

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

FISCAL SUPPORT PROGRAM TO REGAIN GROWTH

(SU-L1060)

LOAN PROPOSAL

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REQUIRED ELECTRONIC LINKS (REL)	
REL#1	Pluriannual Execution Plan (PEP) / Annual Operational Plan (AOP)
REL#2	Monitoring and Evaluation Arrangements (MEA)
REL#3	Procurement Plan (PP)

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	Analysis of Project Cost and Economic Viability
OEL#2	Program Operation Manual
OEL#3	Gender Analysis
OEL#4	Environmental and Social Screening Filter

ABBREVIATIONS	
API	Application Programming Interface
ASYCUDA	Automated System for Customs Data
AW	ASYCUDA World
CBS	Central Bank of Suriname
COVID-19	Coronavirus disease 2019
DoTC	Directorate of Taxes and Customs
EA	Executing Agency
EFF	Extended Fund Facility
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPS	Intrusion Prevention System
IT	Information Technology
MFP	Ministry of Finance and Planning
MTEF	Medium-Term Expenditure Framework
OMF	Office of the Minister of Finance
PBP	Programmatic Policy-Based Loan
PIU	Project Implementation Unit
PFM	Public Financial Management
PGC	Program General Coordinator
PMR	Progress Monitoring Report
RM	Results Matrix
SARA	Semi-Autonomous Revenue Administration
SC	Steering Committee
SDL	Special Development Lending
SDR	Surinamese Dollars
SIGTAS	Standard Integrated Government Tax Administration System
SOE	State-Owned Enterprise
TC	Technical Cooperation
TIN	Tax Identification Number
TSA	Treasure Single Account
VAT	Value-Added Tax
WAF	Web Application Firewall
WCO	World Customs Organization
WEO	World Economic Outlook

PROJECT SUMMARY
SURINAME
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility^(a)	
Republic of Suriname			Amortization Period:	25 years
Executing Agency:			Disbursement Period:	5 years
Ministry of Finance and Planning (MFP)			Grace Period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR Based
IDB (Ordinary Capital):	50,000,000	100	Credit Fee:	(c)
			Inspection and supervision fee:	(c)
			Weighted Average Life (WAL):	15.25 years
Total:	50,000,000	100	Currency of Approval:	Dollars of the United States of America
Project at a Glance				
Project objective/description: The general development objective of the program is to improve medium-term fiscal sustainability. The specific development objectives are: (i) increase tax revenue; (ii) improve budget planning and execution; and (iii) improve public investment management.				
Special contractual clauses prior to the first disbursement: (i) the establishment of the Project Implementation Unit (PIU) and the hiring of its key personnel, in accordance with the terms previously agreed with the Bank, including: (a) the chief of the PIU; (b) a procurement specialist; (c) monitoring and evaluation specialist; and (d) a senior financial specialist; (ii) the approval of the Program Operations Manual by the MFP, in the terms previously agreed with the Bank; and (iii) the creation of the Steering Committee, to the Bank's satisfaction. Such Steering Committee shall be formed by MFP staff representatives from tax administration, customs, Office of the Minister of Finance (OMF), and budget planning (§3.4).				
Exceptions to Bank Policies: None.				
Strategic Alignment				
Challenges^(d):	SI <input type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Cross-Cutting Issues^(e):	GE <input type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input type="checkbox"/>

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) 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.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 **Macroeconomic and fiscal background.** Suriname faces a severe macroeconomic crisis that is taking a significant toll on the real, fiscal, external, and financial sectors. It stems from chronic fiscal imbalances, an overhang of shocks in commodity prices¹ and the impact of the Coronavirus disease 2019 (COVID-19) pandemic. Economic growth remains bogged down by large twin deficits, a double-digit inflation, and a public debt crisis.
- 1.2 The economy had negative growth rates in 2015 (-3.4%) and 2016 (-4.9%), followed by a mild recovery in 2017-2019 (Table 1).² The current account deficit averaged 6.5% of the Gross Domestic Product (GDP) for the period 2015-2019, and unencumbered international reserves at the end of September 2020 amounted to merely US\$106 million (equivalent to roughly 0.9 months of imports of goods and services).³ Fiscal deficits and primary deficits averaged 12.6% and 8.3% of Gross Domestic Product (GDP) in 2015-2019, respectively, with government revenue significantly below public expenditure (Figure 1).⁴
- 1.3 The COVID-19 pandemic exacerbated the decline in macroeconomic and fiscal stability, as GDP fell in 2020 (-15.9%) and 2021 (-3.5%), while the fiscal deficit reached 12.1% of GDP in 2020 and 7.6% in 2021.⁵ Significant parallel market exchange rate premiums, bouts of monetary financing, and a large exchange rate devaluation caused spiraling inflation (rising from 4.2% to 60.7% in 2019-2021).^{6,7}
- 1.4 The imbalances in the fiscal accounts led to a period of increasing public debt (from 85.2% to 146.1% of GDP in 2019-2020).⁸ The lack of sources of financing led to a default on US\$675 million bonds due in 2023 and 2026,⁹ as the government is presently unable to pay its public debt obligations and continues to accumulate external and domestic arrears. A debt restructuring plan has been negotiated with creditors. An agreement with the Paris Club for debt restructuring was achieved in June 2022, while it has entered into a non-disclosure agreement with the Euronote

