

SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**SURINAME**

**SOCIAL PROTECTION SUPPORT PROGRAM**

**(SU-L1013)**

**LOAN PROPOSAL**

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<b>REQUIRED</b>	
1.	Plan of Activities for first disbursement and the first 18 months of implementation (POA) <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428292">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428292</a>
2.	Monitoring and evaluation arrangements <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429698">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429698</a>
3.	Complete procurement plan <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429699">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429699</a>
<b>OPTIONAL</b>	
1.	Cost benefit analysis <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429697">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429697</a>
2.	Result exercises of cost benefit analysis <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429696">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36429696</a>
3.	Supply of Education – Background and Justification <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428170">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428170</a>
4.	Health Sector Background <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428891">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36428891</a>
5.	Safeguard and Screening Form for Screening and Classification of projects (SSF) <a href="http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36493493">http://idbdocs.iadb.org/WSDocs/getdocument.aspx?DOCNUM=36493493</a>

## **Abbreviations**

AOP	Annual Operating Plans
AOV	Old Age Pension
ABS	General Bureau of Statistic
CCT	Conditional Cash Transfers
CS	Country Strategy
DPT	Diphtheria, pertussis and tetanus
ESA	Environmental and Social Analysis
ESS	Environmental and Social Strategy
FY	Fiscal Year
GDP	Gross Domestic Product
GOS	Government of Suriname
HDI	Human Development Index
FIBOS	Association of Private Schools
FY	Fiscal Year
GDP	Gross Domestic Product
ICAS	Institutional Capacity Assessment System
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
LAC	Latin American and Caribbean
MIS	Management Information System
MOECD	Ministry of Education and Community Development
MOF	Ministry of Finance
MOH	Ministry of Health
MRD	Ministry of Regional Development
MOSAPH	Ministry of Social Affairs and Public Housing
MOU	Memoranda of Understanding
MSD	Material Services Division
MZ	Medical Mission
OC	Ordinary Capital
OM	Operations manual
PMU	Program Management Unit
PMT	Proxy Means Text
POD	Proposal for Operation Development
PHC	Primary Health Care Clinics

RGD	Regional Health Services
SIS	Social Information System
SPSC	Social Protection Steering Committee
SRD	Suriname Dollar
SSN	Social Safety Net
TC	Technical Cooperation

**PROJECT SUMMARY**  
**SURINAME**  
**SOCIAL PROTECTION SUPPORT PROGRAM**  
**(SU-L1013)**

Financial Terms and Conditions			
<b>Borrower:</b> Republic of Suriname		<b>Amortization Period:</b>	20 years
<b>Executing Agency:</b> Ministry of Social Affairs and Public Housing (MOSAPH)		<b>Grace Period:</b>	5 years
		<b>Disbursement Period:</b>	5 years
<b>Source</b>	<b>Amount</b>		
<b>IDB (OC)</b>	15,000,000	<b>Supervision and Inspection Fee:</b>	*
<b>Other/Cofinancing</b>	0	<b>Interest Rate:</b>	LIBOR based
<b>Local</b>	0	<b>Credit Fee:</b>	*
<b>Total</b>	15,000,000	<b>Currency:</b>	US Dollar
Project at a Glance			
<b>Project Objective/Description:</b> The general objective of the program is to support GOS's efforts to enhance the effectiveness of spending on non-contributory social protection programs and improve efficiency of targeting of important social protection programs to promote poverty reduction and human capital development. The specific objectives of the program are to: (i) support the consolidation of existing cash transfer programs and their reconfiguration into a CCT program; (ii) strengthen the institutional capacity of MOSAPH to plan, implement, monitor, and evaluate targeted non-contributory social protection programs; and (iii) strengthen locally the supply of social services (health and education) in order to meet additional demand generated through the CCT (par. 1.23).			
<b>Special conditions prior to first disbursement:</b> evidence that Program Management Unit (PMU) is created within the MOSAPH, and that MOSAPH has signed employment contracts for Key Program Personnel, as identified in Section 2.2 in accordance with terms of reference approved by the Bank; evidence that Council of Ministers has appointed members to the SPSC, comprising Permanent Secretaries/Directors, and/or delegates, from MOSAPH, MOECD, MOF, MOH, MRD, Central Bank and RGD; and representatives from MZ and FIBOS in accordance with the terms of reference previously approved by the Bank; evidence of signed MOUs between MOSAPH and participating agencies (MOECD, MOH, RGD, FIBOS, MZ); and evidence that the SPSC has approved the CCT Operations Manual with detailed design parameters for the CCT, the Program Operations Manual (including the program management structure) and the Program Execution Plan, in accordance with terms previously agreed upon with the Bank, and ratified and approved by the MOSAPH (par. 2.2).			
<b>Special conditions for execution:</b> (i) condition prior to disbursement of Component II: disbursements made on verification by an external auditor of compliance with co-responsibilities (ii) condition prior to disbursement of Component III: health supply side design completed and approved by the SPSC and the Bank, and ratified and approved by the MOSAPH (par. 2.2).			
<b>Special disbursement:</b> Once the loan has been entered into effect and the borrower has complied with conditions prior to first disbursement set forth in Article 4.01 of the General Conditions of the Loan Contract, the Bank may disburse to the borrower up to the amount of two hundred and fifty thousand dollars (US\$250,000) chargeable to the financing to hire Key Program Personnel as identified in Section 3.2 (par. 2.2).			
<b>Exceptions to Bank policies:</b> None			
<b>Project qualifies for:</b> SEQ[x ] PTI [ x] Sector [ ] Geographic[ ] Headcount [ ]			

(\*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for ordinary capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee 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.

## I. DESCRIPTION AND RESULT MONITORING

### A. Background, Problem Addressed, Justification

- 1.1 **Macroeconomic outlook.** Suriname is an upper-middle income, open economy country with a per-capita Gross Domestic Product (GDP) of US\$6,257 as of 2009 and a population of approximately 500,000.<sup>1</sup> The economy is dependent upon the mineral sector, particularly oil, bauxite and gold. Since 2008, Suriname averaged growth of 4.46%, even amidst the global financial and economic crises.<sup>2</sup> The GDP growth outlook is favorable and will average 5.8% between 2011 and 2015 (based on IMF projections). The fiscal balance deteriorated, from -3% of GDP in 2009 to -3.6% in 2010. Inflation ended at 17.7% in June 2011, down from 22.6% in February and is anticipated to decline to single digits over the next twelve months.
- 1.2 As it often happens in countries whose economic growth is based on export of natural resources, the challenge remains to convert the economic rent from extracted resources into human development and reductions in poverty and inequality. With a Human Development Index (HDI) of 0.646 in 2010, Suriname ranks 94<sup>th</sup> out of 169 countries with comparable data and lags behind the Latin America and Caribbean average of 0.706 (<http://hdrstats.undp.org/en/countries/profiles/SUR.html>).
- 1.3 **Poverty profile.** Rigorous analysis of poverty is hampered by lack of data. Household survey data from 2007 based on a national poverty line suggest a poverty headcount index of 70%.<sup>3</sup> However, the latest Household Budget Survey (HBS) report estimates 50% poverty for the Suriname Coast (Paramaribo and Wanica).<sup>4</sup> Poverty has a strong regional dimension. In 2007, monthly per-capita consumption averaged Suriname Dollars (SRD) 430 in urban coastal areas, SRD278 in rural coastal areas, and SRD303 in the Interior. Human capital appears to be a fundamental determinant of welfare with per-capita consumption significantly correlated with the level of education of adult household members. More specifically, per-capita consumption in households whose head has ten years of schooling is SRD481 per month against SRD235 in households whose head has no schooling.<sup>5</sup> The Interior of Suriname -is generally referred to as comprising the three districts of Brokopondo, Marowijne and Sipaliwini and part of the District of Para- represents 90% of the land area of Suriname and is home to four indigenous peoples and six Maroon tribes. In terms of education and health services, access is limited by the remote location of many villages. In addition, the Interior experienced extensive destruction of basic infrastructure during the “Interior War” (1986-1991) and this continues to hamper quality and delivery of services.
- 1.4 **Education.** Educational outcomes remain poor. Net primary enrollments rates are 90% (slightly below the LAC regional average of 94%); however, enrollment is still only 49%

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<sup>1</sup> World Bank, World Development Indicators, 2011.

<sup>2</sup> The average growth rate for Latin America and the Caribbean between 2008 and 2010 was 3.4%.

