

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

**FINANCIAL SECTOR STRENGTHENING PROGRAM II
“FSSP II”**

(SU-L1034)

LOAN PROPOSAL

This document was prepared by: Oliver Bernal (IFD/CMF), Team Leader; Lucas Hoepel (CCB/CSU); Guillermo Eschoyez (LEG/SGO); Musheer Kamau (CCB/CSU); Maria Isabel Haro (IFD/CMF); and Stephanie Suber (IFD/CMF).

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ELECTRONIC LINKS	
REQUIRED	
1.	Policy Letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37439839
2.	Means of Verification Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37258979
3.	Results Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37259073
OPTIONAL	
1.	Financial Sector Note http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36387653
2.	Financial Institutions Supervision Enhancement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36357722
3.	CFATF Mutual Evaluation Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36371073
4.	Banking Legislation Technical Note http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36455634
5.	Economic Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37294072
6.	Monitoring and Evaluation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37259212
7.	Comparison of Second PBP Policy Matrices http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37359626
8.	Letter from GoS Requesting the Increase in the Amount of the Loan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37770937

ABBREVIATIONS

ATM	Automated Teller Machines
CBvS	Central Bank of Suriname
CAMEL	Capital adequacy, Asset quality, Management, Earnings and Liquidity
CARTAC	Caribbean Regional Technical Assistance Centre
CFATF	Caribbean Financial Action Task Force
CHC	China Co-financing Fund for LAC
GDP	Gross Domestic Product
GoS	Government of Suriname
IDB	Inter-American Development Bank
IMA	Independent Macroeconomic Assessment
IMF	International Monetary Fund
MOF	Ministry of Finance
PBP	Programmatic Policy Based Loan
TC	Technical Cooperation
VAT	Value Added Tax

PROJECT SUMMARY

SURINAME

Financial Sector Strengthening Program II (SU-L1034)

Financial Terms and Conditions			
Borrower: Republic of Suriname (Ministry of Finance)		Flexible Financing Facility *	
		Amortization Period:	20 years
		Grace Period:	5.5 years
		Original WAL	12.75 years
Executing Agency: Central Bank of Suriname (CBvS)		Disbursement Period:	12 months
Source	Amount (millions)	Interest Rate:	Libor-Based US\$
IDB (Ordinary Capital)	US\$50	Supervision and Inspection Fee:	**
China Co-financing Fund for LAC (CHC)	US\$50		
Local	US\$0		
Total	US\$100	Credit Fee:	**
		Currency:	US dollars
Project at a Glance			
Project Objective/Description: The overall objectives of the program are: (i) to improve the effectiveness of financial institutions and markets in providing credit and other financial services to firms and households; and (ii) to reduce their vulnerability to macroeconomic shocks. The specific objectives are: (i) the enhancement of the enabling environment in which financial markets and institutions operate, both public and private; and (ii) the strengthening of Central Bank capabilities to execute its core responsibilities (¶1.26). This loan is the second operation in a series of three operations comprised in a Programmatic Policy-Based Loan expected to total US\$155 million***. The ongoing program includes policy measures in seven areas: (i) the macroeconomic policy framework; (ii) the legal and regulatory framework; (iii) enhancement of financial sector supervision; (iv) institutional strengthening of the CBvS; (v) inter-bank and securities market development; (vi) complementary institutions for greater access to finance; and (vii) public bank reform (¶1.29 to ¶1.35).			
Special contractual clauses: For the disbursement of the single tranche, the Borrower, through the Executing Agency, shall have complied with the conditions set forth in the Policy Matrix (Annex II) and will have submitted the evidence of compliance with those conditions in accordance with the Means of Verification Matrix .			
Exceptions to Bank policies: None			
Project qualifies as: SEQ <input type="checkbox"/> PTI <input type="checkbox"/> Sector <input type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>			
Procurement: Not applicable because the operation is a policy-based loan.			

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

(**) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

(***) Initially the total amount was US\$70 million

I. DESCRIPTION AND RESULTS MONITORING

A. Background and problems addressed

1. Macroeconomic background.

- 1.1 Suriname's economy continues to perform well on most accounts. Although still dependent on gold, oil, and bauxite, recently rebased GDP estimates show stronger contributions from the services sector, mainly in the manufacturing, wholesale, and retail subsectors over the last four years. GDP growth in 2012 was around 4%. Higher levels of investment, particularly in mining and the public sector, will support GDP growth reaching 4.5% in 2013. IMF projects a medium term average growth rate of 4.7%, especially as the country's oil refinery capacity will expand by 2015. The strength of the global economy, particularly developments in the Euro-zone (an important trade area for Suriname), the United States, and the Caribbean region, and eventual commodity price trends may affect these projections.
- 1.2 Robust export performance supports the sustainability of the current account balance. In 2010 and 2011, exports grew faster than imports, resulting in current account surpluses of 6.4% and 5.5% of GDP, respectively. For similar reasons, the current account surplus was around 6% of GDP in 2012. New investment projects in the public and private sectors will drive a weakening of the current account, as Suriname will import more services and capital goods temporarily. The current account balance will decline to -3% of GDP in 2013 and reach a low of -6 % in 2014 before returning to positive territory of 5% by 2017. Gross international reserves, already exceeding US\$1 billion and 5.6 months of imports, will grow over the medium term to US\$1,973 billion and 8.4 months of imports by 2017. They are also more than seven times the short- and long-term debts coming due within a year, and as a share of M2 are estimated to be 0.43 (about average for the Caribbean). Consequently, reserves appear high enough to act as an adequate buffer over the next 12 to 24 months.
- 1.3 GoS is managing carefully its public finances and implementing prudent and well-timed tax policies. The government is steadily tweaking its public financial management processes with support from the IDB. A weakening of this position in late-2012 resulted due to a 10% increase in public sector wages and a substantial pent-up demand in capital expenditure and goods and services. Authorities indicate that they are committed to reigning in current expenditures further in the future. Revenues grew over the last two years in nominal terms as the authorities increased taxes on alcohol, tobacco, and fuel. Debt remains low and sustainable at around 19% of GDP. In August 2012, S&P, Fitch, and Moody's upgraded Suriname's long-term foreign-currency rating to BB-, BB-, and Ba3, respectively. GoS is conscious of managing carefully its risks to fiscal sustainability, which is moderate, given the volatility of non-tax revenues (commodities), and institutional challenges associated with public financial

management. GoS established an interim Sovereign Wealth Fund (SWF) with US\$20 million in 2012. The government will legally formalize the SWF during 2013. GoS is collaborating with IMF, IDB, CARTAC, and some bilateral partners in overcoming its obstacles in public financial management. In addition, IDB and GoS have begun discussions about institutionalising fiscal discipline further through fiscal rules. As absorptive capacity grows, GoS is pushing large-scale capital investment projects that will enhance the transportation, energy, and housing sectors. Some of these activities are being pursued within the context of a public-private partnership framework. GoS projected in its latest budget statement a gross financing gap of approximately US\$197 million, of which this operation will disburse the equivalent of 51%, in 2013.¹ The medium term fiscal balance is expected to remain less than -3% of GDP.

