Strategic direction, coordination and support will be provided by a Program Steering Committee (PSC) comprising the Minister of Trade and Industry, the Permanent Secretary of MTI (who will coordinate the work of the PSC), the Deputy Director of Trade of the MTI, the Program Coordinator of the PCU, the Permanent Secretary of the Ministry of Agriculture, the head of the Bureau of Intellectual Property, a senior representative of the Caribbean Regional Negotiating Machinery (RNM, pending confirmation), and a private sector representative of the Suriname Business Forum. Representatives of other agencies will be invited to attend PSC meetings as needed. The PSC will be responsible for reviewing the annual work program, monitoring progress against agreed benchmarks, assessing the continued viability of the program, facilitating inter-agency coordination (public and private sector), actively promoting high-level "buy in" to the program by participating agencies, and channeling policy and organizational issues requiring government decisions or international involvement. The Minister of Trade and Industry will preside over the Committee and call meetings of the PSC at least once a year. **The creation of the Program Steering Committee and appointment of its members will be a condition precedent to first disbursement.**

- 3.4 Given the relevance of the outputs of technical cooperation ATN/CC-9093-SU “Support for the Design, Implementation and Management of Trade Policy”, currently in execution (see paragraphs 1.20 and 1.24c), to the program proposed herein, **it is recommended that, first, for *strategy related activities: conditions precedent to the disbursement of resources for Component 1 a (Assessment of trade policymaking mechanisms in the country) and b (Action plan for reform of the MTI); Component 2 a (Information and communications system for the MTI) and c (Computerized system for monitoring the MTI’s work program and activities); and Component 4 a) (i) a (Ministry of Agriculture-General institutional support-Institutional assessment) and d (Information and communications systems), the Borrower will have to present to the satisfaction of the Bank, evidence that the trade sector strategy for Suriname has been duly approved by the corresponding authority. And second, for *Bureau of Standards related activities: conditions precedent to the disbursement of resources for Component 1 e (Bureau of Standards), the Borrower will present to the satisfaction of the Bank, the recommendations to assist with the initial establishment and operation of a national Bureau of Standards produced under technical cooperation ATN/CC-9093-SU.**** In the case of the trade sector strategy, if the strategy is not in place within six months of the signature of the loan contract, the Bank will carry out an assessment to identify how to proceed with the execution of the program.

### **C. Accounting and auditing**

- 3.5 For the management of the project’s financing resources, the MTI through the PCU will open separate and specific commercial bank accounts for managing the Bank loan and local counterpart funds. The PCU will maintain adequate financial and accounting records of the project funds and internal control systems to allow for verification of transactions, identification of the sources and uses of project funds, provide documentation to verify transactions and to facilitate timely preparation of financial statements and reports. Project financial and accounting records will be arranged so that: (i) the amounts received from the various sources can be easily identified; (ii) project expenses are reported in accordance with the chart of accounts approved by the Bank, with distinction made between the Bank loan and funds from other sources; and (iii) the necessary details are included to identify goods acquired and services contracted, as well as their use.
- 3.6 The PCU will be responsible for: (i) preparing and submitting disbursement requests to the Bank and the corresponding justification of expenses; (ii) preparing and submitting to the Bank the annual audited financial statements regarding the project’s expenses; and (iii) maintaining an adequate disbursements supporting documentation filing system. The PCU will prepare and submit to the Bank, within 120 days after the closing date of each fiscal year and within 120 days after the date of the last disbursement of the financing, the financial statements of the project, audited by a firm of independent auditors acceptable to the Bank, based on the terms of reference previously approved by the Bank (Document AF-400). The private audit firm will be selected and contracted in

accordance with the Bank's bidding procedures for audit firms (Document AF-200), and will be paid with the Bank's financing.