<sup>3</sup> IDB Proxy Means Test Household Survey, 2007

<sup>4</sup> General Bureau of Statistics, HBS Report 2009

<sup>5</sup> IDB Proxy Means Test Household Survey, 2007

in junior secondary and 21% in senior secondary schools (against an average of 71% in the region). The relatively high enrollment figures for primary school mask performance problems that start early. In grades 1 to 3, nearly one in five students repeat and one in ten drop-out. On average, 80% of students entering secondary school have repeated at least one grade in primary. Only 46% of those who enroll in first grade reach the last grade of primary.<sup>6</sup>

- 1.5 The low transition rate from primary to secondary education is due to both supply and demand side constraints. First, school fees are cited by many parents as a barrier to access.<sup>7</sup> Private schools, which may be the only option in the Interior, charge SRD90-150 per year in entrance fees, which do not include other costs for uniforms and materials. Public schools charge between 10 and 35SRD. School fees are particularly high in senior secondary and in tertiary schools. Second, teacher qualifications pose a challenge, especially in the interior where 34% of teachers do not have a full teacher certificate and 5% have not completed primary school. Teacher training in student-centered approaches has been pursued by the MOECD and requires expansion, especially to improve student Dutch and arithmetic skills. Since in the interior Dutch is only spoken in schools, approaches are needed to improve Dutch speaking teachers' ability to support non-Dutch speaking students. This is critical as a number of international studies demonstrate a link between student dropout and inappropriate language of instruction, which increases performance difficulties<sup>8</sup> ([Sector Background](#)).
- 1.6 Since 2004, there have been some notable achievements in the education sector through the Bank's support, including: (i) revision of the pre-primary curriculum to be implemented nationally in the 2011-2012 school year; and (ii) training of all pre-primary teachers; (iii) refurbishment of 55 schools; and the curriculum in grade one is to be revised by end 2011. The MOECD is committed to improving the quality of basic education.<sup>9</sup>
- 1.7 **Health.** Since 1990, the health status of the Surinamese population – especially that of its women and children – has improved. Life expectancy at birth has increased and neonatal, infant and under-five mortality rates have decreased considerably. Maternal mortality has also decreased (although to a lesser degree).<sup>10</sup> While maintaining these health status improvements, Suriname faces the challenge of deepening coverage, particularly for pregnant and lactating women and children. For example, while Suriname provides at least one prenatal care visit for 99.4% of pregnant women, it struggles to deliver the minimum number (four) of recommended prenatal care visits to its pregnant women, and fails to capture these women in their 1<sup>st</sup> trimester – not allowing for early detection of and timely referral of high-risk pregnancies.<sup>11</sup> Additionally, only 2.2% of

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<sup>6</sup> Source; Administrative data MOECD, Research and Planning Department

<sup>7</sup> 48% of parents of primary school pupils in East Suriname indicate that they have difficulty paying school fees.

<sup>8</sup> See Sabates, R. et al. (2010). School Dropout: Patterns, Causes, Changes and Policies, and SLO 2011.

<sup>9</sup> 1521/OC-SU Basic Education Improvement Program.

<sup>10</sup> Life expectancy: 66 to 72 years; Maternal mortality: 110 to 100 deaths/100,000 live births (WHO WHS 2011).

<sup>11</sup> Only 67% of pregnant women have four or more pre-natal visits. On average, women in the Interior visit a health facility for the first time during their 17<sup>th</sup> week (MZ February 2010); the coast has similar results (MOH 2001).



children less than six months are exclusively breast fed.<sup>12</sup> Furthermore, vaccination coverage is moderate with about 86.1% of children receiving the three recommended doses of Diphtheria, Pertussis and Tetanus (DPT) before their 1<sup>st</sup> birthday and coverage of measles lags behind international standards at 79.5% of all 18-month-olds. In addition, national prevalence of debilitating yet easily treated neglected tropical diseases is high; for example, 54.2% of all 1-14 year olds are infected with soil transmitted helminthes.<sup>13</sup>

- 1.8 Moreover, child malnutrition is a continuing and pressing issue, with comparatively higher rates than other LAC countries and potentially grave health risks and life-long consequences. Today, 13.9%<sup>14</sup> of infants were born with a low weight (<2500 grams),<sup>15</sup> and 11.1% of children under-five years are moderately underweight, 9.5% are moderately stunted, and 5.4% are moderately wasted. Overall rates mask regional inequities; e.g., 15% of children under-five in the Interior are stunted.
- 1.9 There are several barriers to accessing health services, on both the demand and supply side. For the Coast, poor health worker capacity and infrastructure as well as a lack of supplies are major constraints for primary health posts and Primary Health Care clinics (PHC). In the Interior, there are transportation and socio-cultural barriers as well as a lack of human resources for health and some equipment. For example, regarding transportation, previously informal free rides to health clinics are increasingly being charged. Moreover, social and cultural barriers exist for communities living in the Interior, with low up-take of services due to a lack of culturally or linguistically appropriate health information. For example, information on the concept and importance of prevention (e.g. early prenatal care) and on the service offer of the clinics is not adequately reaching communities.<sup>16</sup> Other constraints include inadequate operating hours and a lack of portability of coverage of health fee waiver cards. For example, PHC operating hours are limited (e.g. 7-11am) and do not match the scheduling needs of the population, negatively affecting the offer of preventive services and the demand for services in general<sup>17</sup> ([Health Sector Background](#)).
- 1.10 **Social spending.** Social spending as a percentage of GDP has declined slightly in recent years, from 11.5% in fiscal year (FY) 2006 to 10.1% in FY 2010 (Table I-1). The downward trend is largely due to fast GDP growth which was not accompanied by commensurate increases in nominal social spending. In FY 2009, the Ministry of Social Affairs and Public Housing (MOSAPH) handled approximately 15% of social spending.
- 1.11 **An inefficient non-contributory social protection system.** MOSAPH's portfolio is made up of several targeted and untargeted transfer programs, including: (i) Old Age

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<sup>12</sup> MICS3, UNICEF.

<sup>13</sup> Values calculated by IDB staff based on estimated cumulative infection of helminth infection from Hall, Horton, and de Silva 2009.

<sup>14</sup> WHO World Health Statistics 2011

<sup>15</sup> Weight at birth is a good indicator of a mother's health and nutritional status as well as the newborn's chances for survival. If they survive, they often face growth, long-term health and psychosocial development challenges.

<sup>16</sup> See IDB SU Technical Note on Indigenous Peoples (forthcoming), elaborated by Ellen-Rose Kamble.

<sup>17</sup> With such a limited schedule, health professionals find it difficult to offer preventive services but rather treat people with sickness. Also, people find it difficult to make it to the clinic within the current schedule.

Assistance (a universal non-contributory pension for all individuals older than 65 years); (ii) Financial Assistance/Alivio (a targeted cash transfer to poor households);<sup>18</sup> (iii) Child Allowances (a cash transfer provided to up to three children per family, but only to families that do not receive a child allowance from any employer); (iv) Disability Grants (a cash transfer to persons who fall below an income threshold and are certified as unable to work by a physician); (v) Uniform Grants and School Supply Grants (a cash grant for uniforms and school supplies varying by school grade); and (vi) Health Card (a targeted in-kind transfer to the poor in the form of health care services) (Table I-2). However, as currently designed, these programs are not effectively achieving the Government's key objective of protecting the poor, as they are either untargeted, poorly targeted or too small in coverage and size of the transfer; these social protection programs also fail to promote the beneficiaries' human capital development, as they are skewed towards the older generations and lack appropriate conditions and incentives.

**Table I-1 Social Spending in Suriname (SRD1000)**

Description/Year	2007	2008	2009	2010
<b>GDP at market prices</b>	<b>5,892,000</b>	<b>7,495,000</b>	<b>9,173,000</b>	<b>10,267,000</b>
Social Affairs (MOSAPH)	272,503.4	313,336.5	356,327	336,868
Education	323,129.0	344,509.0	490,090	541,007
Education/Culture	5,263.2	7,079.5	7,785	11,011
Education/Sport & Youth Dept.	8,580.0	8,750.3	15,126	22,680
Health	68,595.1	81,903.3	115,918	128,216
<b>Total Social Spending</b>	<b>678,070</b>	<b>755,578</b>	<b>985,246</b>	<b>1,039,732</b>
<b>% of Social Spending to GDP</b>	<b>11.5</b>	<b>10.1</b>	<b>10.7</b>	<b>10.1</b>

Source: Ministry of Finance, Suriname. Note: exchange rate at 31 December 2007 USD 1 = SRD 2.745, at 31 December 2008 USD 1 = SRD 2.7425, at 31 December 2009 USD 1 = SRD 2.745, at 31 December 2010 USD 1 = SRD 2.745 (Source: IDB Finance).

**Table I-2: MOSAPH's transfer programs: Expenditures and Beneficiaries, 2010**

	Expenditure (SRD1000)	Percent of GDP	Number of beneficiaries
Old Age Assistance	153,780	1.9	44,648
Child Allowances	990	0.0	29,221
Financial Assistance/Alivio <sup>(1)</sup>	13,860	0.2	1,811
Disability Grants	9,570	0.1	6,145
School Supplies/Uniforms Grants	660	0.0	8,300
Health Card	128,040	1.4	> 50,000

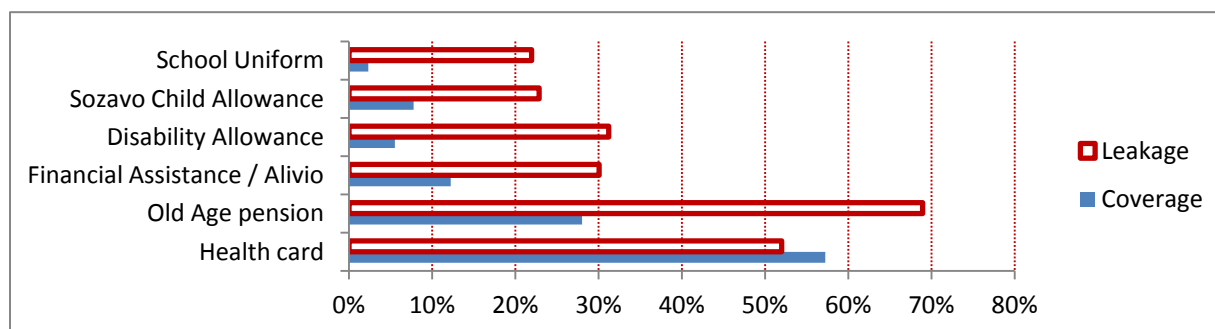
Source: Ministry of Social Affairs. Note: exchange rate at 31 December 2010 USD 1 = SRD 2.745 (Source: IDB Finance).

