

**CREATION OF A FINANCIAL INFORMATION UNIT
(TC-92-02-15-2)**

EXECUTIVE SUMMARY

BENEFICIARY: Government of Suriname

EXECUTING AGENCY: Ministry of Finance

FINANCING: IDB: US\$1,160,000 (SF)
Local counterpart funding: US\$ 161,000
Total: US\$1,321,000

TERMS: Execution period: 3 years
Disbursement period: 3.5 years

ENVIRONMENTAL CLASSIFICATION: The Environmental Management Committee, at its meeting of February 28, 1992, classified this as a Category II operation.

OBJECTIVES: The main objective of this project is to provide the government with complete, timely, and reliable data on the financial operations of the non-financial public sector, including the central government, parastatals, public enterprises, and utilities, as well as certain key memorandum items (such as outstanding commitments to suppliers, variations in inventory, etc.), during an important key policy-making process. It will support the government in monitoring the implementation of adjustment policies designed to rationalize public expenditures, consolidate revenues, and control the use of deficit financing.

This objective is the first stage of a long-term strategy agreed with the Government of Suriname, that will eventually lead to a comprehensive process of institutional strengthening of its financial management system.

DESCRIPTION: In order to achieve the objective described above, the project will create a Financial Information Unit (FIU), directed by an International Project Coordinator and staffed entirely by project consultants in the areas of technical supervision, systems analysis, financial analysis, and administrative support, as well as a National Coordinator who will ensure permanent communication with the MOF authorities.

The FIU will use various sources to collect information on revenues, expenditures, and financing, as well as other memorandum items, for a group of institutions that represent most cash-flows of the non-financial public sector.

BENEFITS:

a. Allowing the government to undertake key adjustment policy measures in an environment where the lack of fiscal information is not a constraint. Complete, timely, and reliable financial data for the non-financial public sector will be the primary input to monitor policies in such areas as wages and salaries, investment, subsidies, transfers, debt and arrears, and others.

b. Helping develop a "culture" within the Government of Suriname that emphasizes the need for adequate information and analysis before any substantial policy measures are undertaken.

c. Assisting in the design and implementation of subsequent institutional strengthening efforts in budgetary management, by providing assessments and recommendations regarding public sector financial management practices.

d. An improvement in the capacity of the institutions covered by the FIU to produce, analyze, and interpret financial information.

RISKS:

a. Possibly restricted or limited access to key information at the NFPS institutions. The project seeks to minimize this risk by requesting an appropriate legal "credential" as one of the conditions precedent to eligibility for disbursements.

b. A decision by the government to halt the process of fiscal adjustment. Although this would not directly affect the operation of the FIU, it would limit the usefulness of the information produced within the context of support for policy decisions.

**THE BANK'S
COUNTRY STRATEGY:**

In view of the macroeconomic, governance and environmental problems facing Suriname, and the Bank's past experience in the country, Bank strategy is to build a program that has a strong technical cooperation component, that complements the activities of other international organizations and donors, and that focuses on: (a) assisting in macroeconomic stabilization, structural adjustment, and economic reform; (b) contributing to reforms of the state, institution building and enhancement of governance capabilities, particularly if it would have a posi-

tive impact on the Structural Adjustment Program; and (c) encouraging sustainable development and protection of the environment.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Prior to the first disbursement of the resources of this operation, the government shall present evidence to the Bank that: (a) the Financial Information Unit has been legally established, within the Ministry of Finance, with complete technical and administrative autonomy to execute the program; (b) the International Project Coordinator, the National Coordinator, and the Administrative Officer have been hired; and (c) it has issued the appropriate legal instrument to ensure that all institutions of the non-financial public sector provide full and unrestricted access to all information and documentation required by the FIU for the execution of the program.