- 1.4 Sound monetary policy facilitates Suriname's exchange rate remaining in line with fundamentals and on par with its trading rate in the parallel market. The authorities are giving some consideration to moving to a more flexible exchange rate regime over the medium term. The consumer price index remains sensitive to developments in global food and fuel prices. GoS commits to further fiscal tightening and strengthening of its capacity to manage monetary policy through open market operations in the future. Food accounts for about 40% of the consumer price basket in Suriname but explains approximately 37% of headline inflation over the last 36 months.² The financial sector remains insulated mainly because of its limited external exposure to risky financial instruments and investments. The authorities continue to reform the financial sector with support from the IDB.
- 1.5 Based on the IMA, the financing assumptions discussed in this document are fully consistent with maintaining debt sustainability over the medium and long-term. The current operation will deepen and consolidate the reforms initiated under the first operation. It is consistent with the lending envelope and areas of priority in the IDB Country Strategy with Suriname 2011-2015 (GN-2637-3).

2. Financial sector

- 1.6 **Institutional capacity of the Central Bank of Suriname (CBvS).** The Central Bank is responsible for the supervision of all financial institutions and financial markets in addition to conducting traditional central bank responsibilities. The authorities strongly agree, based on the conclusion of recent evaluations,³ that comprehensive institutional strengthening is needed for the Central Bank to more effectively execute its functions. Broad-based improvements are needed in terms

¹ The rest of the financing gap will be covered by disbursements from other IDB operations (13%), China (20%), India (3%), AFD (4%), and others (9%). With its improved sovereign ratings, Suriname is exploring the possibility to issue its first international bond in 2013, thus diversifying its debt strategy going forward.

² Based on a univariate regression of food on headline inflation.

³ Evaluations refer to confidential assessments of the CBvS conducted by external consultants and international financial institutions.

of human capital, supervisory procedures, business operations, as well as management information systems. A top priority is to strengthen financial market supervisory and enforcement capabilities.

- 1.7 **Limited access to finance and other financial services.** Financial markets in Suriname are not highly effective in terms of providing financing and other financial services needed by the private sector or households, mostly because of the high level of reserve requirements imposed on the banks for national currency deposits (25%) and external currency deposits (40%), due to the limited capacity of the CBvS to use indirect money supply control instruments. Private sector credit is 23% of GDP, which is below the average in the English Caribbean Countries (>70%) and the average in Latin American countries (>35%).⁴ Most business lending is centered on working capital and fixed assets (primarily real estate) are required as collateral for almost all credits. Maximum terms, apart from mortgage lending, are about five years. With almost a complete absence of capital markets, equity and bond financing are largely unavailable.⁵ In the 2012-13 World Economic Forum survey, Suriname ranked 107th out of 144 countries in terms of Financial Market Development.⁶ Access and use of external finance is therefore limited and firms consider this limitation to be a major hindrance to growth and competitiveness.⁷ Finally, for communities outside of urban areas along the coast, access to financial services is severely limited as there are no points of banking services, branches or Automated Teller Machines (ATMs). In fact, based on IMF Financial Access Survey 2012, in 2011, the number per 1,000 square kilometer of: ATMs was 0.90, and commercial bank branches was 0.27.
- 1.8 **Small, concentrated and bank-dominated system.** The total assets of the financial sector are about US\$3 billion, and private sector credit equals about 23% of GDP.⁸ Relative to the small size of the economy and low population, the system has a large number of regulated financial institutions (102). However, a majority are very small closed-membership credit unions and pension funds. There are nine commercial banks that have 80% of assets of the financial system, of which three are systemically important institutions and hold an 80% market share of the banking system. Of the remaining six banks, three are publicly owned. As noted in Table 1, the banking system currently appears to be financially sound, as capitalization levels are steadily increasing, with the Tier 1 Risk Weighted Capital ratio equal to 10.9, significantly above Basel standards. Overall indicators, however, fail to represent the significant differences among institutions, especially among the three public commercial banks, which represent

⁴ See: [IMF: Financial Access Survey](#).

⁵ See: Drum W. B.; Suriname: Improving Access to Finance for Small and Medium Enterprises; A Roadmap for Action. Compete Caribbean; January 2013.

⁶ See: World Economic Forum. [The Global Competitiveness Report 2012-2013](#). 2.1 Country Economic profiles pg. 330.

⁷ Suriname is ranked at 159 out of 185 in terms of Access to Credit in the Doing Business 2013- World Bank report.

⁸ See: [IMF: Suriname Article IV Consultation 2012](#).

a steadily declining 10% of banking sector assets. For example, the non-performing loan rate is twice as high for the three public commercial banks, and the Tier-1 regulatory capital ratio is less than half that of the other banks. Their financial performance has been poor for a considerable period; two of them do not meet capital requirements and are operating under special regulatory status, limiting their operations.

TABLE 1: BANKING SYSTEM INDICATORS

	2009	2010	2011	2012* ⁹
Private Sector Credit (% of GDP)	24.3	24.1	23.0	23.1
Non-Performing Loans (% of bank portfolio)	7.9	7.9	8.0	8.3
<i>Public Banks</i>			17.5	13.8
Dollarization: Credit in US\$ (% of total bank credit)	41.4	36.8	40.0	41.8
Profitability: Return on Assets	2.5	2.2	1.9	1.7
Tier 1 Regulatory Capital to Risk-Weighted Assets.	9.5	10.8	10.9	11.6
<i>Public Banks</i>			5.5	4.6

Source: CBvS and IMF * Estimations.

- 1.9 There are limited data on the performance of insurance institutions, pension funds, and credit and savings cooperative institutions, which make up the rest of the financial sector. As noted previously, capital markets are at an incipient level, but there appears to be a strong commitment from the authorities to improve the conditions to foster potential demand, which should allow for a significant expansion with institutional and regulatory changes. Only 12 firms are listed on the Suriname Stock Market, having only 6 trades during the last quarter of 2012.¹⁰ Of particular concern is the lack of an inter-bank market for public debt, which complicates the introduction of more efficient market-based monetary policy instruments. Moreover, the development of a public debt market is a key building block for private sector securities markets.
- 1.10 **Vulnerability to macroeconomic shocks.** The 2008 world financial crisis had a limited impact on the Suriname financial system, as financial institutions had almost no external exposure to risky financial instruments.¹¹ However, past experiences have shown the system to be vulnerable to external macroeconomic shocks. For example, during 1998-2000, a period of sharp falls in the price of commodities, which contributed to a continued deterioration in the exchange rate and heightened inflation, credit to the private sector as a % of GDP fell by over 60% from about 26% to 10%.¹² In consequence, it is necessary that Suriname adopts a risk-based financial sector surveillance and supervision as is one of the main purpose of the program.