- 1.12 **Low coverage and inefficient targeting.** Social protection programs rely on inefficient targeting mechanisms that lack transparent criteria for the selection of beneficiaries, absorb considerable staff resources, and also lack accountability mechanisms. Figure I.1 shows coverage and leakage for MOSAPH's transfer programs. The AOV is not targeted to the poor and almost 70% of beneficiary households belong to the top three quintiles of the consumption distribution. The Health Card has the highest coverage, reaching 58% of households in the bottom two quintiles of the distribution of consumption, but with considerable leakage (above 50%) to the non-poor. Cash transfers targeted to the poor (either explicitly in the case of Financial Assistance/Alivio or implicitly through self-targeting in the case of Child allowances) have low levels of coverage (below 15%) and low values of the transfers. The Disability Grant lacks clear criteria for determination of

<sup>18</sup> Financial Assistance and Alivio provide different benefits but are implemented as one program.

disability and, typical of disability programs throughout the world, demonstrates considerable leakage. Finally, payments are not always delivered on time and MOSAPH often makes payments in the Interior only once a year.

**Figure I.1: Coverage and Leakage of MOSAPH Benefits**



Source: IDB 2007 PMT household survey data. Notes: (a) leakage is defined as the share of beneficiary households in the *top three quintiles* of the distribution of consumption and (b) coverage is defined as share of households in the *bottom two quintiles* of the distribution of consumption receiving benefits from the program. Due to data limitation, the denominator for coverage is the number of households in the quintile of distribution of consumption and not the number of households with eligible members (e.g. for the child allowance the number of beneficiary households is divided by the number of households in the bottom two quintiles of the distribution rather than by the number of household in these quintiles who have children or who have children and do not receive allowances from an employer). The bias is higher for programs for individuals with less frequent conditions, such as the disability allowance.

- 1.13 **Benefits are skewed towards the elderly.** In addition to being characterized by low coverage and high leakage, MOSAPH's transfers are not sufficiently focused on the promotion of the next generations' human capital development. The monthly individual benefit for AOV is the most generous at US\$129 per month. The Disability Allowance amounts to US\$68 per month. On the other hand, the Child Allowance amounted until recently to only US\$1 per month.<sup>19</sup> Monthly benefits for Financial Assistance/Alivio are a function of household size and range from US\$10 for households with one member to US\$12 for households with four or more members, plus a fixed transfer of US\$10 to compensate for high inflation (since 2000).
- 1.14 **Challenges to strengthening social protection.** The efficiency of the system of social protection is also constrained by institutional weaknesses. MOSAPH has a weak institutional capacity, including outdated systems and procedures, poorly trained personnel, a weak policy framework and inadequate management information and monitoring and evaluation systems. Manual accounting procedures make it almost impossible to accurately track expenditures on transfer programs. There is considerable fragmentation of service delivery with multiple units within MOSAPH responsible for delivery of cash transfers and social care services. Finally, programs target essentially the same beneficiaries, however each with a separate criteria and application procedure for selection of beneficiaries.
- 1.15 MOSAPH implements its programs through a network of 12 District Offices and 62 Field Offices. District and Field Offices often lack qualified staff including social workers and basic infrastructure such as telephones, computers and furnishings. There is no District Office in Sipaliwini, Suriname's largest district and home to most of its Indigenous and

<sup>19</sup> This value has now been increased to US\$9, but implementation of the change has not commenced.

Maroon populations. Finally, the Ministry places high priority on provision of social care services, but these services lack clear policy direction, procedures and operational guidelines, adequately trained staff and appropriate facilities.

- 1.16 **Commitment to social protection reform.** In line with the Social Safety Net Reform Strategy produced with Bank support, the GOS is commencing a reorganization process of the MOSAPH and the staff structure is currently pending approval by the Council of Ministers.<sup>20</sup> Accordingly, it will be reorganized in two divisions: (i) a cash transfers division (referred to by MOSAPH as ‘Material Services’); and (ii) a social care services division (referred to as ‘Non-Material Services’). The objective is to eliminate duplication and fragmentation in the delivery of services and establish the appropriate institutional structure to allow for capacity building of both cash transfers and social care services. With the creation of the Material Services (cash) division, this project will build upon that base to form one consolidated CCT program. Financial Assistance/Alivio and Child Allowance programs will be merged into the new CCT immediately after design parameters are approved. Child Allowance will eventually require legislative reform to phase it out, but in the short term households eligible for the CCT would forgo the Child Allowance grant, since the CCT program will provide a larger grant and duplication of grants will not be permitted. Those not eligible for the CCT would continue to receive the Child Allowance grant, if they are already receiving it and will naturally age-out of the program or until legislation ends the program. The disability program will not be conditioned and will be brought under the umbrella of the new CCT.

## **B. Program Justification**

- 1.17 **Rationale for consolidating targeted cash transfer programs and strengthening MOSAPH’s operational effectiveness.** The proposed project will address fragmentation and duplication of targeted cash transfer programs<sup>21</sup> through the consolidation of five existing programs (Financial Assistance, Alivio, Child Allowances, School Fee Grants, and Uniform Grants) into a unified new conditional cash transfer program. These programs were previously administered by separate units within MOSAPH with different application procedures, eligibility criteria, payment modalities, and monitoring systems and without clearly documented policies and procedures. MOSAPH has commenced a reconfiguration process to bring all cash transfer programs into one division, which will reduce duplications in monitoring and evaluation systems, and improve inter-agency coordination and opportunities for capacity building. One of the main objectives of the proposed reform is to improve the operational effectiveness of MOSAPH through introduction of a uniform and transparent targeting system, procurement, financial management, monitoring, evaluation, payment systems and through documentation of policies and procedures. These investments are unlikely to lead to a reduction in overall administrative costs, but will result in MOSAPH maximizing the effectiveness of its administrative resources towards improved planning, service delivery and accountability. A Management Information System (MIS) for targeted

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<sup>20</sup> Financed under ATN/SF-9087-SU.

<sup>21</sup> The Old Age Assistance grants forms part of the pension system in Suriname and reform of that program will be addressed in the context of pension reform. Comprehensive reform of the Health Card is also beyond the scope of this project but will introduce changes to the selection of beneficiaries and information management by introduction of the PMT and the MIS.

non-contributory transfers will be developed to replace existing manual systems and to support targeting, payment, case management, and monitoring functions for the CCT program. New criteria for determination of disability will be introduced. The new disability criteria, in conjunction with the Proxy Means Test, will be used to identify disabled persons eligible for the consolidated cash transfer program.

- 1.18 As indicated in Figure 1.1 above, leakage in targeted programs ranges from 22% for the school uniform program to 52% for the Health Card. The proposed project aims to improve targeting outcomes through implementation of a PMT to be used to select all beneficiaries for CCT and for MOSAPH's Health Card. This will allow identification of beneficiaries through objective and transparent criteria.
- 1.19 **Rationale for the introduction of a Conditional Cash Transfer (CCT).** The above diagnostic of the health and education sectors highlighted the key human capital development issues, including high repetition and drop-out rates in education and challenges in maternal and child health and nutrition. Demand side constraints are binding especially in rural areas. The introduction of a CCT can mitigate these demand side constraints by addressing the out-of-pocket and opportunity cost of accessing health and education services. In addition, the introduction of the CCT will provide the opportunity possibility to increase coverage of non-contributory transfers targeted to the poor (which, as previously noted, is extremely low) with the objective of substantially reducing the poverty gap. Evidence largely supports the positive impacts of CCT programs on improving school and health outcomes and reducing short-term poverty, as well as potential benefits associated to improvements in government's targeting and implementation systems of their SSN (See, e.g., De la Brière, *et al.*, 2006; Skoufias, 2005; Attanasio *et al.*, 2005, Fiszbein, Schady *et al.*, 2009.) Most evidence comes from interventions in Latin American countries with similar background, problems and challenges as those in Suriname.
- 1.20 **Rationale for strengthening the supply of health and education.** The analysis of health and education presented in the previous sections highlight that human capital development is constrained both by demand and supply side factors. The proposed project will bridge the gap in service utilization by increasing access to quality health and education services. Joint assessments by the Ministries involved will be done in order to assess whether the education and health sectors can accommodate increases in demand prior to decisions on whether to expand the CCT in specific geographical areas.
- 1.21 **Complementary reforms.** In addition to reorganizing the MOSAPH, the GOS has started dialogue to enact additional key reforms that directly complement the CCT, including a broader social package of benefits. With these proposed reforms, most of which are not financed under the current project, CCT beneficiaries would receive in addition to their CCT cash benefit: (i) exemption from school fees, with fee waivers in public schools to be financed by the MOECD as part of their existing fee waiver initiative and fee waivers for CCT students from the Interior to be financed by the program (See Program Component III below); (ii) receive a free school meal (if their school provides school meals); and (iii) be automatically eligible for the MOSAPH Health Card without the requirement of a separate application and be exempt from all fees for health care at public health facilities.

- 1.22 **Link to country strategy.** The GOS is cognizant of the challenges faced by social protection and is committed to protecting vulnerable persons, particularly children, by strengthening non-contributory social protection programs. Two priorities of the present government (in office since May 2010) are: (i) ensuring adequate social protection through the creation of efficient social protection programs; and (ii) strengthening the capacity of MOSAPH to deliver social protection programs (see GOS Multi-Annual Development Plan for 2006-10 and [Social Protection Strategy](#)). The program is aligned with a key pillar in the Bank's Country Strategy (CS) for 2007-10 (the latest approved) which is to support improvements in the efficiency and effectiveness of social expenditure (see also the [Country Program Evaluations](#)).<sup>22</sup> The program is also aligned with the Bank's strategy on Social Policy for Equity and Productivity, and will contribute to GCI-9 Indicators, in particular, individuals receiving targeted anti-poverty programs and households/individuals receiving a package of health services.