I. BACKGROUND

A. Macroeconomic context

- 1.1 Suriname's macroeconomic situation worsened steadily after 1982, and at an increasing pace in the 1990s. The long run growth performance has been poor and inflation has accelerated. Key underlying problems have been the large role of the public sector, which accounts for 64% of total employment, and large fiscal deficits, which at times have risen above 20% of GDP. As a result the economy has become increasingly dependent on bauxite industry revenues, Dutch official aid and remittances from Surinamese living in the Netherlands.
- 1.2 In an effort to restore macroeconomic stability and growth, the government with assistance from international consultants drew up a Structural Adjustment Program (SAP), which was approved by the National Assembly in November 1992. A key component of the plan was policy measures to ensure fiscal balance. However, aside from the unification of multiple official exchange rates in July, 1994, progress on implementing the SAP has been slow. The government so far has eschewed a formal or informal program with the International Monetary Fund (IMF), and instead has sought advice on economic policy from an international consultancy firm: the Warwick Research Institute (WRI).
- 1.3 Nevertheless, WRI's policy prescriptions, especially with regard to fiscal policy, are consistent with those of a standard IMF program. In particular, WRI calls for the elimination of fiscal deficits through (efficient) revenue enhancing measures and control of expenditures through civil service reform and sharp reduction in subsidies.
- 1.4 The necessity for progress on the fiscal situation was underlined by the continued deterioration of the macroeconomic situation in 1994. The fiscal position remained precarious and both revenues and expenditures became increasingly linked to exchange rate developments. Rapid depreciation of the guilder lifted total revenues from 12% of GDP to 25%, and expenditures from 38% to 51%. External grant receipts covered the gap of 26% of GDP, with the result that the budget was balanced on a cash basis. The balanced budget, however, was only achieved because the government built up huge arrears (possibly equivalent to 5% of GDP) with public enterprises, utilities, and private companies.
- 1.5 This situation is unsustainable, but tackling it is complicated by the lack of data on public enterprises and utilities. Developing consistent, systematic and organized accounts for the non-financial public sector (NFPS) (see Annex I) is therefore crucial. This information would be invaluable to economic policy-makers. Furthermore, the continued acceleration of inflation -- to 587% between December 1993 and December 1994 -- points to the increasing urgency of establishing a real fiscal equilibrium.

B. Background of the operation

- 1.6 In late 1991, a mission of the Bank travelled to Paramaribo to identify technical assistance requirements to strengthen the budget cycle. A draft plan of operations was prepared by February 1992, which identified a number of deficiencies in Surinamese financial management and proposed addressing the areas of: (a) information systems for budgetary formulation, execution, and accounting; (b) organization of the Ministry of Finance; (c) regulatory standards for budget management; (d) training requirements; and (e) data processing capabilities.
- 1.7 The Bank made an official request to the Dutch government in July of 1992 for funds to co-finance the operation. An amount of \$1.6 million was requested, equivalent to approximately 67% of the total project cost. The agreement was never established and the project cycle was halted due to the unavailability of alternative financing sources, especially Bank non-reimbursable funds.
- 1.8 In early 1993, the Dutch government included support to improve the budget cycle as a part of its own technical cooperation programme and consulting services were supplied. However, the support was limited and did not permit a comprehensive reform of financial management. Though highly competent and motivated, the consultants were unable to carry out fundamental reforms in the budget cycle and assumed the role of advisors in every-day budgetary decision-making.
- 1.9 The SAP, approved a few months earlier, included an important budget reform component designed to bring the fiscal accounts under control, which closed 1992 with an overall central government deficit of nearly 11% of GDP. Although a marginal improvement was seen in 1993 and 1994, the sharp accumulation of government payment arrears indicates that the fiscal adjustment process is not being undertaken wholeheartedly. However, the importance of the budget component within the context of the SAP still gives relevance to an institutional strengthening effort within the Ministry of Finance.
- 1.10 Within this context the Bank programmed a reformulation of the original proposed operation in order to include it in the 1995 pipeline, and a mission visited Paramaribo in February of 1995 with the purpose of updating the existing draft plan of operations. However, the mission concluded that the conditions in the Surinamese public sector, in particular regarding its human resource base, were unable to sustain a significant effort of institutional strengthening. The mission signed an aide memoire with the government highlighting this fact and establishing a new strategy to address the budgetary reform issue.