⁹ Non-Performing Loans (of which Public Banks); Profitability: Return on Assets; data as of September 2012. Dollarization: Credit; Tier 1 Regulatory Capital to Risk-Weighted Assets (of which Public Banks); data as of November 2012.

¹⁰ [Suriname Stock Exchange Bulletins](#)

¹¹ IMF 012 Article IV Consultation.

¹² CBvS Statistical Compendium 1957-2011.

B. Program justification and problems addressed

1. Justification

- 1.11 The overall problems of the financial system that the Financial Sector Reform Program is addressing are: (i) the vulnerability of financial institutions and the financial system to macroeconomic and microeconomic shocks; and (ii) the ineffectiveness of the financial system in providing the scope, quantity and quality of financing and other financial services needed for a more dynamic and diversified private sector-led economic growth, and to some degree, for higher household living standards.
- 1.12 To address these challenges, the program itself is supporting the CBvS and other public and private sector institutions in defining comprehensive, coordinated and fundamental financial sector reforms.¹³ These reforms are designed: (i) to provide the CBvS with the capabilities, legal and institutional, to bring its financial sector supervision up to international standards; (ii) to enhance the enabling environment¹⁴ of financial institutions and markets, public and private, in large part by the enhanced supervision, but in addition other changes in the overall legal, regulatory and institutional framework in which financial institutions and markets operate; and (iii) to allow the CBvS to more effectively and efficiently conduct monetary and foreign exchange policies, and other key responsibilities.
- 1.13 These types of reforms help to reduce the vulnerability of financial institutions¹⁵ by: (i) creating incentives, both positive and negative, including legal mandates, for financial institutions to follow prudent financial practices; and (ii) giving authorities greater capabilities to address potential threats to stability in both individual institutions and financial markets as a whole. The reforms work to promote greater access to finance by: (i) giving financial institutions greater abilities to develop new and improve existing financial instruments to better meet the needs of the private and public sector; (ii) helping to increase financial institutions efficiency and reducing some external costs; and (iii) favoring financial inclusion with the creation of instruments that improve data on credit history (Credit Bureau¹⁶) and the use of mobile guaranties (register of mobile guaranties). Finally, the reduction of the vulnerability of the sector also provides a strong stimulus to financial sector growth and greater access to finance, by

¹³ The program supports dissemination tools to improve consensus on the reforms, in particular for the establishment of the Credit Bureau and the passing of the new Securities Markets law.

¹⁴ Enabling environment refers to the overall legal, regulatory and institutional environment under which the financial institutions operate.

¹⁵ See: Johnston & Sundararajan; 1999; "Sequencing Financial Sector Reforms, Country Experiences and Issues"; IMF.

¹⁶ "Credit bureaus are critical in helping lenders make faster and more accurate credit decisions. Credit histories not only provide necessary input for credit underwriting, but also allow borrowers to take their credit history from one financial institution to another, thereby making lending markets more competitive and, in the end, more affordable." See: [IFC Credit Bureau Knowledge](#).

assuring a more stable environment, in which institutions and investors are able to make longer term decisions.

- 1.14 The IDB is strongly supporting the authorities to implement this ambitious reform and the Bank's participation helps to build a broader consensus amongst stakeholders. Without the IDB's support, in coordination with other international institutions, the probability of success would likely be lower and the pace of implementation slower. In fact, the banking legislation revision was a permanent target for more than a decade.

2. Key problems and challenges

- 1.15 **Financial market legal and regulatory framework.** Under the 1968 legislation, the Central Bank did not have the legal authority to conduct supervision in a manner consistent with international standards. The previous legal and regulatory framework was focused on the development of the banking system as deposit taking institutions instead of a risk assets management, credit providers. In addition, evaluations by the Caribbean Financial Action Task Force (CFATF) have found important deficiencies in the legal and regulatory framework with regard to anti-money laundering as well as terrorism financing.¹⁷
- 1.16 **Institutional capacity of the CBvS.** As mentioned in ¶1.6, the CBvS authorities consider that significant institutional strengthening is needed for the Central Bank to more effectively assume its responsibilities. Illustrations of the need for institutional strengthening include the absence of: annual budgets, internal audit policies or procedures, and specialized policies and programs to improve the technical capacities of staff.
- 1.17 **Financial market supervision.** A key area for institutional strengthening is financial market supervision. In addition to the constraints imposed by the legal and regulatory framework, effective supervision is limited by shortfalls in terms of human resource capacities, supervisory procedures, and information systems. Before the beginning of the programmatic reform process, there were not any official supervisory manuals, data for off-site supervision was not collected on a continuous basis, and supervisory policies and procedures were based largely on a static approach, based on the review of Capital Adequacy, Asset Quality, Management, Earnings and Liquidity (CAMEL) indicators.¹⁸ Based on the initial institutional capabilities, the CBvS would have difficulties conducting more effective risk-based supervision, even if the legislation allowed for it.

TABLE 2: SUPERVISORY STAFF

	Banks	Pension Funds	Insurance	Credit Unions
Supervisors	8	5	4	3

Source: CBvS

¹⁷ See CFATF Suriname Mutual Evaluation Report at [CFATF, Suriname 3rd Round MER](#).

¹⁸ CAMEL is an acronym representing the type of financial indicators reviewed for assessing financial institutions. It represents: Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity.