### C. Objective, Components and Cost

- 1.23 **Project objectives and description.** The general objective of the program is to support GOS's efforts to enhance the effectiveness of spending on non-contributory social protection programs and improve efficiency of targeting of important social protection programs to promote poverty reduction and human capital development. The specific objectives of the program are to: (i) support the consolidation of existing cash transfer programs and their reconfiguration into a CCT; (ii) strengthen the institutional capacity of MOSAPH to plan, implement, monitor, and evaluate targeted non-contributory cash transfers; and (iii) strengthen the supply of health and education services.
- 1.24 The program will support the introduction of a CCT program, with the specific objectives of: (i) breaking the intergenerational transmission of poverty through the development of the human capital of children from poor households; and (ii) alleviating current poverty through a monetary transfer. Human capital development will be promoted through health and education conditions aimed at improving timely utilization of maternal and child health care services, and at reducing school repetition rates, increasing secondary school enrollment and graduation.<sup>23</sup> These conditions will include: (i) regular health check-ups for pregnant and lactating women and pre-school age children; (ii) participation in nutrition education and supplements for pregnant and lactating women and/or primary caregivers of children under five years; (iii) regular school attendance (not less than 80%) for school age children; and (iv) successful completion of the school year to receive a performance-based yearly bonus.<sup>24</sup>
- 1.25 The introduction of the CCT program will occur in tandem with rationalization of the existing system of cash grants, and with actions aimed to strengthen the operational effectiveness of MOSAPH. In order to consolidate five existing non-contributory cash transfers, MOSAPH will establish one administrative structure with one set of administrative systems. Once the consolidated CCT is introduced, beneficiaries of existing programs will be evaluated to determine their eligibility for the consolidated program based on the PMT.

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<sup>22</sup> Country Program Evaluation 2007-2010 refers to social protection policy as a strategic pillar

<sup>23</sup> Disability grants will be implemented as a separate window within the consolidated program, but will not be conditional and will not be financed with project resources.

<sup>24</sup> These incentives will be complemented by the MOECD's efforts to improve the quality of education of the worse performing schools with support from the IDB through the current and future portfolio of operations in the sector.

Existing beneficiaries who are deemed not eligible for the new program will receive benefits for a time limited period.<sup>25</sup> All new applicants will be selected using the PMT.

- 1.26 Achievement of the desired objectives will also fundamentally depend on the quantity and quality of the supply of health and education services. Therefore, the program will support strategic supply side interventions. Further IDB's support to strengthen education quality is foreseen within the context of the new country strategy (2011-2015).
- 1.27 The program will consist of four components:
- 1.28 **Component I: Strengthening Non-Contributory Social Protection Programs (\$3,076,080):** to improve the effectiveness of spending on non-contributory social protection programs. This component will finance several activities: (i) institutional strengthening of MOSAPH (mainly through financing of technical assistance, key personnel - on a decreasing scale as identified in section III.A. - and training) to enable it to efficiently administer targeted non-contributory social protection programs; (ii) technical assistance to refine the design and implement the CCT: the focus here will be on consolidating targeted cash transfers and development of core operational processes and capabilities. These include financial management, targeting, enrollment, monitoring and evaluation, and case management, as well as strengthening the capacity of MOSAPH to implement the consolidated cash transfer program by transferring knowledge and skills to MOSAPH's staff; (iii) the development of a MIS that will incorporate modules for all functions necessary to administer cash grants to households (e.g. enrollment, targeting, compliance, recertification, case management, payments, and appeals and complaints); (iv) dissemination, communication and public awareness activities to make sure that all stakeholders (including prospective beneficiaries, community leaders and the general public) are informed of the program and of eligibility requirements; (v) a limited amount of rehabilitation and refurbishment of MOSAPH Central and District Offices; (vi) development and implementation of mechanisms for determination of disability consistent with international standards and practice; and (vii) an assessment of MOSAPH social care services and development of an action plan for strengthening social care services.
- 1.29 **Component II: Conditional Cash Grants (US\$8,500,000):** will finance the grants to be provided to beneficiaries as part of the CCT. Monthly transfers will vary with the age of the beneficiary and the region of residence in order to reflect the different monetary and opportunity costs of health care and education. For students, monthly transfers will be complemented by yearly bonuses for successful grade progression. Students in the urban areas of the Coastal region will be eligible for the bonus only when attending secondary education, while the extension of the bonus to primary school students will be considered in the Interior and in the rural areas of the Coast. For all pregnant and lactating women, monthly transfers will be given upon compliance with monthly health check-ups and educational seminars on health, nutrition and parenting. For pre-school aged children, monthly transfers will be given upon compliance with regular health check-ups. Bank co-financing of grants will be on a declining basis over the life of the program, with Bank disbursements subject to regular process audits to verify that the cash transfer are being paid based on verified compliance data.

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<sup>25</sup> With the time limit to be determined by government.



- 1.30 Operation and administration of new mechanisms for delivery of cash benefits to households will be financed by the program, with determination of the payment modality and payment delivery agency to be based on competitive bidding. The payment delivery agency will be responsible for ensuring that payments to beneficiaries proceed according to an agreed schedule and in accordance with beneficiary lists provided/verified by the MOSAPH MIS and those benefits are paid to the correct households. The payment agency will also be responsible for reconciliation of payments (including amounts received and disbursed) and transfer of uncollected amounts back to MOSAPH.
- 1.31 **Component III: Strengthening Health and Education Services (US\$2,413,920):** this component will strengthen health and education services to reduce supply-side constraints that can hinder compliance with program conditions. Design of supply-side interventions will be finalized post approval of this operation based on the finalization of the assessments of supply gaps. Technical audits will be conducted to evaluate changes in access to health and education services among CCT beneficiaries. Education supply interventions financed will include payments to non-governmental schools to increase the number of primary and secondary school places available for CCT beneficiaries and improvements in in-service training for teachers in the Interior to strengthen the quality of language and mathematics teaching, as well as teaching in multilingual environments. Health supply activities financed will include, among others: (i) key health inputs needed for providing preventive care services for pregnant and lactating women and children, including training, supplies, materials and tools; and nutritional supplements; and (ii) a pilot to develop and implement a results-based financing scheme to incentivize primary health providers in health posts, and clinics to improve service delivery within their catchment areas. This pilot will target clinics utilized mostly by CCT beneficiaries and will focus on promoting improvements in the delivery of primary and preventive care for pregnant and lactating women and children (including prenatal care checkups, well-baby visits and nutritional counseling for mother and child, as well as deworming treatment). These interventions will be measured based on increased: (i) coverage, including modifications to service processes that help overcome supply barriers (e.g. changes to operating schedules such as shifting or extending hours); and (ii) quality, including the timely delivery of care (e.g. early prenatal care checkups). Indicators and their targets along with clinics to participate in the pilot will be determined in collaboration with MOH. Incentives will be given upon the achievement of the pre-determined targets for each period, which will be measured and evaluated through a technical audit. A predetermined list of incentives will be created and include in-kind items for upgrading the clinics. This subcomponent would also finance the incentives and technical and financial audits.
- 1.32 **Component IV: Monitoring and Evaluation (US\$610,000):** will finance: (i) the development of a comprehensive M&E framework for targeted non-contributory cash transfer programs and key performance indicators that include: (a) process evaluations of the CCT program; (b) an evaluation of the new PMT with respect to errors of inclusion and exclusion and the efficiency of implementation; and (c) an external impact evaluation to assess the impact of the CCT and its design features, including transfer size and other impacts described in detail in the Monitoring and Evaluation Plan; (ii) semi-annual external process audits that will assess the program with respect to the number of beneficiaries and actual disbursements; verify that payments are being made only to compliant beneficiaries; and



examine quality of service delivery; supply side projects will also be subject to process evaluations; (iii) financial audits in accordance with the Bank's financial management policy; and (iv) an M&E Officer to be assigned to the MOSAPH Research and Planning Division.

#### **D. Key Results Indicators**

- 1.33 The expected impact of the program is a reduction in the poverty gap index from 18.2% (baseline, 2007) to 17.5% by 2015. Focusing on the long term effect of breaking the intergenerational transmission of poverty, key education outcomes include increased enrolment (of the beneficiary population) with regular attendance of at least 80% from 90% to 95% of these students in primary schools, 49% to 60% in junior secondary schools, and 21% to 30% in senior secondary schools (in all cases, by 2015); and a 5% decrease in the repetition rates in selected primary schools (mostly in the Interior) by 2015. Expected health outcomes include increased and timely prenatal checkups (from 17% to 30% of pregnant women with early prenatal checkup) and increased share of children fully-immunized for vaccine preventable disease (percentage of children with timely vaccinations/immunization for Measles). Outputs (intermediate results) include the implementation of a new MIS, the consolidation of five existing non-contributory transfers into one CCT program and the expansion of social protection coverage from 9,000 to 15,500 households by 2015. The results matrix quantifies outputs and outcomes up to 2015. The cost benefit analysis shows that the program has a positive net present value. In the base case in which: (i) the social discount rate is set at 12%; (ii) the economic value of the expected health benefits is conservatively set to zero; and (iii) each additional year of education has a return of 5% in terms of future higher earnings (according to the results of Mincerian earning regressions using 2007 PMT household survey data); the cost benefit ratio of the program is estimated at 0.56.