1.11 This new strategy defines three stages in the reform process:

- a. Stage One: An "emergency" program that provides essential fiscal data of the entire NFPS to monitor the implementation of policy measures and guide the government through the adjustment process.
- b. Stage Two: A reform of the public sector's human resource management practices, in order to improve staffing at key institutions.
- c. Stage Three: A full-fledged institutional strengthening of the Ministry of Finance to address the issues set forth by the original project.

1.12 It became evident that a civil service that was more professional, motivated, and compact constituted a necessary condition for the success of the third stage; but also that the government could not venture through a delicate adjustment phase without complete and reliable information on public finances, making the first stage necessary as well.

C. The Bank's experience and country strategy

1.13 As of December 31, 1994, three projects in the areas of industry, education, and health and twenty-nine technical cooperations had been approved, totalling \$27.8 million. The constant deterioration of the economic situation and institutional weaknesses of the public sector have significantly affected their execution. In the case of the education project, 52% of the two loans approved were cancelled in 1993 after seven years in execution and a disappointing 30% overall progress. Implementation of the health project, currently in execution, is affected by lack of local counterpart funds, shortage of human resources, and significant institutional weaknesses. The tax administration project - which is the only regular technical cooperation under execution - has been fairly successful, scheduled to end in November 1996.

1.14 In view of the macroeconomic, governance and environmental problems facing Suriname, and the Bank's past experience in the country, Bank strategy is to build a program that has a strong technical cooperation component, that complements the activities of other international organizations and donors, and that focuses on: (a) assisting in macroeconomic stabilization, structural adjustment, and economic reform; (b) contributing to reforms of the state, institution building and enhancement of governance capabilities, particularly if it would have a positive impact on the Structural Adjustment Program; and (c) encouraging sustainable development and protection of the environment.

II. JUSTIFICATION AND OBJECTIVES

A. Justification

- 2.1 The proposed operation is Stage One of the strategy described in paragraph 1.11. It is essential in order to cover the significant gap in information on the overall fiscal picture of the NFPS, and also to improve the quality of currently produced financial data by implementing an internationally-accepted methodology for reporting government financial statistics. The product will be a complete and accurate consolidated financial report that will include important data that is not presently produced, such as cash operations of key public sector enterprises and utilities.
- 2.2 It is acknowledged that the bodies responsible for accounting within the public sector are institutionally responsible for producing the required financial statements. However, the absence of conditions for strengthening these bodies in the short term and the urgency with which the information is required, make it impossible to undertake a more institutionally-oriented approach towards resolving the data gap. The project is designed to maximize the transfer of technology to these institutions - within its possibilities - in order to support the implementation of the third step in the reform strategy.

B. Objectives

- 2.3 The main objective of this project is to provide the government with complete, timely, and reliable data on the financial operations of the non-financial public sector, including the central government, parastatals, public enterprises, and utilities, as well as certain key memorandum items, during a key policy-making process. It will support the government in monitoring the implementation of adjustment policies designed to rationalize public expenditures, consolidate revenues, and control the use of deficit financing.
- 2.4 The operation has two secondary objectives:
 - a. To support the forthcoming institutional strengthening process through assessments of budgetary practices and by training financial management staff in the production of cash-based information; and
 - b. To provide advice to high levels of government on the analysis of financial reports in the light of adjustment policies.