- 1.18 **Inter-bank and securities markets.** As mentioned previously (¶1.9), inter-bank and securities market are at an incipient level of development, which limits access to finance in terms of volume and scope for both the private and public sector, as well as limiting the use of more effective and efficient market-based liquidity management by the Central Bank.¹⁹
- 1.19 **Public banks.** As noted above in ¶1.8, the three public commercial banks perform below international standards. In addition to their weak financial situation and performance, the public commercial banks have had limited success in meeting social objectives. While the banks provide a full range of commercial bank services, they do have some focus on specific markets; two on middle to lower income urban markets, and the third on agricultural finance. However, their policy mandates are not clear, nor have they developed in most cases specialized instruments to meet the needs of these markets. Public banks do not address market failures to reach underserved markets and currently, two of the three public banks are under a special surveillance program by the supervision authority.
- 1.20 **Need for complementary institutions to enhance the enabling environment for greater access to finance.** Suriname lacks a credit bureau. International evidence suggest that could lower the costs to obtain information to assess the credit risk of clients. In addition, there is no property registry for assets other than real estate, limiting the range of acceptable collateral. The stock exchange operates at an incipient level, which limits possibilities for firms to obtain equity as well as lower-cost and longer-term securities.²⁰

3. Government financial sector strengthening program

- 1.21 The authorities, led by the CBvS, have embarked on a comprehensive program to fundamentally strengthen the financial sector. The program is designed to address all of the key challenges facing the sector and described in ¶1.15 to ¶1.20. As mentioned in ¶1.11 to ¶1.13, the program includes a comprehensive legal and regulatory upgrading to make the legal and regulatory framework for all types of financial markets and regulated financial institutions consistent with international standards.²¹
- 1.22 **Programmatic Loan measures.** A series of three Programmatic Policy-Based Loans support all aspects of the CBvS Financial Sector Strengthening Program. The government has requested three loans, given the breadth of reforms and the expected time frame needed (3-5 years), to complete the reform initiative. The

¹⁹ See: Drum W. B, 2013 Op Cit.

²⁰ See: Drum W. B, 2013 Op Cit.

²¹ The proposed reforms are described in the Policy Letter sent by the Ministry of Finance on May 17, 2013, which content was confirmed after the increase in the original amount of the financing (see required electronic link #1). The letter details the strategic objectives and policy guidelines of the reforms under implementation, as described in this document.

policy and institutional measures for the initial loan (SU-L1023) was focused on fundamental legal and regulatory reforms for the banking sector (a new Banking and supervision Act was enacted), the approvals of the detailed plan for enhanced financial institution supervision, and the outline of organizational changes in the CBvS to facilitate the implementation of institutional strengthening measures.

- 1.23 This second proposed programmatic loan, planned for consideration of approval by early 2013, and described in ¶1.29 to ¶1.35 is being designed to complete the legal and regulatory reforms for the implementation of the banking law, advance legislative reforms in the insurance sector, improve the legal and institutional framework for Anti-Money Laundering/Terrorism Financing, accelerate institutional reforms in the CBvS for financial supervision and other areas, and begin the reform process for inter-bank and securities market as well for public banks. The third programmatic loan, planned for 2015, would be designed to complete the reform agenda outlined in ¶1.11 to ¶1.13.
- 1.24 **IDB experience.** The Bank has significant experience with the support of comprehensive financial sector reform programs. These programs have proven to be very successful in contributing to the implementation of the reforms.²² More importantly, these reforms have contributed to the reduced vulnerability of financial institutions and markets in the region, as demonstrated by their resilience to the world financial crisis. Moreover, they have also strengthened financial markets in the region over the past 10 years.
- 1.25 **Alignment with country strategy.** The proposed program is fully consistent with the objective of the current IDB Country Strategy with the Republic of Suriname 2011-2015 (GN-2637-3), to assist Suriname with transitioning to a more structurally sustainable economic model that includes better governance, strong growth rates, increased living standards, improved human capital and equity and with the Financial Sector Development priority area to foster greater private sector led-growth. The program is also consistent with the GCI-9 objective of greater lending to small and vulnerable countries and help to achieve the targets related to “Institutions for Growth and Social Welfare.

C. Objective and components

- 1.26 **Objective.** The overall objectives of the program are: (i) to improve the effectiveness of financial institutions and markets in providing credit and other financial services to firms and households; and (ii) to reduce their vulnerability to macroeconomic shocks. The specific objectives are: (i) the enhancement of the enabling environment in which financial markets and institutions operate, both public and private; and (ii) the strengthening of Central Bank capabilities to execute its core responsibilities.

²² The Bank had supported Financial Sector Reforms programs in Guyana, Ecuador, Honduras, Mexico and Dominican Republic among others.

- 1.27 **Program structure.** In addition to the three Programmatic Policy-Based Loans (PBP), a complementary Technical Cooperation (TC) (SU-T1058 approved in 2011) is being implemented to continue financing activities to facilitate the implementation of the CBvS' financial sector strengthening program. The Policy Matrix (Annex II) details the policy measures of this second programmatic loan and their means of verification, as well as the policy triggers for the third and final programmatic loan operation. It is important to mention that all the commitments established for this second programmatic loan, as indicated in the Policy Matrix,²³ have been achieved.
- 1.28 **Coordination with other international institutions.** The program has been designed in coordination with other institutions that are supporting the CBvS with the design and implementation of their financial sector reform program. These include: Caribbean Regional Technical Assistance Centre CARTAC (Insurance and Supervision), the Central Bank of Argentina (Central Bank Business Operations and Administration), Central Banks of Aruba and Curacao (Banking Legal and Regulatory Framework), the Central Bank of Brazil (Statistics and Money and Capital Market Development), the Center for Latin American Monetary Studies (CBvS Human Resource Development), the International Finance Corporation (Credit Bureau), the International Monetary Fund (Banking Supervision and Monetary Policy), and the World Bank (Accounting Standards).
- 1.29 **Component I: macroeconomic framework.** The program requires that the Borrower maintain a sustainable macroeconomic policy framework that is compatible with achieving the objectives of this program. This program should have clear fiscal and monetary policies goals. Based on the Independent Macroeconomic Assessment (IMA), the GoS has a macroeconomic policy framework in place that meets these criteria.
- 1.30 **Component II: legal and regulatory reform.** The overall program includes the issuance of the comprehensive legal reforms outlined in ¶1.12 and ¶1.13 and the complementary regulations for their enforcement. For the proposed second loan, measures include:
- a. **Banking.** The enactment of the new banking supervision law (2011) gives the CBvS the legal authority to conduct supervision at these international standards. (See the [Banking Legislation Technical Note](#) for description of the new law). The issuance of the complete set of regulations of the banking law is a key conditionality for the second programmatic loan. During 2012, the Banking Supervision Department has achieved several milestones as it strives to devise appropriate regulations, policies and procedures to implement the Banking and Credit System Supervision Act. The main focus has been on

²³ Optional electronic link #7 presents a detailed comparison among the triggers for this second loan as set forth during the preparation of the first programmatic and the actual policy commitments as proposed in the Policy Matrix for this second programmatic loan.

commercial banks, for which a whole set of regulations have been adopted and/or revised. A comprehensive list of regulations is listed in Annex II. Despite the full set of regulations that have been completed, it must be emphasized that complete implementation will be a gradual process given the significant impact that these regulations are likely to have on banks. The full implementation of all the new regulations is a policy condition for the final programmatic loan.