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

#### **A. Financing and contractual conditions**

- 2.1 The total estimated cost of the program is US\$15 million drawn from the Bank's Ordinary Capital Resources (OC) distributed against five components. The following table provides a breakdown by investment category and source of financing.

Category	IDB (in US\$)	Percentage
1. Strengthening Non Contributory Programs	2,976,080	19.8
2. Conditional Cash Grants	8,500,000	56.7
3. Strengthening Health and Education Services	2,413,920	16.1
4. Monitoring and Evaluation	610,000	4.1
5. Contingency	500,000	3.3
TOTAL	15,000,000	100

- 2.2 **Conditions prior to first disbursement:** (i) evidence that Program Management Unit (PMU) is created within the MOSAPH, and that MOSAPH has signed employment contracts for Key Program Personnel, in accordance with terms of reference approved by the Bank; (Program Manager, Financial Manager, MIS Manager, Communications Specialist, and Monitoring and Evaluation Specialist, Procurement Officer, Education and Health Liaison Officers and Supply Side Coordinators); (ii) evidence that the Council of Ministers has appointed members to the SPSC comprising Permanent

Secretaries/Directors, and/or their delegates, from MOSAPH, MOF, MOH, MOECD, Central Bank, Ministry of Regional Development (MRD), and the Regional Health Services (RGD); as well as representatives from MZ and FIBOS; all in accordance with the terms of reference previously approved by the Bank; (iii) evidence of signed MOUs between MOSAPH and participating agencies (MOECD, MOH, MRD, RGD, MZ and FIBOS); and (iv) evidence that the SPSC has approved the CCT Operations Manual with detailed design parameters for the CCT, the Program Operations Manual (including a program management structure) and the Program Execution Plan, in accordance with terms previously agreed upon with the Bank and ratified and approved by the MOSAPH. Special conditions for execution: (i) condition prior to disbursement of Component II: disbursements made on verification by an external auditor of compliance with co-responsibilities. (ii) Condition prior to disbursement of Component III: health supply side design completed and approved by the SPSC and the Bank, and ratified and approved by the MOSAPH. Special disbursement: once the loan has been entered into effect and the borrower has complied with conditions prior to first disbursement set forth in Article 4.01 of the general Conditions of the Loan Contract, the Bank may disburse to the borrower up to the amount of US\$250,000 chargeable to the resources of the financing to hire Key Program Personnel as identified in Section 3.2.

**B. Environmental and Social Safeguard**

- 2.3 According to the Environmental and Social Safeguard compliance (OP-703), this operation has no negative environmental impacts. Also, the program will generate positive social benefits such as a reduction in the poverty gap index from 18.2% to 17.5% by 2015 (see par. 1.33). The safeguard policy filter report therefore concludes that no potential issues were identified. The program will support minor rehabilitation of MOSAPH central and district offices. These activities constitute relatively minor works and are, therefore, not expected to generate negative environmental impacts. The operation complies with the mainstreaming provisions of the Operational Policy on Indigenous peoples (OP-765) as it will finance adaptations that are important to ensure that services and benefits reach indigenous communities.

**C. Fiduciary Risk and Special Considerations**

- 2.4 **Fiduciary risks.** The project team, in consultation with key stakeholders, has identified the major risks that are likely to affect the achievement of project outcomes. A Risk mitigation matrix was developed outlining a series of related mitigation actions. The risk pertaining to financial management and procurement is classified as high. Mitigation of this risk will be assured by allocation of loan and TC (ATN/JF-12881-SU) resources to install a new accounting system, recruit key qualified personnel, and to ensure internal and external controls through frequent audits.

**D. Other key issues and risks.**

- 2.5 The program faces two implementation risks: (i) limited execution capacity of MOSAPH; and (ii) lack of the inter agency coordination required to execute this multi-sector project. To mitigate these risks, loan and TC (ATN/JF-12881-SU) resources will be allocated to support comprehensive institutional strengthening of MOSAPH. Also, a high level Social Protection Steering Committee will be established to oversee implementation of the project supported by MOUs among the agencies to guide roles and responsibilities and assure inter-agency

coordination. Finally, potential sustainability risks are mitigated through the commitment expressed by the Government to continue allocating resources to support the program.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary Implementation Arrangements

- 3.1 **Institutional arrangements.** A Social Protection Steering Committee (SPSC) is to be established and mandated by Council of Ministers, will oversee general implementation of the program. The SPSC will be chaired by MOSAPH and comprised of the Permanent Secretaries/Directors, and/or their delegates, from MOSAPH; MOF; MOH; MOECD; Central Bank; RGD; and MRD. The MZ and FIBOS will also be represented. The Steering Committee will: (i) provide guidance and oversight for the operation of the program; (ii) monitor the progress of activities; and (iii) give policy and strategic direction and advice on the management and implementation of activities. MOSAPH will enter into Memoranda of Understanding (MOU) for effecting cooperation with MOECD, MOH, MRD, RGD, MZ, and FIBOS.
- 3.2 **Implementation arrangements.** The program will be managed by a Program Management Unit (PMU), to be established in the Material Services (Cash Grants) Division of MOSAPH and headed by a Program Director and will have overall responsibility for ensuring that all program activities proceed in accordance with the agreed terms and conditions of the loan contract. This PMU will handle all fiduciary functions as well as day-to-day program coordination, monitoring and implementation activities. Specific responsibilities will include: (i) disbursement and procurement for all components of the program and management of program resources; (ii) technical responsibility for implementation of components I, II, and IV; ensuring that the CCT is fully integrated into the permanent operation of the MOSAPH; (iii) fulfilling all reporting requirements to the Bank on all program components including financial statements, progress reports and procurement management reports; and (iv) quality assurance. In addition to the program director, the following key personnel will be assigned to the PMU of the MSD (will become permanent posts) and financed by program resources on a decreasing scale: an MIS manager, a communications specialist, a monitoring and evaluation specialist;<sup>26</sup> a financial manager, a procurement officer, and education and health liaison officers.<sup>27</sup> In addition to these staff financed by the program, the MOSAPH will provide a full-time operations manager, and financial assistant to support the program director and financial manager, respectively and will also assign current MSD staff to understudy all other program-financed specialist. The PMU will train MOSAPH-MSD staff involved in the execution of the program.
- 3.3 The MOECD and MOH will share technical responsibility for implementation of Component 3 (supply side interventions) with MOSAPH. This will be facilitated by the recruitment and placement of two supply side coordinators (key personnel) in the respective line ministries.
- 3.4 The MOF, as the representative of the Borrower, will provide financial oversight for the program with regards to the disbursement of the financing. Specifically, they will:

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<sup>26</sup> To be housed in the M&E Unit of the MOSAPH.

<sup>27</sup> Liaison Officers will work with the sector ministries to ensure that project activities and objectives are clear to all ministry stakeholders, that compliance reports are submitted as required, that beneficiaries receive fee waivers or free meals as agreed to in the MOU, and that supply side initiatives are implemented according to plan.

(i) validate and approve all disbursement requests made to the Bank by signing the appropriate forms; (ii) review financial and operational audit reports; and (iii) review on a monthly basis disbursements and commitments made by the project.

3.5 Several entities will play a significant role in implementation. Core responsibilities are as follows:

Agency	Responsibilities
Social Protection Steering Committee	The SPSC will be established prior to first disbursement and will: Review and approve work plans and monitor progress of activities. Individual members act as focal persons in their respective organisations Facilitate coordination among participating agencies Review and approve operating manuals and subsequent changes. Develop consensus around operational areas that require changes based on evidence collected. Give policy and strategic direction and advice on the management and implementation of activities.
Ministry of Social Affairs & Public Housing	Serve as executing agency for Social Protection Support Project with technical responsibilities for components 1, 2 and 4 and full disbursement and procurement responsibilities for all components. Chair the Social Protection Steering Committee
Ministry of Health	Holds technical responsibility for development and implementation of supply side initiatives Participate in Social Protection Steering Committee Support MOSAPH with reporting on beneficiary compliance
Ministry of Education	Holds technical responsibility for development and implementation of supply side initiatives Participate in Social Protection Steering Committee Support MOSAPH with reporting on beneficiary compliance
Ministry of Finance	Ensure flow of funds Provide financial oversight for the project Participate Social Protection Steering Committee
Ministry of Regional Development	Provide technical inputs in design and implementation of activities in the Interior Provide logistical support in the Interior Participate in Social Protection Steering Committee
Medical Mission	Provide technical inputs in design and implementation of activities, particularly in the Interior Provide logistical support in the Interior Report on beneficiary compliance in the interior Implement project supported health interventions in the Interior Participate in Social Protection Steering Committee
Association of Private Schools (FIBOS)	Provide technical inputs in design and implementation of activities, particularly in the Interior Provide logistical support in the Interior Report on beneficiary compliance Participate in Social Protection Steering Committee

## B. Summary of Arrangements for Monitoring Results

3.6 Investment in M&E arrangements are geared towards: (i) generating knowledge critical to policy making; (ii) assessing achievement of project outcomes; (iii) evaluating soundness of systems and processes; and (iv) mitigating financial risks through frequent audits. While consultants will be contracted to conduct impact and process evaluations and financial audits, the project will build local capacity and strengthen MOSAPH M&E capacity through installation of M&E systems with a focus on results.