III. PROJECT DESCRIPTION

A. Organization of the project

- 3.1 In order to fulfill the objectives described above, the project will create a Financial Information Unit (FIU), staffed entirely by project consultants and directed by an International Project Coordinator (see Annex II for terms of reference). It will have National consultants in the areas of technical supervision, systems analysis, financial analysis, and administrative support, as well as a National Coordinator who will ensure permanent coordination with the MOF.
- 3.2 Since the objective is to provide key information during the structural adjustment process and then give way to institutional strengthening efforts, the project (and therefore the FIU) has a finite life. Its expected overall duration is 30 months, of which 24 are considered fully operational.
- 3.3 The FIU will have an Administrative Officer that will serve as liaison between the Ministry of Finance, the FIU and the Bank on issues regarding procurement, disbursements, project financial reporting, and in general, all issues of internal administrative coordination. This includes ensuring the compliance with Bank procurement and contracting standards and procedures.
- 3.4 The FIU will have two sources of NFPS financial information: The MOF's Economic Department, and the institutions themselves. The Central Government data will be provided by the Economic Department, which currently produces a cash flow report (The Flash Report). Although the Flash Report does not presently fulfill the requirements of structure and timeliness for the production of a consolidated NFPS report, it is expected that the implementation of recommendations contained in an IMF statistics mission report will improve it substantially. If required, the FIU would also provide the Economic Department with advice and technical cooperation for implementing the IMF recommendations.
- 3.5 The data for the remaining NFPS will be collected by the FIU financial analysts, who will be divided into teams with each team assigned to cover a group of institutions. Each team will have a set timetable to go to the institutions and elaborate a monthly report, including all revenues, expenditures, and sources of financing on a cash basis based on existing financial reports (if considered timely, complete, and reliable), or directly from the records of each individual transaction. Additional information, such as accumulation of unpaid commitments to suppliers of goods and services, will also be included as memorandum items.
- 3.6 Once the institutional reports are prepared, they will then be processed, cross-checked, and consolidated to produce a number of reports, primarily: (a) monthly consolidated and aggregated NFPS

reports; (b) year-to-date consolidated and aggregated NFPS reports; and (c) monthly and year-to-date institutional reports. In addition, the International Project Coordinator will produce an analytical annex that describes fiscal tendencies and raises issues in relation to the adjustment policy measures.

- 3.7 In addition to the collection and processing of fiscal data, the teams will also have the responsibility of making a preliminary assessment of the budgetary processes in the NFPS, as well as training financial management staff in the preparation and interpretation of basic financial statements. This will contribute to the preparation of the institutional strengthening stage.

B. Activities

- 3.8 The following is a summary of the main activities of the project.

- 3.9 Preparatory activities: (a) Promulgation of the appropriate legal instrument to guarantee the FIU access to the financial information; (b) Definition of the institutional coverage of the FIU; (c) Selection and hiring of national project consultants and organization of teams; (d) Selection and procurement of computer and office equipment; (e) Definition of data to be collected; (f) Definition of procedures and systems for data collection and processing; (g) Definition of mechanisms of coordination with the Ministry of Finance regarding fiscal analysis; and (h) Coordination with the MOF's Economic Department regarding structure and timeliness of the Flash Report.
- 3.10 Data collection: (a) Definition of sources of information at each institution; (b) Collection of cash-flow data; (c) Collection of non-cash memorandum data; (d) Preparation of an analytical report for each institution; (e) estimation of data from non-sample institutions; and (f) Support for the production of Central Government data if required.
- 3.11 Data processing: (a) Quality control of institutional reports; (b) Loading of data into central processing system; (c) Consolidation of institutional reports; (d) Production of reports at the institutional, aggregated, and consolidated levels on a monthly and year-to-date basis; (e) Maintenance of a secure database with all financial data.
- 3.12 Policy advice: Attend meetings as requested by the Ministry of Finance or other senior government agencies regarding the analysis of the fiscal situation.
- 3.13 Institutional assessment: (a) Assessment by the teams of financial analysts of the processes of budgetary preparation, execution, accounting, evaluation, and control in each institution; (b) Preparation of preliminary recommendations regarding technical assistance requirements.

- 3.14 Training: (a) Definition of the goals and target groups for basic financial analysis training at institutions; (b) On-the-job training of target groups during data collection activities, given by the financial analysts.

C. Execution mechanisms

- 3.15 The Ministry of Finance will have the overall responsibility for the execution of the program, and will designate a National Coordinator to oversee it. However, the FIU is designed in a way that requires complete technical and administrative independence for its successful operation, for which the Ministry will delegate administrative authority to the FIU's International Project Coordinator and Administrative Officer.