**D. Procurement of goods and services**

- 3.7 **Goods.** The procurement of goods will be carried out in accordance with Bank policy established in document GN-2349-4 ("Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank" of January 19, 2005). It is not foreseen that any civil works will be financed under this program. International Competitive Bidding (ICB) is mandatory for the acquisition of goods that exceed the equivalent of US\$100,000 partially or totally financed with loan resources. National Competitive Bidding (NCB) may be used for goods between US\$25,000 and US\$100,000 and shopping for goods below US\$25,000. Procurement of Goods will be carried out in accordance with the annual Procurement Plan previously approved by the Bank. The Draft Procurement Plan and Timeframe is attached (see Annex II). The Procurement Plan will be reviewed every six months. **Consultants.** Selection and contracting of consultants will be carried out following the policy set out in document GN-2350-4 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank" of January 19, 2005). For the selection and contracting of consulting services with a value equal to or greater than the equivalent of US\$100,000, the short list will include international consulting firms (ICB). A short list may comprise entirely national consultants: (i) if the assignment is below the equivalent of US\$100,000 and a sufficient number of firms are available for having a short list with competitive costs (NCB). However, if foreign firms express interest, they shall be considered; and (ii) when competition including foreign consultant is *prima facie* not justified or foreign consultants have not expressed interest. Contracting of consulting services will be done in accordance with the Procurement Plan previously approved by the Bank. Given the fact that the PCU will be created as part of the program and will have had no experience in the acquisition of goods and consulting services using Bank procurement procedures, the *ex-ante* method will be adopted for the revision of procurement of goods and services. This method will be used until such time that the Bank's procurement specialist determines that the PCU has demonstrated a satisfactory level of procurement capacity, in which case the review will be *ex-post*.

**E. Revolving fund**

- 3.8 To disburse Bank financing, it is recommended that a revolving fund of up to 5% of the amount of the loan be established in a special Bank account.

**F. Execution and disbursement schedule**

- 3.9 The program will have an execution period of 36 months and a disbursement period of 42 months according to the following disbursement schedule:

**Table III-1**  
**Annual Disbursement Schedule by Source of Financing**  
**(US\$ thousand equivalent)**

Source	Year 1	Year 2	Year 3	Total
IDB	645	1.934	1.421	4.000
Local Counterpart	56	200	144	400
Total	701	2.134	1.565	4.400
% Per year	16	48	36	100

**G. Monitoring, evaluations and progress reports**

**1. Monitoring**

- 3.10 An Operations Manual for the program has been prepared and agreed upon with the Surinamese authorities and is available in the technical files of RE3/SC3. This manual contains the operating instructions for each of the program activities, including the Program Coordination Unit. These operating instructions include: the schematic qualifications and terms of reference for each of the consultancies to be contracted as part of the program, as well as a tentative timetable for their contracting and the execution of their responsibilities. **The adoption of the Operations Manual in accordance with the text already agreed upon with the Bank is a condition precedent to first disbursement.**
- 3.11 On the basis of the existing Operations Manual and schematic TOR for the activities, at the beginning of each year of project execution, the PCU will prepare an Annual Operating Plan (AOP) for each component of the program. This document will present an updated version of the information described in the Operations Manual concerning the activities, calendar, TOR and goals to be achieved in the ensuing 12-month period. The AOPs, with the exception of the one for the first year of the program, should present an evaluation of the previous period and justification for modifications with respect to the originally envisioned goals. An AOP for the Program's first year has been prepared and agreed upon by the Surinamese authorities and is available in the technical files of RE3/SC3. The first year draft AOP includes: (i) detailed functions of the PCU; (ii) detailed TOR for the PCU personnel and the consultants to be contracted during the first year of project execution; (iii) the main activities to be carried out in the first year of project execution (contracting and procurement) with an indication of their cost and sequencing. **The adoption of the AOP for the first year of program execution in accordance with the text already agreed upon with the Bank will be a condition precedent to first disbursement.**

## **2. Mid-term review and final evaluation**

- 3.12 Resources are provided for in the loan for the Bank to contract a consultancy to carry out an independent mid-term and final evaluation of the program (draft terms of reference are in the Operations Manual). This consultant will be contracted within six months of the signature of the loan contract and will establish, within three months of his contracting, an evaluation framework based primarily on the indicators and goals established in the Logical Framework. As part of the evaluation framework, an initial survey should be carried out in order to establish a baseline for the goals and purpose performance indicators of the Logical Framework. The PCU will be responsible for collecting the relevant data during the execution of the program. Within 18 months of the signature of the loan contract, or once 50% of the project financing has been disbursed, the evaluation consultant will carry out a mid-term review of the project. Immediately before the mid-term evaluation, a review of each of the AOPs will be carried out to determine if any changes should be made to the execution of the program. This review will also be based on the agreed indicators, and the degree to which the program is achieving the goals established. The assumptions in the Logical Framework will also be reviewed and updated as required. If necessary, the consultant will make recommendations for actions to improve execution. Finally, once the execution of the main components of the program has concluded, the consultant will carry out a final evaluation. This evaluation will analyze the results of the execution of the program and the achievement of the proposed goals in all sections of the Logical Framework.