## C. Significant Design Activities Post Approval.

3.7 Post approval activities will focus on the finalization of the CCT design. Supply studies that will be initiated under ATN/JF-12881-SU will provide inputs to refine supply side interventions in health and education, including a design of the incentive system for health care providers.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Contributes to support small and vulnerable countries; lending to reduce poverty and to promote social equity.		
Regional Development Goals	Contributes to decrease extreme poverty rate.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Number of boys and girls in education programs, people receiving targetted anti-poverty programs.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2459	Improve quality of social public spending.	
Country Program Results Matrix	GN-2617	The project is not included in the 2011 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	8.2		10
3. Evidence-based Assessment & Solution	7.7	25%	10
4. Ex ante Economic Analysis	8.5	25%	10
5. Monitoring and Evaluation	9.1	25%	10
6. Risks & Mitigation Monitoring Matrix	7.5	25%	10
Overall risks rate = magnitude of risks*likelihood	Medium		
Environmental & social risk classification	C		
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor	Yes	The new CCT will contribute to having a healthier and more educated population, which in the long term will benefit their labor outcomes	
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	SU-T1057 - "Strengthening Social Policy Framework in Suriname"	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.	Yes	It will be used to improve management of CCT under Suriname's context, quality of service delivery and inform overall social protection policy and, where relevant, will be accessible to key	

This is an investment loan to Suriname for US\$15 million financed by the Bank's Ordinary Capital. It contributes to the lending target for small and vulnerable countries as well as to reduce poverty and enhance equity, to the regional goal of reducing the poverty rate and to the Bank's output contribution to regional development goals in terms of students benefited by education projects and receiving targeted anti-poverty programs. The project is aligned to the Bank's strategy in the sector.

The project has a good description of the situation and challenges of social protection programs in Suriname, as well as basic information regarding poverty and a deeper analysis referring to education and health. The proposed solution is based on the positive evidence of CCTs and proposes to rationalize social policy based on best practices with respect to the structure of benefits and targeting. The results matrix is well specified in terms of outputs, outcomes and impacts. There is an economic analysis that is conservative as it only includes benefits arising from education. General mechanisms of monitoring have been defined and there is a budget for this activity. The program has an adequate evaluation plan with a regression discontinuity design that will allow validating the CCT model in Suriname. The program has identified risks, as well as all the required mitigation measures; however the indicators to track them are not well specified.

**RESULTS FRAMEWORK  
MATRIX OF INDICATORS**

<b>Project Objective</b>	<i>Reduce current poverty and break the intergenerational transmission of poverty by fostering human capital development by:</i> <ol style="list-style-type: none"> <li><i>1. Strengthening Non-Contributory Social Protection Programs (increased coverage at constant leakage);</i></li> <li><i>2. Introducing a conditional cash transfer program (in substitution of 5 existing cash transfers);</i></li> <li><i>3. Strengthening Health and Education Services.</i></li> </ol>
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<b>Main Outcome Indicators</b>	<b>Base Level</b>	<b>Target Level (Year 5)</b>	
Reduce poverty: Poverty gap index (using a relative poverty line set at the 40 <sup>th</sup> percentile of the distribution of consumption in 2007)	18.2% (PMT, 2007)– to be recollected at baseline	17.5%	Data source: M&E data collected as part of the project
Increase social protection coverage: percentage of households in the bottom 2 quintiles of consumption distribution receiving targeted non-contributory cash transfers	17% (PMT, 2007) (9,000 house-holds) – to be recollected at baseline	29% (15,500 households)	Data source: M&E data collected as part of the project

<b>Component 1 - Strengthening Non-Contributory Social Protection Programs</b>	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<u>Intermediate outcomes</u>							
Coverage: percentage of households in the bottom 2 quintiles of consumption distribution receiving targeted non-contributory cash transfers	17% (PMT, 2007) (9,000 house-holds) – to be recollected at baseline					29% (15,500 households)	Data source: M&E data collected as part of the project
Leakage: percentage of households receiving targeted non-contributory cash transfers that belong to the top 3 quintiles of consumption distribution	20% (PMT, 2007)– to be recollected at baseline					20% (≤ than baseline value)	Data source: M&E data collected as part of the project
<u>Outputs</u>							
Rationalization of current system of targeted non-contributory transfers	6 programs (Financial Assistance, Alevio, Child Allowance, School Uniform, School Supply, Health Card)					2 programs (conditional cash transfer, Health Card)	Data source: SOZAVO administrative data.

Reform of the system of inclusion and management of beneficiaries of targeted non-contributory transfers	No Management Information System (MIS)	New MIS under development	MIS for selection of beneficiaries of health card and conditional cash transfer	MIS used for all stages in CCT process, targeting, registration, verification of co-responsibilities, payments, case management. Financial management	MIS used for all stages in CCT process, targeting, registration,	MIS used for all stages in CCT process, targeting, registration,	Data source: SOZAVO administrative data.
Targeting: share of beneficiaries of targeted non-contributory transfers administered in the Management Information System and selected through proxy means testing of poverty	0%					90%	Data source: M&E data collected as part of the project
Average time to process new applications for targeted non-contributory transfers (from application to first payment)	Not/applicable	6 months	3 months	3 months	3 months	3 months	Data source: M&E data collected as part of the project
Case management: percentage of complaints related to targeted non-contributory transfers that are responded to within 60 days	Not/applicable	40%	50%	80%	90%	90%	Data source: M&E data collected as part of the project
<b>Component 2 - Conditional Cash Grants</b>	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<u>Outcomes</u>							
Poverty gap index (using a relative poverty line set at the 40 <sup>th</sup> percentile of the distribution of consumption in 2007)	18.2% (PMT, 2007)– to be recollected at baseline					17.5%	Data source: M&E data collected as part of the project
Primary school enrolment rate - National	90% (MOE)– to be recollected at baseline					95%	Data source: Ministry of education
Primary school enrolment rate - Interior	71% (MOE)– to be recollected at baseline					80%	Data source: Ministry of education
Junior secondary school enrolment rate - National	49% (MOE)– to be recollected at baseline					60%	Data source: Ministry of education

Junior secondary school enrolment rate - Interior	17% (MOE)– to be recollected at baseline					40%	Data source: Ministry of education
Senior secondary school enrolment rate - National	21% (MOE)– to be recollected at baseline					30%	Data source: Ministry of education
Senior secondary school enrolment rate - Interior	0% (MOE)– to be recollected at baseline					20%	Data source: Ministry of education
Attendance rates in children aged 6-18 in CCT beneficiary households	To be recollected at baseline	>=80%	>=80%	>=80%	>=80%	>=80%	Data source: Ministry of education and project M&E data
Percentage of pregnant women receiving 4 or more prenatal care visits	66.8% (UNICEF Estimate 2011)					90%	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
Measles immunization coverage (% of children aged 12-23 months receiving measles vaccine before 18 months of age)	88% (WHO WHR 2011)					98%	Frequency of collection: <a href="#">Annual</a> ; Source: WHO WHS Annual Report.
Percentage of pregnant women receiving their first prenatal control before the 14th week of their pregnancy	17% (MoH 2001) – to be recollected at baseline					30%	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
<b>Output</b>							
Percentage of CCT beneficiaries whose compliance with the conditionalities is monitored in the MIS	Not/applicable	50%	80%	90%	90%	90%	Data source: M&E data collected as part of the project
Percentage of on-time payments	Not/applicable	50%	80%	90%	90%	90%	Data source: M&E data collected as part of the project
Audits: number of schools subjected to spot-check of school attendance records	Not/applicable	0	5	10	10	25	Data source: Ministry of education and project M&E data
Audits: number of health centers subjected to spot-check of medical records	Not/applicable	0	5	10	10	25	Data source: Ministry of health and project M&E data
<b>Component 3 - Strengthening Health and Education Services</b>	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<b>Outcomes</b>							



Percentage of teachers in the interior trained in teaching Language (Dutch) and Arithmetic utilize new teaching methods	0	0		80%	80%	80%	Frequency of collection: Annual, commencing after training is completed. Source: formative evaluations
Decrease in the repetition rate in grades 1 -3 in the Interior	20%				15%	15%	Frequency of collection: Annual; Source: MOECD Data (Research and Planning and schools)
% of health clinics reaching their agreed upon annual targets for preventive care	0	0	50%	65%	75%	80%	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
<u>Output</u>							
Number of beneficiaries who access school places due to fee waivers (primary/secondary) in the Interior	0	0	100	200	500	500	Frequency of collection: Annual; Source: MOECD Data
Number of newly developed teacher training modules	0	0	1	1	1	1	Frequency of collection: end year 1; Source: MOECD report
Number of (updated) Growth and Development Tools distributed to health professionals	0	0	30	30	30	30	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
Number of health professionals trained/retrained in the delivery of prenatal care with nutritional counseling	0	0	30	30	30	30	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
Number of health professionals trained/retrained in the delivery of well-baby and toddler checkups with nutritional counseling	0	0	30	30	30	30	Frequency of collection: Annual; Source: MoH and MZ Administrative Data
<b>Component 4 - Monitoring and Evaluation</b>	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<u>Output</u>							
Rigorous data collection and impact evaluation	Not/applicable		Follow up survey conducted		Follow up survey conducted	Impact evaluation completed	

Notes: (a) targeted non-contributory cash transfers include Financial Assistance, Alivio, Child Allowance and the CCT; (b) targeted non-contributory transfers include the targeted non-contributory cash transfers plus the health card.