D. Follow-up

- 3.16 The International Project Coordinator will submit the following reports to the Bank:
- a. 30 days after assuming his/her duties, a brief report indicating the procedures for selecting and hiring national consultants and a final timetable for procurement and contracting.
 - b. Six months after assuming his/her duties, a report evaluating the start-up of the project and presenting a work plan for non-standard activities for the following year.
 - c. At the eighteenth month after assuming his/her duties, a report evaluating the previous twelve months of the project and presenting a work plan for non-standard activities for the following year, including all those related to project termination. It also should include preliminary recommendations for technical assistance related to the institutional assessments.
 - d. At the thirtieth month after assuming his/her duties, a final report evaluating the success of the project and the performance of the consultants, as well as the proposed guidelines for strengthening financial management.
 - e. Once the project is fully operational, all monthly reports produced by the project, or as requested by the Bank's Country Office.
- 3.17 The Bank's Country Office in Suriname will have the main responsibility for follow-up, and may accordingly request special reports on technical matters from the International Project Coordinator, and on administrative matters from the Administrative Officer.

E. Cost and financing

- 3.18 The total cost of the project will be the equivalent of US\$1.321 million, of which the Bank will provide non-reimbursable financing up to US\$1.160 million equivalent from the net income of the Fund for Special Operations (FSO), in accordance with the following estimated budget summary. A detailed budget appears in Annex III.

BUDGET SUMMARY (in US\$ equivalent)			
	Bank	Local	Total
2. Individual Consultants	944,800	18,000	962,800
2.1 Remuneration	910,800	18,000	928,800
a. International Consultants	300,000		300,000
b. National Consultants	610,800	18,000	628,800
2.3 Recruitment and Repatriation	15,000		15,000
2.5 Official Travel	19,000		19,000
6. General Support	109,900	128,000	237,900
6.1 Offices		45,000	45,000
6.2 Furniture		4,000	4,000
6.3 Equipment	109,900		109,900
6.4 Supplies		24,000	24,000
6.9 Others		55,000	55,000
98. Contingencies (10%)	105,300	15,000	120,300
TOTAL	1,160,000	161,000	1,321,000

- 3.19 The Bank's contribution, which amounts to 88% of the total project cost, will be destined to finance 30 person/months of international consultants, 500 person/months of national consultants, computing and office equipment, and vehicles.

F. Terms for execution and disbursements

- 3.20 This operation will be executed over a 36-month period. The final disbursement will be made at the latest 42 months from the date of signature of the agreement between the Bank and the Ministry of Finance.
- 3.21 The Ministry of Finance will delegate administration of the disbursements of the Bank's contribution to the FIU's Administrative Officer. The Bank will seek financing from the Fund for Special Operations and it will be nonreimbursable. The term for disbursement of the financing will expire 42 months after the effective date of the agreement.

- 3.22 The Government of Suriname agrees to provide the counterpart resources budgeted for this operation. These resources will be provided to the FIU for its administration in accordance with the schedule for procurement and contracting prepared by the Project Coordinator.

G. Selection of Consultants

- 3.23 The MOF and the Bank will collaborate in preparing a pool of candidates for the posts of International Project Coordinator and Administrative Officer. Following Bank procedures, the MOF will rank the candidates in the pool and submit the list to the Bank for approval to contracting the first ranked; if an objection is raised, the following candidate will be considered. The MOF will appoint the National Coordinator and will develop his terms of reference, both will be presented to the Bank for approval. Selecting and contracting the remaining consultants and support staff will be the responsibility of the International Project Coordinator and the Administrative Officer, in consultation with the National Coordinator and with the approval of the Bank.

H. Conditions precedent

- 3.24 Prior to the first disbursement of the resources of this operation, the government shall present evidence to the Bank that: (a) the Financial Information Unit has been legally established, within the Ministry of Finance, with complete technical and administrative autonomy to execute the program; (b) the International Project Coordinator, the National Coordinator, and the Administrative Officer have been hired; and (c) it has issued the appropriate legal instrument to ensure that all institutions of the non-financial public sector provide full and unrestricted access to all information and documentation required by the FIU for the execution of the program.