## **3. Progress reports**

- 3.13 Progress reports on the execution of the project will be presented to the Bank by the PCU on June 1 and December 1 in each year of execution so that they can serve as the basis for preparation of PPMRs by COF/CSU, which are due June 30 and December 31. The progress reports will be prepared in accordance with the relevant guidelines agreed upon with the Bank.

## **4. Ex-post evaluation**

- 3.14 In accordance with Bank policy, the MTI was consulted as to whether or not it wanted to carry out an ex-post evaluation of the program. It responded that, rather than the ex-post evaluation, it supports the Bank's initiative to utilize the Annual Operating Plans, mid-term review and final evaluation as a means to evaluate the project, as described in paragraphs 3.11 –3.12. In this regard, the evaluations included in the AOPs, the mid-term review, and final evaluation will include indicators and parameters that will enable the Bank and the borrower to understand the impact of the program and the goals achieved as a result. This information will be available to the Bank in the event that it should later decide to carry out its own ex-post evaluation.

## **IV. VIABILITY AND RISKS**

### **A. Institutional and financial viability**

- 4.1 The design of the program has taken full account of the functions of the executing agency, the Ministry of Trade and Industry (MTI) as well as its limited institutional capacity. The MTI has the central role and responsibility for trade policy formulation, management and coordination in the country. At the same time the program is designed to assist the Ministry of Agriculture and the Bureau of Intellectual Property in order to enhance their participation in the trade policy-making process and their effectiveness in implementing resulting agreements.
- 4.2 The incorporation of the coordinating functions of the Program Steering Committee (PSC) into this program (see paragraph 3.3) will help to ensure stakeholder involvement as well as inter-agency coordination, while at the same time actively promoting support to the program by participating agencies.
- 4.3 Additionally, to consolidate yet further the operation's institutional viability, its design calls for the establishment of a Program Coordination Unit (PCU) within the MTI under the direct supervision of the Permanent Secretary. The Program Coordinator in the PCU will serve as a pivot for communication between the MTI, the Bank, and the other public entities involved. In addition, the program envisages the contracting of three long-term consultants (senior trade specialist, senior agricultural specialist and an IT support technician) who will work directly with personnel from their respective ministries as a means of insuring the implementation of program consultants' recommendations and building an inherent element of sustainability into the program. Furthermore, the Bank's Country Office in Suriname will provide assistance, as required, to insure satisfactory execution of the program. Despite MTI's limited institutional capacity, mentioned above, based on the institutional assessment carried out, it is deemed that the Ministry does possess sufficient absorptive capacity to take advantage of the technical support to be provided under the program as well as the capacity to implement program activities, as needed.
- 4.4 The percentage of total project costs to be paid for out of local counterpart resources was determined based on the Government's capacity to pay. The Government has made plain its commitment to provide the necessary counterpart resources in a timely manner over the course of the three-year project execution period. The Government's financial support extends as well beyond the program execution period, to the incremental recurrent costs associated with the yet to be established national Bureau of Standards, estimated to be approximately US\$76,800 annually. No additional incremental recurrent costs are expected as a result of the program, given that additional staff, if required, would be transferred from within the MTI and/or the Ministry of Agriculture.

**B. Environmental and social impact**

- 4.5 It is not anticipated that the activities to be financed in this program will have negative direct social effects, but it could be expected that the program could have a positive influence on the country's trade performance by supporting the increase and diversification of labor-intensive exports. It could thereby contribute to employment creation and the mobilization of resources to support sustainable improvements in the delivery of social services.
- 4.6 This program opens the opportunity to discuss important environmental issues with the government as well as to support it as it addresses their implications. It is therefore recommended that, to the extent possible, technical studies and training be incorporated on matters such as sustainable methods of production, the link between environmental and trade issues, other key market access related issues, enhancing competitiveness, building local capacity and creating a framework to develop organic agriculture and stimulating certification of products, among others. Likewise, it is not expected that the activities to be financed in this program will have any negative direct environmental effects.

**C. Potential benefits**

- 4.7 This program promises multiple benefits. It will improve the technical capacity of Suriname to conduct trade negotiations, to implement trade agreements, to promote trade and investment opportunities and to exploit the opportunities and address the challenges arising from trade liberalization. This will enhance the country's insertion into the global economy, support the development of exports and increase the efficiency of the economy, thereby increasing the potential for economic growth and development.
- 4.8 The operation will further improve coordination within the MTI, between the MTI and other state entities whose activities relate to trade, and between public sector agencies, the private sector and other stakeholders. The establishment and upgrading of mechanisms for these purposes will help build the national consensus on policymaking that is conducive to improved trade performance.