## **FIDUCIARY ARRANGEMENTS**

**COUNTRY:** SURINAME

**PROJECT:** SU-L1013: SOCIAL PROTECTION SUPPORT PROGRAM

**EXECUTING AGENCY:** Ministry of Social Affairs and Public Housing (SOZAVO)

### **I. Executive Summary**

According to the PEFA (Public Expenditure and Financial Accountability) report delivered on April 4, 2011 Public Financial Management (PFM) systems in Suriname face structural, institutional and regulatory challenges. These challenges constitute a limitation to the efficiency, effectiveness and transparency needed for the management of public resources, including foreign contributions. In this sense, the Suriname Country Strategy 2011-2015 describes the short and medium term initiatives that the Government of Suriname (GoS) will conduct -with the support of the Bank- for the design and implementation of structural, institutional and legal reforms of the country's PFM.

Currently, the portfolio of the Bank is managed through the establishment of special project execution units for the majority of the projects. In addition, the Bank conducts a close operational supervision on these Project Execution Units, and provides training as needed on Bank's policies and procedures. In terms of External Audits, all Bank operations are audited by independent audit firms acceptable to the Bank in accordance with the Bank's Guidelines for Financial Reports and External Audits.

The objective of the Social Protection Program is to support GOS's efforts to enhance the effectiveness of investments in poverty reduction and human capital development through implementation of a Conditional Cash Transfer (CCT) Program. The specific objectives of the program are to: (i) support the consolidation of existing cash transfer programs and their reconfiguration into one CCT program; (ii) strengthen the institutional capacity of Ministry of Social and Public Affairs MOSAPH to plan, implement, monitor, and evaluate targeted non-contributory social protection programs; and (iii) strengthen the local supply of social services (health and education) in order to meet additional demand generated through the CCT. The project execution period will be of 5 years. The total of the Bank contribution will be US \$15 million

The executing agency (EA) will be located within the MOSAPH. The Bank has conducted a review of the ministry's existing financial management and internal and external control systems using the Institutional Capacity Assessment System (ICAS) methodology. Based on the results of this assessment, the overall risk rating is considered to be high, particularly in the following aspects: (i) their financial management systems and procedures are very limited and basic, ii) there is not a financial/accounting software in place that could satisfy the Bank's accounting and reporting requirements, iii) the internal audit function within the MOSAPH is incipient, iv) the external audit has not been exercised with the scope that the Bank requires. In parallel to this operation, a Knowledge and Capacity Product (KCP) will be implemented. This KCP as well as the component I of the operation will provide support for the design and implementation of the systems and procedures needed, along with the operational and institutional arrangements to reinforce the future EA that will reside within the MOSAPH. Once all these initiatives are successfully implemented, the results of the ICASS will be updated, and the fiduciary risk will be brought to medium level.

## II. Executing Agency's Fiduciary Context

Public Financial Management of the MOSAPH lack of updated and international standard regulation, adequate systems, processes and trained staff. There is no legal responsibility for having internal control systems in place to ensure compliance with applicable laws, regulations and contracts and reliability and integrity of financial information and reports.

In addition an evaluation of the MOSAPH financial management capacity, conducted in August 2011, using the ICAS methodology showed the following results: (i) the MOSAPH current financial management procedures are mainly manual and their Financial Management and/or Procurement capacity is very low. (ii). Accounting records are prepared currently on a manual basis using excel spreadsheets for reporting purposes, therefore there is no accounting software in place; iii) the internal audit is incipient. iv) External audit has not been exercised since 2004 by the Supreme Audit Institution (SAI) in Suriname which is the *Rekenkamer*. The SAI itself requires a strengthening process.

As part of the capacity that is needed for the execution of the Program, it is worth to discuss the status of the current database of beneficiaries of the subsidies handled at the Cash Department within MOSAPH. There is not automated system that covers all the stages: collection of data, update according compliance of conditions and payment to beneficiaries. The processes of collecting data and updating are manual, compiled in excel spreadsheets and then sent to the MoF. These lists are processed through manual entry in their systems. They release official lists of beneficiaries with the amount to be paid which determines the amount of cash to be given to the officials in charge of the payments. Payments are done according to a geographical distribution. Further, reconciliation is done manually if all funds are not disbursed to beneficiaries. .

As part of the institutional strengthening of MOSAPH that will enable it to efficiently administer the program, a KCP "Strengthening Social Policy Framework in Suriname" a non reimbursable operation will be executed in parallel with the loan. This KCP will support the adequate implementation of the program, through the re-design and establishment of a social protection system operations and procedures that will be backbone of the operations of the Program. These strengthening activities will include the re-design and upgrade of the Management Information Systems (MIS), the preparation of a Program Operational Manual, and staff training. In addition, Component I: Strengthening Non-Contributory Social Protection Programs of the Loan will finance the necessary activities to consolidate targeted cash transfers and the development of core processes and capabilities including: financial management and reporting system, an adequate system of internal control, and an internal audit function; targeting; monitoring and evaluation; case management (including inter alia procedures for applications, recertification, and appeals); and inter-sector coordination. The new financial arrangements resulting from the activities of both the KCP and the Loan will include the systems and processes that need to be implemented in order to manage the fiduciary risk.

## III. Fiduciary risk evaluation and mitigation actions

The overall financial management risk rating of the EA is high in all areas. However, the implementation of the mitigation actions indicated below, as part of the execution of the KCP and the specific activities of the loan should reduce the risk level to medium. These arrangements should be implemented as a condition prior to the first disbursement.

Risks identified	Mitigating measures
<ul style="list-style-type: none"> <li>- Insufficient accounting and financial recording, reporting and monitoring systems.</li> <li>- Lack of computerized accounting system and budget execution monitoring systems.</li> <li>- No internal audit capacity</li> </ul>	<ul style="list-style-type: none"> <li>- A Financial management structure needs to be established. This will include: a financial manager, financial assistants/analysts (the number will be determined according to the needs of the program that will be defined during the KCP implementation). Training on Bank's financial management and procurement procedures will be provided to the Program's EA staff.</li> <li>- MIS systems need to be properly re-designed and put in place as the backbone of the program. The deployment and implementation of a proper financial management system should be integrated to the program's MIS</li> <li>- Development of an Operational, Financial and Administrative manual which will include the description of the policies, procedures and internal control requirements, for an adequate management of the planning, budgeting, cash flow, accounting and reporting processes. This document should also include, among others: a) proper internal control procedures, designed to ensure the integrity and completeness of beneficiaries' databases; b) streamlined procedures for the reconciliation of information stemming from the databases utilized for payments to eligible beneficiaries, with related Bank accounts, and the program's accounting system.</li> <li>- Financial planning activities need to be clearly designed and implemented, so the adequate cash flow needs for the execution of project's activities can be determined. This plan will serve as the basis for the Bank's disbursements.</li> <li>- An overall strengthening of the internal audit function, that will not only include the traditional monitoring of financial transactions, but also a constant review and monitoring of the processes and procedures put in place to build and maintain the beneficiaries databases, the internal controls built within the software that ensure its integrity and completeness, and data security.</li> <li>- It will also be important, as well, that the internal audit function oversees the process through which beneficiaries are included in the database, and the compliance with any eligibility conditions.</li> <li>- In terms of supervision, during the first stages, specifically with the KCP and Loan under implementation, the Bank's supervision will almost be concurrent.</li> </ul>
<ul style="list-style-type: none"> <li>- External audit practices not according to the Bank's requirements and program needs</li> </ul>	<ul style="list-style-type: none"> <li>- The EA will be responsible for contracting an external auditor eligible to the Bank to perform the program audit as follows: (i) an annual financial wide/agreed scope audit of the program to be submitted within 120 days of the end of fiscal year; (ii) a semi-annual review of the disbursement processes to be submitted within 60 days of each period (iii) a quarterly assurance report with a conclusion on the reasonableness of the performance of the CCT program, to be submitted within 30 days of the end of each; and (iv) one final financial audit of the Program to be submitted within 120 days after the date of last disbursement.</li> </ul>
<p>Weak execution of project's activities due to understaffing of the PEU and lack of previous experience of projects financed by IDB.</p>	<ul style="list-style-type: none"> <li>- Bank fiduciary staff will conduct inspection visits on a quarterly basis to ascertain the proper functioning of the MIS and accounting systems, and the adequacy of the internal controls system</li> <li>- Training on Bank's financial management and procurement procedures provided to project management team personnel on a continuous basis</li> </ul>

#### IV. Aspects to be considered in the Special Conditions of Contract

In order to move forward the contract negotiations by the project team and mainly by LEG, herein are those Fiduciary Arrangements that must be considered in the special conditions:

**Special Conditions Precedent to First Disbursement:**

- Financial Structure established at the Bank's satisfaction. This will include, among others, the hiring of the following staff: one Financial Manager, and a financial assistant/analyst. The number may increase according the up scaling process of the program
- The program should have the necessary bank accounts in Surinamese Dollars SRD and in US dollars at the Central Bank for the management of the program resources and a listing of authorized signatures will be provided to the bank.
- A Financial management system integrated with the program's MIS, installed and fully functioning.
- An Operational , Financial and Administrative Manual, including – among others - policies, procedures and internal control requirements, for an adequate management of the planning, budgeting, cash flow, accounting and reporting processes. . This document should also describe: a) proper internal control procedures, designed to ensure the integrity and completeness of beneficiaries' databases; b) streamlined procedures for the reconciliation of information stemming from the databases utilized for payments to eligible beneficiaries, with related Bank accounts, and the program's accounting system.
- Financial plan detailing the first year activities and documented in order to support Bank's disbursements
- The EA will be responsible for contracting an external auditor eligible to the Bank to perform the program audit as follows: (i) an annual financial wide/agreed scope audit of the program to be submitted within 120 days of the end of fiscal year; (ii) a semi-annual review of the disbursement processes to be submitted within 60 days of each period (iii) a quarterly assurance report with a conclusion on the reasonableness of the performance of the CCT program, to be submitted within 30 days of the end of each; and (iv) one final financial audit of the Program to be submitted within 120 days after the date of last disbursement.