I. Benchmark indicators

- 3.25 The following is a table with the benchmark indicators identified for the FIU:

BENCHMARK INDICATORS	
Benchmark	Expected Performance
Coverage of Non-Financial Public Sector	At least a 90% coverage of NFPS financial flows expected from month 14 of project execution onwards
Periodicity of Reports	Minimum of 22 monthly reports expected during the life of the project from month 12 of project execution onwards
Timeliness of Reports	Maximum delay of 15 business days from end of month until presentation of report, including institutional, consolidated, aggregated, and analytical components
Coverage of Diagnostic Studies of Public Sector Financial Management	Ministry of Finance; 2 other ministries; and 2 state-owned enterprises with diagnostic reports.
Training of NFPS financial management staff on cash-flow production and analysis	At least 4 staff from the Ministry of Finance and 2 staff from each covered SOE (Other ministries excluded), trained in the production and interpretation of basic financial data.

IV. BENEFITS AND RISKS

4.1 Some of the most remarkable benefits derived from this operation are the following:

- a. Allowing the government to undertake key adjustment policy measures in an environment where the lack of fiscal information is not a constraint. Timely and reliable reports that reflect most of the financial flows of the NFPS will be the primary input to monitor policies in such areas as wages and salaries, investment, subsidies, transfers, debt and arrears, and others.
- b. Helping develop a "culture" within the Government of Suriname that emphasizes the need for adequate information and analysis before any substantial policy measures are undertaken.
- c. Assisting in the design and implementation of subsequent institutional strengthening efforts in budgetary management, by providing assessments and recommendations regarding public sector financial management practices.
- d. Improving the capacity of the institutions covered by the FIU to produce, analyze, and interpret financial information.

4.2 The main risks confronted by this operation are the following:

- a. Possibly restricted or limited access to key information at the NFPS institutions. The project seeks to minimize this risk by requesting an appropriate legal instrument mandating data

disclosure as one of the conditions precedent to eligibility for disbursements.

- b. A decision by the government to halt the process of fiscal adjustment. Although this would not directly affect the operation of the FIU, it would limit the usefulness of the information produced within the context of support for policy decisions.

V. EVALUATION

- 5.1 In program evaluation, account must be taken of the attainment of the overall objective and the specific objectives set forth in this plan of operations. The evaluations to be conducted are described below:
- 5.2 Intermediate evaluations: During the sixth, fifteenth, and twenty-fourth months from the initiation of the project, the Bank will evaluate the operation of the FIU in the context of the objectives and activities described in this plan of operations. Each evaluation will produce an aide memoire signed with the Ministry of Finance that sets forth any required actions to improve the project.
- 5.3 Final evaluation: During the thirtieth month of the project, the Bank will conduct a final evaluation to assess the benefits derived from the project, the fulfillment of terms of reference, and the "lessons learned" to be applied towards future operations. It will produce an aide memoire signed by the Ministry of Finance and will include the International Project Coordinator's final report.

THE NON-FINANCIAL PUBLIC SECTOR OF SURINAME

I. Structure

- 1.1 The non-financial public sector (NFPS) has a preponderant role in the Surinamese economy and is comprised of four categories: central and district levels; public sector enterprises; and parastatal agencies.
- 1.2 The central government consists of the executive, legislative and judicial branches. The present central government structure was established in June 1988, when the current government reduced the forty-one ministries of the previous military regime to fourteen sectoral ministries including dependent directorates. Such a large number of ministries with spending authority made it virtually impossible to keep control over expenditures. In December 1991 the government passed a law establishing two additional ministries: Planning and Development Corporation and Transport, Communications and Tourism, making a total of sixteen sectoral ministries.
- 1.3 There are 10 districts headed each by an Assembly and represented by a Commissioner. In practice, the district Assemblies have no power. The district's main source of funds are transfers channelled through sectoral ministries. Districts in Suriname do not have authority to levy taxes.
- 1.4 There are about twenty-five public enterprises involved in producing goods and services which play a dominant role in Suriname's economy. The State owns the 12 largest enterprises outside the bauxite and financial sectors. Public enterprises are controlled by sectoral ministries, whose ministers appoint the corresponding general managers and boards of the enterprises. The Ministry of Finance and the Planning Bureau have overall responsibility in controlling the borrowing, subsidies and investments of public enterprises. The overall performance of public enterprises have been poor. Their losses and subsequent government subsidies constitute a severe burden on the Treasury. These losses arise primarily from inadequate pricing policies, lack of operational autonomy, poor management, high real wages and inadequate maintenance.
- 1.5 The present government inherited deficient monitoring and control systems. Although the government agencies, especially the sectoral ministries, are rather well informed on the achievements and problems of the enterprises, none of them has full, concrete, quantitative information on the physical and financial performance of the sector as a whole or the individual enterprises. Currently the government does not have a complete list of the state

enterprises or consolidated profit/loss statements, cash flow, and equity data of the sector or of the flow of funds between the state budget and the state-owned enterprises. Improving these information flows is thus an urgent task.