- b. **Anti-money laundering and terrorism financing.** The policy commitment was the enactment of a terrorism financing law consistent with CFATF standards, as well as the advancement in the preparation of amendments to existing anti-money laundering legislation regarding suspicious transactions and identification of clients. These legal reforms are priority recommendations from the 2009 CFATF [Mutual Evaluation](#), as cited in ¶1.18. Legislation amending the Reporting of Suspicious Transaction Act and the Identification Requirement for Service Providers Act was adopted by Parliament in July 2012 and entered into force in August 2012. The third programmatic loan will include one trigger related to the meeting of priority recommendations of the CFATF.
 - c. **Insurance.** A final proposal of the insurance supervision law has been prepared by the CBvS, which has been reviewed by an international insurance supervision expert and the IDB, and found it to be consistent with international standards. The law is expected to be enacted in the second quarter of 2013. The Supervision Department is working with prospective consultants to draft the regulations for the insurance industry and help with its implementation and staff training. Full implementation of the new Insurance Law will be a trigger for the final programmatic loan.
 - d. **Foreign exchange and money transfer legislation.** The enactment of legislation governing Foreign Exchange Market (*cambios* and money transfers) was a condition for this proposed second loan. The law was passed in Parliament on October 4, 2012 and published in the official Gazette on October 29, 2012. The law will allow for more efficient foreign exchange policies, increased access to information to facilitate anti-money laundering efforts, as well as the licensing and supervision of *cambios* and money transfer institutions.
- 1.31 **Component III: enhancement of financial sector supervision.** The CBvS has developed, in close coordination with the IDB project team, and approved a medium term [Financial Institutions Supervision Enhancement Plan](#) (FISEP). The Plan is comprehensive and designed to ensure that the CBvS has the capabilities to conduct risk-based supervision in a manner that meets international standards. The plan includes components covering the legal and regulatory framework, supervisory policies and procedures, human capital strengthening, as well as data management and analysis. For the first programmatic loan (SU-L1023), the policy measures implemented by the CBvS including the official approval of this plan.

For this second programmatic loan, the policy commitment by the CBvS is to start the implementation and execution of the FISEP. In addition to the scheduled on-site examinations, at least one classroom training session shall have been delivered to the banking supervision staff, providing international best practice standards and approaches to risk-based supervision. A complete list of the courses offered during 2012 is listed in Annex II. On-site examination procedures consistent with the new regulatory framework have been drafted to support regulatory and prudential implementation of liquidity management, foreign exchange and interest rate risk, consolidated supervision, corporate governance as well as internal and external audit. As of the end of 2012, three commercial banks have been examined using the newly developed procedures. In addition, as of the end of 2012, the formats for off-site inspection were revised to improve the quality of information needed to monitor changes in risk profiles of institutions as well as to conform to the regulatory changes. Also, a number of comprehensive risk management documents have been developed, including: (i) a set of banking sector financial stability indicators for analysis and publication; (ii) formats to analyze or monitor trend and level of systemic risk and CAMELS factors; and (iii) an analytical format for consolidated groups that can also be utilized for monitoring institutional and systemic financial information. Additionally, as part of the offsite monitoring system, an IT-based Supervisory Information System was developed.

- 1.32 **Component IV: institutional strengthening of the CBvS.** The program includes as policy measures for the second PBP substantial advancements with regard to human resource strengthening, greater efficiency and transparency of business procedures and systems, including payments systems as well as data management and information disseminations. Progress has been achieved in the Central Bank's efforts to develop a human resource policy as well as a medium-term human resource training plan. During 2012, several financial sector-related training courses geared to enhance the stock of human capital in the Bank have been completed. A comprehensive list of the courses offered is listed in Annex II. Efforts have been in training to develop systems for enhanced procedures in the Budget and Control, Procurement, and Internal Audit Units. As of to date operation manuals to guide the budget and control, and procurement units have been approved and under implementation. The CBvS budget for 2013 has been completed and the procurement unit has finalized a comprehensive centralized procurement system which details procurement rules to be adopted. Considerable progress was also made in the modernization efforts for the payment system in Suriname. During 2012, the state of the various stages is as follows: (i) inventory of the amount and average level of transactions at commercial banks have been completed, as well as their computer and data communication facilities; (ii) process flow for an Automatic Clearing House (ACH) has been designed; (iii) elementary training on the principles of ACH and Real Time Gross Settlement System (RTGS) has been provided in the departments to be served by the clearing system; and (iv) the Bank is leaning towards a decision to implement not just a clearing system but an integrated payment system to incorporate ACH,

RTGS and Central Security Depository (CSD) facilities. The deadline for the complete system would be a trigger for the third programmatic loan.

- 1.33 **Component V: inter-bank and securities market development.** The financial authorities have developed and approved a public debt and inter-bank market plan currently in execution. A security market supervision unit has already been established in the CBvS. This would become operationally functional once the security market law is passed in Parliament. The second draft of the Act has been presented to CARTAC, the main consultants for comments. Discussions are also ongoing with the Stock Exchange. The CBvS expects the draft legislation to be submitted to Parliament by the end of the second quarter of 2013. The drafting and issue of appropriate regulations should become available in 2013 and will be part of the triggers for the third programmatic loan.
- 1.34 **Component VI: complementary institutions for greater access to finance.** This component includes two sets of measures. First, the establishment of a credit bureau which will help financial institutions reduce information asymmetries, thereby allowing for an expansion of credit, as banks would be better able to estimate risks at a lower cost. Second, the establishment of property registry for non-real estate assets. These measures would expand the types of acceptable collateral for credits, and therefore also help to expand access to finance. Progress has been made in the drive to set up a credit bureau to facilitate financial institutions' access to customers' credit history. Draft legislation to guide the process has been completed. Meanwhile, in July 2012 the GoS created a legal and regulatory working group aimed at following and supporting the process.²⁴ There will be a public seminar to educate the general public about the importance of credit bureau in the second quarter of 2013. The approval of the law and the seminar realization will be triggers for the third programmatic loan. On the other hand, the authorities are studying the models of secured transactions, in particular the proposal of the OAS, to see the possibility to develop and implement a mobile guaranty register procedure in Suriname.
- 1.35 **Component VII: public bank reform.** The government is committed to undertaking a public bank reform program, under which any remaining public banks would: (i) have clear and specific social and economic goals; (ii) finance mechanisms that address market failures; and (iii) have a business strategy and corporate governance that ensure financial sustainability. The approval of a Public Bank Reform Plan and the implementation of the reform for at least two of the public banks are triggers for the third programmatic loan. The authorities explained that they had recently engaged an external auditor to conduct a proper evaluation of these banks' assets and liabilities. Based on the outcome of the audits, they plan to develop a strategy for these institutions.