**Requirements and Agreements for Execution of Procurement**

All records and files will be maintained by the Executing Agencies, according to accepted best practices, and be kept for up to three (3) years beyond the end of the operation's execution period.

**Application of procurement policies for goods, works and non-consulting services:** For applicable procurement policies for goods, works and non-consulting services please refer to document "Policies for the procurement of Goods and Works and Non-consulting Services Financed by the Inter-American Development Bank, GN-2349-9".

**Application of policies for the selection of consulting services:** For applicable procurement policies relating to the selection of consultants, refer to document "Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank, GN-2350-9".

**Methods and threshold amounts to be applied to works, goods, non-consulting services and consulting services:** The IDB thresholds table for Suriname will apply.

**Special agreements regarding procurement:** None.

**Use of electronic on-line systems for the publication and management of the procurement plans:** The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) introduced in Suriname in 2010 will be used for the publication and updates of the procurement plan. It is expected that the executing agency will use the SEPA program for management of its procurement activities.

**Use of national or other documents than the Bank standard documents for competitive bidding:** None.

**Procurement Execution:** Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), of March 2011, and with the provisions established in the procurement plan. In addition, for all projects, the Borrower is required to prepare and submit to the Bank a draft General Procurement Notice.

1. **Procurement of Goods, Works, and Non-Consulting Services:** The procurement plan for the Program, covering the duration of project execution is summarized in Annex III, and indicates the procedure to be used for the procurement of goods, the contracting of works or non consulting services. The review of technical specifications in all cases, during the process of selection is the responsibility of the sector specialist of the operation.

2. **Procurement of IT systems:** None

3. **Procurement of Consulting Services:** The procurement plan for the operation, covering the duration of project execution is summarized in Annex III, and indicates the procedure to be used for the procurement of consultancy services, and the method of selecting consultants. The Borrower is responsible for preparing and implementing the project, and therefore for preparing the TORs, short lists, selecting the consultants, and awarding and subsequently administering the contract.

4. **Sole Source Selection:** to be used only in exceptional circumstances and is based on the Bank's no objection to the justification.

5. **Selection of Individual Consultants:** Individual consultants are employed on assignments for which: (a) teams of personnel are not required; (b) no additional outside (home office) professional support is required; and (c) the experience and qualifications of the individual are the paramount requirement. Individual consultants are selected on the basis of their qualifications for the assignment. Advertisement is not required and consultants do not need to submit proposals. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Borrower. Individual consultants may be selected on a sole-source basis with due justification in exceptional cases. This is to be carried out in accordance with Section V (Selection of Individual Consultants) of GN-2350-9 paragraphs 5.1-5.4.

6. **Training:** The detailed procurement plan indicates to which consultancy services training and workshops are applicable. As per GN-2350-9 if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training program, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training program shall be included in the consultant's contract and in the budget for the assignment.

7. **Recurring Expenses:** Include payment of utilities and other office operating expenses of the PEU, if any.

8. **Advance Contracting/Retroactive Financing:** Section 1.9 of the procurement policies allows for retroactive financing and advance contracting where the procurement procedures, including advertising, are in accordance with the procurement policies in order for the eventual contracts to be eligible for Bank financing. The Bank shall review the process used by the Borrower. A Borrower undertakes such advance contracting at its own risk, and any concurrence by the Bank with the procedures, documentation, or proposal for award does not commit the Bank to make a GRIF/Grant for the project in question. If the contract is signed, reimbursement by the Bank of any payments

made by the Borrower under the contract prior to GRIF/Grant signing is referred to as retroactive financing and is only permitted within the limits specified in the GRIF/Grant Contract.

9. **Domestic Preference:** Determining whether it is appropriate and necessary to use domestic preference in the evaluation of bids should be guided by Appendix 2 of GN-2349-9 para. 1-6.

10. **Other Requirements:** Use of national or other documents than the Bank standard documents for competitive bidding: None

11. **Procurement Plan and supervision (PP):** The procurement plan for the operation covering the duration of project execution is summarized in Annex III. It indicates the procedures to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank. The procurement plan will be updated annually or whenever necessary, or as required by the Bank.

12. **Country Threshold:** Table (US\$ Thousands) [www.iadb.org/procurement](http://www.iadb.org/procurement)<sup>1</sup>

Works			Goods			Consulting Services		Limit for
International Competitive Bidding	National Competitive Bidding	Shopping/Price Comparison	International Competitive Bidding	National Competitive Bidding	Shopping/Price Comparison	International Competitive Bid	Short Lists Solely by Nationals/NCB	Ex-Post Revision
>1,000	100 – 1,000	<100	>100	25 - 100	<25	>100	<100	12 month

## V. Financial Management

### 1. Programming and Budget

GoS's budget planning and execution process are manual. Apart from the ceiling provided to each ministry on a monthly basis, there are no monitoring mechanisms on the execution of the budget. The budget executed report presents deviations compared to the approved budget therefore is not credible. For the purposes of the program, an operation plan, which will include the procurement plan and a financial plan that consider the cash transfer components, consistent with a 12-month financial plan will be required from the EA on an annual basis.

### 2. Treasury Disbursements and flow of Funds

Ministries do not count with a treasury function. Cash flow planning and monitoring are rudimentary processed on a manual basis. The EA will open the necessary bank accounts in Surinamese Dollars SRD and in US dollars at the Central Bank for the management of the program resources and a listing of authorized signatures will be provided to the bank.

As described in 1 Above, the 12-month financial plan will serve as the basis for the determination of the funds the Bank will disburse to the EA to cover the program's needs for the period of three months during the first year of implementation. After an updated ICASS is performed the disbursement period could be increased.

### 3. Accounting and Information Systems

The financial statements of the GoS are prepared annually by every ministry separately and later are consolidated manually. Relevant information on financial assets and liabilities are not reported in those

<sup>1</sup> Amounts for ex post and ex ante review are applicable based on the capacity of the executing agency and complexity of procurements. These amounts may be adjusted by the Bank, as capacity is improved, and/or procurement complexity varied.

statements. The different ministries of the GoS counts with a limited-use accounting software called FINIS which processes only Purchase orders against the ceiling assigned per ministry. In practice, it has never been possible to produce a General Account Balance. The accounting system was designed to automate the existing manual processes without a previous review and improvement of these processes, preventing the availability of timely and reliable information.

The Country's accounting system will not be used for project accounting and reporting. The EA will utilize a financial management system adapted to the program's needs. The Modified cash basis of accounting will be used for reporting purposes.

For the recording in US dollars of expenditures made by the program in local currency, and the corresponding justification to the Bank in disbursement requests, the EA will use the exchange rate utilized on the value date of the Advance of Funds made by the IDB to the EA.

#### **4. Internal Control**

Internal Control within the ministries is weak due to the fact that public institutions do not have a legal responsibility to implement and put in place internal control systems to ensure compliance with applicable laws, regulations, therefore reliability and integrity of financial information is low. In addition, if some internal audit is carried out, no standard audit procedures are followed.

The EA will establish proper segregation of duties, approval authority levels for signature of contracts, commitment of funds, reception of goods and services and payment to suppliers and beneficiaries.

#### **5. External Control and Reporting**

The Surinamese law requires that all public institutions should be audited. Usually the Centrale Landsaccountantsdienst (Central Audit Office) CLAD, a semi-autonomous institution, is in charge of the internal audit of every line ministry, while the Supreme Audit Institution (Rekenkamer) is in charge of the external audit of the Public sector. However, the last Rekenkamer audit report on the financial statements of the Government was conducted in 2003. In addition the Clad roles has also involved some external audit activities which is not an adequate practice considering it is the official internal auditor.

The External audit of the Program will be performed by an independent audit firm acceptable to the Bank. Audits will be performed in accordance with Bank's Guidelines for Financial Reports and External Audits. The specific requirements for the external audit functions are described in the Fiduciary arrangements.

#### **6. Financial Supervision Plan**

Bank fiduciary staff will conduct inspection visits on a quarterly basis to ascertain the proper functioning of the MIS and accounting systems, and the adequacy of the internal controls system.

#### **7. Execution Mechanism**

The Program will be executed by the MOSAPH, through the establishment of an EA within the MOSAPH. Institutional, Operational, and Fiduciary arrangements will be implemented through the execution of the Component I of the Loan: Strengthening Non-Contributory Social Protection Programs as well as a non-reimbursable KCP, "Strengthening social policy framework in Suriname"

The period covering the initial Advance of Funds (and the following) will be three months according the financial planning prepared by the EA. New requests will be analyzed and approved whenever the EA justifies at least 80% of the prior advance. The CCT's payment mechanism will be defined through the implementation of the KCP, and monitored by the EA, as established in the Operational, Financial and Administrative manuals. The program's external auditors will review the performance of the CCT program on a semi-annual basis, and will issue an assurance report, which will conclude on the reasonableness of that performance, according to the manual mentioned above, the Loan Agreement, and Bank's policies and procedures.



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/11

Suriname. Loan \_\_\_\_/OC-SU to the Republic of Suriname  
Social Protection Support Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Suriname, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a social protection support program. Such financing will be for an amount of up to US\$15,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_ 2011)

LEG/SGO/SU-36464039-11  
SU-L1013