**D. Potential risks**

- 4.9 The Bank has recently approved two operations related to public sector reform in Suriname: a technical cooperation to assist the country in identifying a Roadmap for Medium and Long Term Public Sector Reform (ATN/SF-8664-SU) and a loan to finance the Public Sector Management Strengthening Program (PSMSP) (1547/OC-SU) to support the reform process by implementing a selection of urgent short term activities in the ministries of Home Affairs and in Finance. The latter also includes the establishment of a connectivity backbone to electronically connect all sixteen ministries and some strategic government agencies. To prevent overlap and/or conflicts, it is imperative to coordinate the Information Technology (IT)-related activities of the proposed operation with those of the

PSMSP and to ensure that the activities being financed under the aforementioned technical cooperation are taken into consideration in the design of the proposed program.

- 4.10 A key risk in implementing the program is the limited institutional capacity of the MTI. The program addresses this risk by establishing from the outset a solid Program Coordination Unit (PCU) that would build up managerial capacity, more efficient administrative methods, executive decision making processes and qualified personnel.
- 4.11 Given the inadequate response from line ministries, the private sector and other stakeholders through the existing consultation methods that do not function well, a key to the success of this program is also for private sector and Government to continue to improve cooperation. This goal will be addressed, on the one hand, through the European Commission program, which will establish a Business Center to serve as a consultation mechanism aimed at facilitating public/private sector coordination, and, on the other, through additional activities to be financed under the proposed operation to improve inter-agency coordination and public/private sector dialogue.

SURINAME  
Trade Sector Support Program (SU-L1002)

**LOGICAL FRAMEWORK**

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>GOALS</b>			
Improve the public management of Suriname's foreign trade	At the end of the program, the private sector conducts international commercial transactions in better conditions of market access, with a domestic regulatory environment that is more compatible with trade agreements reached, and with greater access to commercial information.	The final program evaluation will examine evidence of changes to market access conditions for Surinamese exporters (e.g. improved use of existing preferences, better capacity to address SPS and technical standards issues, or implementation of new trade liberalization initiatives), the regulatory framework (e.g. greater compatibility with international trade obligations) and public and private sector access to relevant trade information (e.g. better identification of demand for Surinamese products in foreign markets, more active participation in foreign trade fairs).	Government continues to pursue global economic integration  The macroeconomic situation remains stable in Suriname and internationally  The political situation in the country remains stable
<b>PURPOSE (outcomes)</b>			
Strengthen the country's technical and institutional capacity to formulate, negotiate and implement trade policy	At the end of the program: <ul style="list-style-type: none"> <li>• Demonstrated higher technical knowledge and analytical skills of trade officials in the country as measured by the degree of satisfaction among experts, as well as private sector and other relevant stakeholders</li> <li>• Government manages trade policy with a clear sense of priority, based on a clearly defined national trade strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Project monitoring and evaluation mechanism developed by evaluation consultant (including the use of surveys to measure the change in the degree of satisfaction)</li> <li>• Bi-annual Progress Reports</li> <li>• PPMRs</li> <li>• Mid-term program evaluation</li> <li>• Final program evaluation</li> <li>• PCR</li> </ul>	Government supports institutional change and modernization  Availability of local counterpart funding