²⁴ The working group includes three members from the Bankers Association.

D. Key Results Indicators

- 1.36 The results indicators detailed in the Results Matrix are those associated with the whole Programmatic Financial Sector Reform Program. The program outputs are those derived from the full implementation of the policy and institutional measures taken by authorities as noted in the Policy Matrix. The impact and outcomes of this program would largely be the result of allowing the CBvS to conduct financial sector supervision in a manner consistent with international standards, and thereby contributing to the increased effectiveness of financial institutions in providing finance and reducing their vulnerability. The main outcomes indicators are selected to reflect an efficient market that allocates the transferable savings to the most productive uses through the proper risk assessment; to guarantee the financial sector solvency and improve the access to finance. All the results indicators used are of public access through periodical publications of Multilateral Agencies such as the World Bank and the IMF. In fact, because of the advances of Suriname and in particular of the CBvS in the production and dissemination of financial data, Suriname is now included in both the Global Competitiveness Report and the IMF Financial Access Survey. Also, the IMF Article IV consultation will be a permanent source of reference.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments and Structure

- 2.1 The PBP series is comprised of three operations of up to US\$155 million, US\$105 million of Ordinary Capital Resources and US\$50 million from the China Co-financing Fund for LAC (CHC).²⁵
- 2.2 The first operation of the PBP series amounted to US\$40 million dollars, this second operation amounts to US\$100 million (US\$50 million of Ordinary Capital of the Bank and US\$50 million from the China Co-financing Fund for LAC). A PBP is an appropriate instrument since it supports policy changes over a medium-term perspective in a way that recognizes that the reform process is both complex and dynamic in nature.²⁶ The structure will allow a continuing dialogue between the authorities and the IDB to review progress, adjust targets, provide technical assistance, and evaluate the program's objectives.

B. Environmental and Social Safeguard Risks

- 2.3 The policies contemplated in the present operation will not have direct environmental nor social impacts on the country's environment. Therefore, in accordance with the provisions set forth in directive B.13 of Policy OP-703,

²⁵ Initially the whole programmatic program was designed up to US\$70 million, comprised of three PBP operations. The first one of US\$40 million and two additional of US\$15 million each.

²⁶ See "Policy-Based Loans: Guidelines for Preparation and Implementation" (CS-3633).

Environment and Safeguards Compliance Policy (GN-2208-20), this operation does not require classification.

C. Other Key Issues and Risks

- 2.4 **Sustainability.** Two factors indicate that the reforms in the program will be sustained and continued. First, the government, and in particular the CBvS has demonstrated its commitment to the reform, given the advances already made. Second, the government has and will continue to work closely with the private sector in the development and, in some areas, the implementation of reforms. This has built a strong consensus regarding the need of the comprehensive reform. Private sector support for the reforms should help to facilitate political support for the program even beyond the term of the current government.
- 2.5 **Institutional Capabilities of the CBvS.** As noted earlier, the CBvS is improving its deficiencies in core areas that could limit its implementation of the program. However, this risk is mitigated by the significant level of technical assistance in all areas of the program it will be receiving from the IDB as well as other institutions, in particular for the Human Resources Training Program that the CBvS is implementing but in particular by the establishment of a training institute in the CBvS, which will continue to provide courses on an ongoing basis.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary Implementation Arrangements

- 3.1 The CBvS is the executing agency for the Programmatic Loan and the complementary TC (SU-T1058). The CBvS is responsible for providing the Bank with the documentation for verifying the implementation of the policy measures. A program manager is in place, and will be maintained for at least the expected four year duration of the Reform Program. The Minister of Finance (MOF) will be responsible for requesting and processing the disbursement of the loan.

B. Summary of Arrangements for Monitoring Results

- 3.2 Both CBvS and MOF will share responsibilities for monitoring the results of the program, however the CBvS will report to the Bank periodically on advances in compliance and updates for the results indicators. The program manager will play a key role in the monitoring of the program, and will be responsible for updating the Bank of progress made in the implementation of the overall program. Following approval, the IDB, the CBvS, and the MOF will carry out periodic reviews to monitor compliance with the triggers for the subsequent operation. Additionally, the CBvS has improved data generation since the beginning of the program and this is reflected in the IMF Art IV consultation.²⁷

²⁷ For the last published Article IV of Suriname see: [International Monetary Fund. Staff Report 2012.](#)

FINANCIAL SECTOR STRENGTHENING PROGRAM II
“FSSP II”

SU-L1034

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies receipt of the non-objection communication from Jiang Huang, State Administration of Foreign Exchange (SAFE Co-Financing) dated April 15, 2013, for the Financial Sector Strengthening Program II (FSSP II) for US\$50'000,000 in Suriname chargeable against the China Co-Financing Fund for Latin America and the Caribbean (CHC).

Original signed

Sonia M. Rivera
Chief s

Grants and Co-Financing Management Unit
ORP/GCM

06/03/2013

Date

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending to small and vulnerable countries.		
Regional Development Goals	Percent of firms using Banks to finance investments.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Micro/small/medium productive enterprises financed.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2637-3	Improve financial position and functioning of public banks.	
Country Program Results Matrix	GN-2696	The intervention is included in the 2013 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
	7.6		10
3. Evidence-based Assessment & Solution	7.0	33.33%	10
4. Ex ante Economic Analysis	10.0	33.33%	10
5. Monitoring and Evaluation	5.7	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Low		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: Treasury.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical Assistance (SU-T1058) provided funding for the preparation of regulations, the development of key components for the institutional strengthening measures of the Central Bank of Suriname, and the design of data management and dissemination enhancement measures.	
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			

This loan is the second in a series of three Programmatic Policy-Based Loans expected to total US\$155 million for the government of Suriname. It will be financed with resources from the Bank's ordinary capital by US\$ 105 millions and by US\$ 50 millions of the China Co-financing Fund. The overall objectives of the program are: (i) to improve the effectiveness of financial institutions and markets in providing credit and other financial services to firms and households; and (ii) to reduce their vulnerability to macroeconomic shocks. The specific objectives are: (i) the enhancement of the enabling environment in which financial markets and institutions operate, both public and private; and (ii) the strengthening of Central Bank capabilities to execute its core responsibilities. The ongoing program includes policy measures in seven areas: (i) the macroeconomic policy framework; (ii) the legal and regulatory framework; (iii) enhancement of financial sector supervision; (iv) institutional strengthening of the CBVS; (v) inter-bank and securities market development; (vi) complementary institutions for greater access to finance; and (vii) public bank reform.