- 1.6 There are also serious problems in the management of this sector. The information flows to the government are fragmented and erratic. Since the government does not have reliable information on the sector's financial and economic performance nor of most of the individual enterprises, a performance assessment of managers is difficult.
- 1.7 There are approximately seventy parastatal agencies (stichting). Some of these institutions are financed by the Treasury and have higher pay scales than the civil service. Systematic information about the magnitude of their operations is lacking.
- 1.8 In 1994, central government expenditures including the transfers to the various districts, plus the subsidies to some of the public enterprises and parastatals accounted for 51% of GDP. This figure does not include military purchases, nor capital/consumer goods financed by official credit lines and counter trade arrangements.

II. Other Key Central Entities

- 2.1 The Central National Accountants Departments (Centrale Lands Accountants Dienst - CLAD) is an autonomous parastatal institution which is under the jurisdiction of the Permanent Secretary of Finance. CLAD's primary responsibilities are to: (a) perform the external audit of the bookkeeping of state-owned enterprises and parastatals; (b) determine the accountability of financial reporting and the effectiveness of financial management.
- 2.2 The Government Audit Commission (Rekenkamer) is an independent body with constitutional mandate which was established to address the issue of accountability. The Board and Chairman of the Rekenkamer are appointed by the President. The law states that each April the Commission has to present to Parliament an evaluation of the government's financial management. In June 1988, the Rekenkamer law was revised to appoint its Chairman on a full-time basis, previously only its Secretary had a full-time position.
- 2.3 Specific responsibilities of the Rekenkamer include: (a) to audit the control mechanisms, functions and performance of the entire government administration; (b) to advise on the effectiveness, efficiency, and accountability of government policies and practices. The Rekenkamer receives a copy of all government resolutions with financial implications as well as of all CLAD reports. The name of the Commission is misleading because its yearly report to Parliament is an evaluation performed by its staff on the basis of this secondary information. The yearly evaluation is a formality with no real consequences as no actions are taken to follow the

Rekenkamer's recommendations. Besides its Chairman, the Rekenkamer has a reduced staff of seven part-time officials of which none is an auditor.

- 2.4 The Planning Office: Public capital expenditures are carried out by the spending ministries and the Planning Office. Expenditures financed from development aid or other external sources, are administrated by the Planning Office on the development account of the budget. Locally financed capital expenditures are administrated on the extraordinary account of the budget and are carried out solely by the spending departments. There is no direct link between the Planning Office with the financial control units of the Ministry of Finance.

III. Rules and Regulations

- 3.1 The current rules and regulations regarding accounting were largely determined before 1975. Characteristic for this legislation is the use of the accrued benefit system as regards the expenditure. According to this system government expenditure is charged to the budget when supplies have been carried out or services have been rendered.
- 3.2 Similarity with the Dutch rules and regulations is obvious. Bills that are presently being prepared are also derived from the Dutch rules and regulations. These are the Comptabiliteitswet (Account Act for Government Bodies) and the Audit Office Act, which follows to a large extent the Dutch accounting Act for Government Bodies of 1976. However, it is important to note that rules and regulations in the Netherlands were revised after the possibilities for an improved information supply increase.

PROPOSED RESOLUTION

SURINAME. NONREIMBURSABLE TECHNICAL COOPERATION FOR A PROGRAM
FOR THE CREATION OF A FINANCIAL INFORMATION UNIT

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____ with respect to a technical cooperation with the Government of Suriname for the creation of a financial information unit.
2. That up to the sum of US\$1,160,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations.
3. That the above mentioned sum is to be provided on a nonreimbursable basis.