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENTS AND ACTIVITIES (outputs)			
<p>Component I: Improved Organization and Coordination of Trade Policymaking</p> <p>The country's trade policymaking process is strengthened through improved intra- and inter-agency organization and coordination, as well as consultation with the private sector and other relevant non-government actors</p>	<p>At the mid-term of the program:</p> <ul style="list-style-type: none"> <li>At least nine public/private sector consultations on technical trade issues have been held and, as a result, the private sector is more actively involved in the policy-making process</li> <li>Annual work plans for the Ministry are routinely prepared and implemented</li> </ul> <p>At the end of the program:</p> <ul style="list-style-type: none"> <li>MTI has undergone institutional reorganization and reform based on specific recommendations provided during year 1 of the program</li> <li>A plan for improved inter-agency coordination has been drawn up and implemented</li> <li>Annual work plans for the Ministry are routinely prepared and implemented</li> <li>Existing trade procedures (registration of exports/imports, licensing etc.) have been examined, recommendations for their reform have been formulated, and the most urgent reforms have been implemented</li> <li>A Dispute Settlement Unit within the MTI is established and operational</li> <li>Suriname has a functioning Bureau of Standards that collaborates efficiently with regional and international standards organizations</li> <li>A total of at least 18 public/private sector consultations on technical trade issues have been held and, as a result, the private sector is more actively involved in the policy-making process</li> <li>An extensive public education and outreach program on trade has been formulated and implemented, raising the level of knowledge and debate on trade issues in the media and among relevant civil society groups</li> </ul>	<ul style="list-style-type: none"> <li>Project monitoring and evaluation mechanism developed by evaluation consultant</li> <li>Bi-annual Progress Reports</li> <li>PPMRs</li> <li>Mid-term program evaluation</li> <li>Final program evaluation</li> <li>PCR</li> </ul>	<p>Support within MTI to introduce institutional changes</p> <p>Adequate budget support for MTI</p> <p>Ministries involved in trade policymaking are willing to cooperate and to coordinate their trade interventions</p> <p>The private sector supports and welcomes a more active role in national trade policymaking</p> <p>Definition of overall trade sector strategy and recommendations for establishment of Bureau of Standards are presented in a timely manner under ATN/CC-9093-SU</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component II: Implementation of Effective Information and Communications System at the MTI</p> <p>The MTI will be strengthened through the provision of the necessary information and communications infrastructure to formulate, negotiate and implement trade policy</p>	<p>At the end of the program:</p> <ul style="list-style-type: none"> <li>• A secure, integrated and computerized information and communications system for the MTI has been implemented and is operational</li> <li>• A modern trade information and documentation center that will support the ministry's data collection, analysis and dissemination capacity has been established in the MTI</li> <li>• A computerized system for monitoring the ministry's work program and activities has been set up and is operational</li> <li>• The MTI has a modern website that is regularly updated, adequately linked with other websites, and contains relevant trade information for both the public and private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Project monitoring and evaluation mechanism developed by evaluation consultant</li> <li>• Bi-annual Progress Reports</li> <li>• PPMRs</li> <li>• Mid-term program evaluation</li> <li>• Final program evaluation</li> <li>• PCR</li> </ul>	<p>Availability of technical experts</p> <p>Clear definition of priorities for communications and technological renewal and modernization</p> <p>Adequate coordination with other information technology projects</p>
<p>Component III: Capacity-Building in Trade</p> <p>The technical expertise of MTI and other public agency staff, as well as the private sector, will be strengthened in trade policy areas that are of strategic importance to Suriname</p>	<p>At the mid-term of the program:</p> <ul style="list-style-type: none"> <li>• Annual training programs will have been designed and implemented.</li> <li>• At least nine training courses will have been organized</li> <li>• At least 15 junior officers of trade-related institutions will have been exposed to external negotiations</li> <li>• At least three staff members of relevant institutions will have undertaken internships focusing on the acquisition of trade expertise</li> <li>• At least ten relevant technical outputs have been produced to assist the government in trade negotiations or implementation of agreements</li> </ul> <p>At the end of the program:</p> <ul style="list-style-type: none"> <li>• Annual training programs will have been designed and implemented</li> <li>• A total of at least 18 training courses will have been organized</li> <li>• A total of at least 30 junior officers of trade-related institutions will have been exposed to external negotiations</li> </ul>	<ul style="list-style-type: none"> <li>• Project monitoring and evaluation mechanism developed by evaluation consultant</li> <li>• Bi-annual Progress Reports</li> <li>• PPMRs</li> <li>• Mid-term program evaluation</li> <li>• Final program evaluation</li> <li>• PCR</li> </ul>	<p>Availability of experts to conduct training and provide technical support</p> <p>Sufficient number of staff available for training</p> <p>The government continues its active involvement in external trade negotiations</p> <p>The government is committed to implementing its obligations under existing trade agreement</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> <li>• A total of at least six staff members of relevant institutions will have undertaken internships focusing on the acquisition of trade expertise</li> <li>• A total of at least 20 relevant technical outputs have been produced to assist the government in trade negotiations or implementation of agreements</li> <li>• Specific recommendations have been formulated for achieving greater export diversification and performance</li> </ul>		
<p>Component IV: Sector-specific support: Agriculture, SPS and Intellectual Property</p> <p>The capacity of the Ministry of Agriculture and the Intellectual Property Bureau to participate effectively in the trade policymaking process is enhanced, and the country has acquired basic technical expertise on SPS measures</p>	<p>At the mid-term of the program:</p> <ul style="list-style-type: none"> <li>• The <b>Ministry of Agriculture</b> is given the tools (in the form of practical recommendations and technical advice) to undertake institutional reform</li> <li>• At least three technical studies on agricultural trade have been completed</li> <li>• At least one study on IP issues has been completed</li> </ul> <p>At the end of the program:</p> <ul style="list-style-type: none"> <li>• A technical training program on trade-related aspects of agriculture has been designed and implemented</li> <li>• The Ministry has its own website containing relevant information for public and private sector</li> <li>• The trade section of the Ministry has an efficient information system</li> <li>• At least a total of seven technical studies on agricultural trade have been completed and legal support has been provided for the review of the most important farm laws and regulations</li> <li>• The government has been furnished with recommendations on the creation and maintenance of basic <b>SPS infrastructure</b> in the country, and some basic activities in this respect have been implemented</li> <li>• A mechanism for improved coordination on SPS issues among relevant agencies has been designed; and work plans for addressing SPS issues have been formulated</li> <li>• A pesticide management system has been implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Project monitoring and evaluation mechanism developed by evaluation consultant</li> <li>• Bi-annual Progress Reports</li> <li>• PPMRs</li> <li>• Mid-term program evaluation</li> <li>• Final program evaluation</li> <li>• PCR</li> </ul>	<p>Support within the Ministry of Agriculture and the Bureau of Intellectual Property to introduce institutional changes</p> <p>Adequate budget support for the Ministry of Agriculture and the Bureau of Intellectual Property</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> <li>• A trace-back system for crop farms and packing facilities has been implemented</li> <li>• At least one post-harvest training session has been provided for technicians and producers</li> <li>• Suriname has a well-functioning SPS enquiry point</li> <li>• The <b>Bureau of Intellectual Property</b> has been furnished with recommendations and draft legal instruments for its reform, and some reforms have been implemented</li> <li>• At least a total of two studies on IP issues have been completed and legal support has been provided for the review and drafting of priority IP laws and regulations</li> <li>• An efficient information system for the Bureau has been designed and installed</li> </ul>		