The project has an acceptable diagnosis that identifies the main gaps and quantifies some of them. The justification of the intervention's effectiveness in other or similar contexts is less clear. Overall, the results are correctly defined and most indicators are SMART. In most cases the products are also clearly defined.

General monitoring mechanisms have been defined and there is a budget for this activity. A before and after analysis will be undertaken to evaluate its results with an evaluation plan and the main activities to be performed. An economic analysis was performed for the entire operation, with properly quantified costs and benefits. Most assumptions are clearly stated and reasonably justified.

The program has identified the risks, as well as all required mitigation measures. It also has indicators for all mitigation measures identified.

**Suriname: Financial Sector Strengthening Program
(SU- L1034)
Policy Matrix**

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
I. MACROECONOMIC SUSTAINABILITY			
Macroeconomic Policy framework compatible with achieving objectives of Financial Sector Reform Program.	The Borrower maintains a sustainable macroeconomic policy framework consistent with program objectives, with clear fiscal and monetary policies goals.	The Borrower maintains a sustainable macroeconomic policy framework that is consistent with Program objectives.	The Borrower maintains a sustainable macroeconomic policy framework that is consistent with Program objectives.
II. LEGAL AND REGULATORY REFORMS			
Enhance legal and regulatory framework for the financial sector in order to consolidate the confidence of the public in the financial institutions, enhance the soundness and stability of the financial system, and improve the efficiency and effectiveness of the provision of financial services.	<p>Enactment of banking and credit systems supervision act (the “Act”), consistent with Basel Core Principles.</p> <p>The following regulations for the Act have been drafted and sent to the banks for consultation:</p> <ul style="list-style-type: none"> • Corporate governance, • Fit and proper, • Comprehensive risk management, and • Authorization Processes. 	<p>The following new regulations for the Banking and Other Credit System Supervision Act (the “BCSA”) are being consulted with the banks: (i) Liquidity Risk Management, (ii) Operational Risk, and (iii) Foreign Exchange Risk.</p> <p>The following regulations for the BCSA, drafted: (i) Interest Rate Risk; (ii) Licensing for Credit Institutions; (iii) Corporate Governance; (iv) Fit and Proper Standards; (v) Internal Control Systems; and (vi) Internal Audit.</p> <p>The following existing regulations for the BCSA,</p>	All the new and revised regulations must be adopted. (i) Liquidity Risk Management, (ii) Operational Risk, (iii) Foreign Exchange Risk. (iv) Interest Rate Risk; (v) Licensing for Credit Institutions; (vi) Corporate Governance; (vii) Fit and Proper Standards; (viii) Internal Control Systems; and (ix) Internal Audit. (x) Interest Rate Risk; (xi) Licensing for Credit Institutions; (xii) Corporate Governance;

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
		revised and approved by CBvS: (i) Capital Adequacy; (ii) Classification and Provisioning; (iii) Insider and Related Party Exposures and Transactions; (iv) Large Exposures; and (v) Fixed Assets.	<p>(xiii) Fit and Proper Standards; (xiv) Internal Control Systems; (xv) Internal Audit; (xvi) Capital Adequacy; (xvii) Classification and Provisioning; (xviii) Insider and Related Party Exposures and Transactions; (xix) Large Exposures; and (xx) Fixed Assets.</p> <p>Consultant to be retained in 2013 to guide the adoption of all the new and revised regulations thereof.</p>
		<p>Draft Insurance Supervision Act consistent with international standards (International Association of Insurance (IAIS) core principles):</p> <ul style="list-style-type: none"> • Draft prepared by the CBvS. • Draft submitted to the Minister of Finance to be included in the agenda of the Council 	<p>Insurance Law enacted Issuance of following regulations for Insurance Law:</p> <p>(i) Corporate Governance; (ii) Fit and Proper, Investment Risk and Valuation; (iii) Risk Specific regulations, including actuarial risk; (iv) Solvency;</p>

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
		of Ministers.	(v) Administrative Penalties, Sanctions and Offences; (vi) Authorization Process; and (vii) AML/TF, including CDD.
	<p>Issuance of legislation against terrorism financing, consistent with CFATF (Caribbean Financial Action Task Force) criteria.</p> <p>Amendments of legislation relating to suspicious transactions and identification of clients, are under preparation by the national AML committee, with the goal of meeting the recommendations of CFATF 2009 Mutual Evaluation.</p>	<p>Legislation amending the Disclosure of Unusual Transactions Act and the Act on Identification Requirement for Service Providers approved.</p> <p>Legislation governing Foreign Exchange Market (<i>Cambios</i>) approved.</p> <p>Enhancement of Financial Intelligence Unit (FIU) capacities with regard to human resources, management information systems (MIS), and physical facilities.</p> <p>Full compliance with at least five Core Recommendations of the 2009 CFATC Mutual Evaluation.</p>	<p>Full compliance with at least seven of Key Recommendations of CFTAF 2009 Mutual Evaluation Review.</p>
III. ENHANCEMENT OF FINANCIAL SECTOR SUPERVISION			
Improve the capabilities of the Central Bank to supervise financial institutions and	Approval by CBvS of supervision enhancement plan for financial institutions	Implementation of 2012 targets of financial institutions supervision enhancement plan,	Continued implementation of Financial Institutions Supervision and Enhancement

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
enforce regulations in a manner that meets international standards.	designed to bring supervision up to international standards.	<p>as follow.</p> <p>(i) Sufficient number of qualified professional supervisors that can conduct bank supervision in accordance with international standards; (ii) Training for the existing staff continuing in earnest; (iii) In addition to the scheduled on-site examinations, at least one classroom training session has been delivered to the banking supervision staff, providing international best practice standards and approaches to risk-based supervision; and (iv) Additional training that cover consolidated supervision, liquidity risk management and market risks has been delivered to the supervision staff.</p> <p>At least three commercial banks examined using the newly developed procedures. The examinations must be planned and performed with the active participation of the consultant as part of the on the job training program. Also, the off-site</p>	<p>Plan including:</p> <p>Adoption of on-site and off-site supervision manuals, and conduct of risk-based supervision of three largest banks consistent with new regulations.</p> <p>Sufficient number of qualified professional supervisors that can conduct insurance company supervision in accordance with international standards</p> <p>The Supervision Department must have developed comprehensive risk management documents, including: (i) a set of banking sector financial stability indicators for analysis and publication; (ii) formats to analyze or monitor trend and level of systemic risk and CAMELS factors; and (iii) an analytical format for consolidated groups that can also be utilized for monitoring institutional and systemic financial information.</p> <p>Additionally, as part of the</p>