**Suriname**  
**Trade Sector Support Program (SU-L1002)**

**PROCUREMENT PLAN**

COMPONENTS/ ACTIVITIES	Units	(US\$)	Type of bidding procedure <sup>1</sup>	Selection Criteria <sup>1</sup>	Estimated dates
<b>I. Organization and coordination of trade policymaking</b>					
Consultancies (individual)	1	216,000	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Consultancies (individual)	7	242,800	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	1	250,000	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	7	140,400	NCB/Shopping	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>16</b>	<b>849,200</b>			
<b>II. Information and communications system</b>					
Consultancies (individual)	13	313,000	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	16	211,000	NCB/Shopping	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>29</b>	<b>524,000</b>			
<b>III. Capacity building in trade</b>					
Consultancies (individual)	2	396,000	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Consultancies (individual)	1	51,200	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	1	18,000	Shopping	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>4</b>	<b>465,200</b>			
<b>IV. Sector-specific support</b>					
Consultancies (individual)	1	216,000	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Consultancies (individual)	32	845,400	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	1	100,000	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	15	186,000	NCB/Shopping	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>49</b>	<b>1,347,400</b>			
<b>Evaluation</b>					
Consultancies (individual)	1	76,000	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>1</b>	<b>76,000</b>			
<b>Administration</b>					
Consultancies (individual)	1	248,400	ICB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Consultancies (individual)	2	118,800	NCB	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
Goods	3	60,000	NCB/Shopping	QCBS	1 <sup>st</sup> Sem/06-1 <sup>st</sup> Sem/08
<b>SUBTOTAL</b>	<b>6</b>	<b>427,200</b>			
<b>TOTAL PROGRAM</b>	<b>105</b>	<b>3,689,000</b>			

**ICB** = International Competitive Bidding process (goods and consulting services above US\$100,000)

**NCB** = National Competitive Bidding process (goods and consulting services between US\$25,000-US\$100,000)

**Shopping** = goods below US\$25,000

**QCBS** = Quality and cost-based selection

<sup>1</sup>Ex-ante revision of all goods and consulting services acquisitions, until such time that the Bank determines that satisfactory capacity has been attained, in which case revision will be *ex-post*.