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
		inspection manual updated with formats that have been redesigned for: (i) capital adequacy; (ii) open foreign exchange position; (iii) consolidated profit & loss statement; (iv) large exposures; (v) fixed assets; and (vi) liquidity. The formats for classification and provisioning, insider and related party exposures, as well as on delinquent and structured loans have been revised according to best practices.	offsite monitoring system, the Supervision Department must have develop a model for IT-based Supervisory Information System.
			Approval of supervision enhancement plan for <i>cambios</i>, money transfer institutions and credit and savings cooperatives.
IV. INSTITUTIONAL STRENGTHENING OF CBvS			
To strengthen the institutional capabilities of the CBvS with regard to human resources, business procedures, policies and systems, as well as data management and dissemination in order to enhance its conduct of its core responsibilities.	<i>Human Resources.</i> Establishment of CBvS Training Institutewithin the Human Resources Department.	In addition to the supervision staff training, the following financial sector-related training courses geared to enhance the stock of human capital in the CBvS completed: (i) macroeconomic statistics; (ii) financial programming and policy; (iii) econometrics; (iv) government finance statistics; (v) talent management; (vi)	Establishment of classifications and requirements of staff positions, and evaluation of staff in accordance with these criteria. Human resource enhancement plan, under implementation including establishment of the CBvS training institute in a permanent basis.

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
		performance management; (vii) econometric workshop; (viii) foundation program in IT service management and project management; (ix) public sector management; (x) financial education; and (xi) principles for internal audit.	
	<p><i>Business procedures, policies and systems.</i></p> <p>Establishment of the following CBvS' specialized departments:</p> <ul style="list-style-type: none"> (i) Budget and Control (ii) Internal Audit (iii) Procurement 	<p>Approval and implementation of enhanced procurement, internal audit, and budgeting procedures.</p> <p>Electronic check clearing mechanism flow process designed and presented to Central Bank Governor for approval.</p> <p>2012 & 2013 CBvS budget, approved.</p>	<p>Real time inter-bank clearing mechanism approved and in operation.</p> <p>2014 CBvS budget approved.</p>
	<p><i>Data Management and Dissemination.</i></p> <p>Enhanced CBvS website that includes: (i) access to macroeconomic, CBvS, and consolidated financial institutions data on a monthly basis that meets IMF General Data Standards, and (ii)</p>	<p>ICT infrastructure improved. Staff training being carried out on the design and implementation of enhanced financial information platform for internal and external data management and analysis.</p> <p>Audited financial statements of all banks and insurance</p>	<p>Implementation of enhanced financial information platform for internal and external data management and analysis</p>

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
	relevant financial market laws and regulations.	companies must be published. Links on CBvS website to the supervised financial institutions.	
	Effective administrative structure in the CBvS for the execution of the financial sector reform program in place.	Effective administrative structure in the CBvS for the execution of the financial sector reform program. Qualified Program Manager in place.	Qualified Program Manager in place
V. DEEPENING OF INTER-BANK and SECURITIES MARKETS			
Accelerate development of money markets and capital markets to allow for more effective and efficient liquidity management and to enhance private sector and public sector access to finance.		Progress made in the modernization of the payment system in Suriname, as follows: (i) Inventory of the amount and average level of transactions at commercial banks has been completed; (ii) Inventory of computer and data communication facilities completed; (iii) Process flow for an Automatic Clearing House (ACH) has been designed; and (iv) Elementary training on the principles of ACH and Real Time Gross Settlement System (RTGS) has been provided in the departments to be served by the clearing system.	The CBvS must be ready to implement an integrated payment system to incorporate ACH, RTGS and Central Security Depository (CSD) facilities.

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
	<p>Establishment of a Capital Market Department in the CBvS</p> <p>Approval by Suriname Stock Market of a Business Plan for the strengthening of the Suriname Stock Market.</p>	<p>A security market supervision unit established in the CBvS.</p> <p>The second draft of the Capital Market Supervision Act presented to CARTAC for comments. Discussions of the draft Act with the Stock Exchange are ongoing.</p>	<p>Sale of equity participation in two state-owned companies conducted through a public offering on the Suriname stock market.</p> <p>Capital Markets Act enacted. The drafting and issuance of appropriate regulations completed</p> <p>Preparation of a Business Plan for the strengthening of the Suriname Stock Market approved and under implementation.</p>
VI. COMPLEMENTARY INSTITUTIONS FOR GREATER ACCESS TO FINANCE			
Facilitate financial institution access to credit history information, and broaden types of acceptable collateral and guarantees beyond real estate assets.		Progress has to be made in the drive to set up a credit bureau to facilitate financial institutions' access to customers' credit history.	Seminar to educate the general public about the importance of credit bureau undertaken.
		Legislation to guide the process to set up a credit bureau drafted and endorsed by CBvS.	Establishment and commencement of operations of credit bureau.
		As part of the execution plan models of secure transactions, in particular the proposal of the	GOS prepares a plan for the establishment of a property registry for non-real estate

PROGRAMATIC PROGRAM OBJECTIVES	FIRST PROGRAMATIC LOAN	SECOND PROGRAMATIC LOAN	TRIGGERS THIRD PBP
		OAS, are under study by the Borrower to see the possibility to develop and implement a similar mobile guaranty register procedure in Suriname.	<p>assets combined with legal procedures to allow for prompt and low cost execution of guarantees other than real estate.</p> <p>Establishment of non-real estate property registry by the end of 2015.</p>
VII. PUBLIC BANK REFORM			
Reform of public banks such that public banks that continue to operate have: (i) clear and specific social and economic goals; (ii) financing mechanisms that address market failure; and (iii) have a business strategy and corporate governance that ensures financial sustainability.		The Borrower has engaged an external auditor to conduct a proper valuation of the assets and liabilities of the public banks.	<p>Approval of Reform Program for 2 public banks in accordance with finding of external audit.</p> <p>Reform Program under implementation.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/13

Suriname. Loan ___/CHC-SU to the Republic of Suriname
Financial Sector Strengthening Program II

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 financial sector strengthening program II. Such financing will be for an amount of up to US\$50,000,000, from the resources of the China Co-financing Fund for Latin America and the Caribbean, 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 __ _____ 2013)

LEG/SGO/SU-IDBDOCS#37774076
SU-L1034

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/13

Suriname. Loan ___/OC-SU to the Republic of Suriname
Financial Sector Strengthening Program II

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 financial sector strengthening program II. Such financing will be for an amount of up to US\$50,000,000, from the resources of the Bank's Ordinary Capital, 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 __ _____ 2013)

LEG/SGO/SU-IDBDOCS#37432645
SU-L1034