¹ Suriname's economy is dominated by extractive industries, making it highly vulnerable to volatility in commodity prices. In 2020, exports of oil and gold accounted for 87% of total exports and about 47% of government revenues ([Observatory of Economic Complexity, 2022](#); [CNW, 2022](#)).

² International Monetary Fund (IMF) World Economic Outlook (WEO) Database April 2022.

³ IMF (2021).

⁴ [IMF \(2022\)](#).

⁵ Idem.

⁶ IMF WEO Database April 2022.

⁷ On June 7, 2021, the Central Bank of Suriname (CBS) decided to float its currency as part of the government's economic reforms oriented to stabilize the economy.

⁸ IMF (2022).

⁹ The IMF estimates arrears that are equivalent to 10.1% of GDP to external creditors, and 10.7% of the GDP to domestic debt holders and suppliers (IMF 2022).

Creditors Committee for the terms of a restructuring of the two outstanding Eurobonds.^{10, 11}

- 1.5 Economic growth is expected to stabilize in 2022 (1.3%) and 2023 (2.3%) and the government's commitment to carry out economic and fiscal reforms, supported by multilateral institutions, provides a more positive outlook in the medium-term.

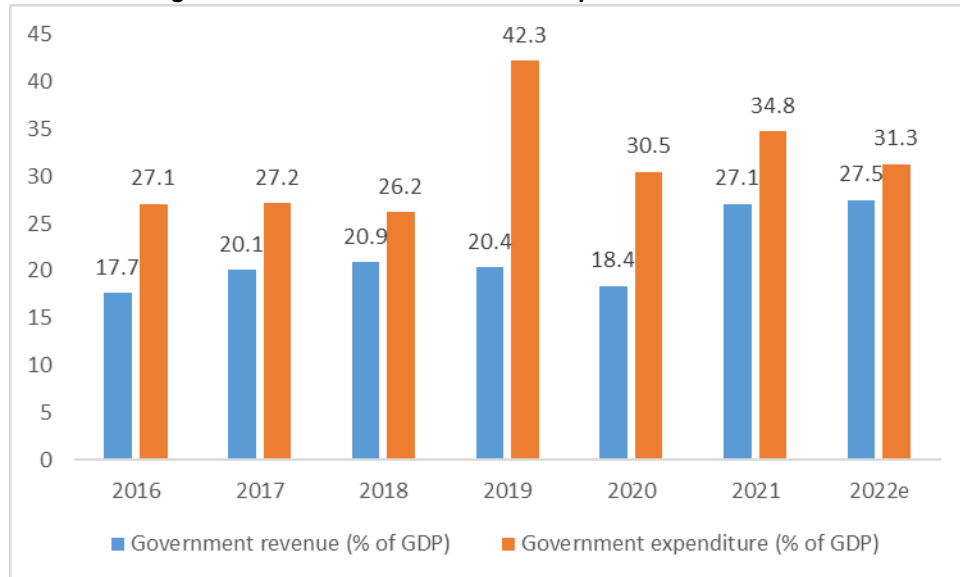
Table 1. Suriname's selected economic indicators, 2017-2022*

	2017	2018	2019	2020	2021	2022**
Real GDP growth (%)	1.6	4.9	1.1	-15.9	-3.5	1.3
Inflation (% end of period)	9.3	5.4	4.2	60.7	60.7	35.2
Government revenue (% of GDP)	20.1	20.9	20.4	18.4	27.1	27.5
Tax revenue (% GDP)	13.3	14.6	15.0	13.4	19.7	19.3
Government expenditure (% of GDP)	27.2	26.2	42.3	30.5	34.8	31.3
Primary balance (% of GDP)	-4.6	-2.5	-19.0	-8.4	-1.3	1.7
Overall balance (% of GDP)	-7.1	-5.2	-21.9	-12.1	-7.6	-3.7
National currency (per U.S. dollar, end of period)	7.5	7.5	7.5	14.2	21.1	21.1
Central government debt (% of GDP)	71.5	66.1	85.2	146.1	125.7	134.0

* Sources: IMF (2022), World Economic Outlook (October 2022), Ministry of Finance and Central Bank of Suriname (CBS).

** IMF estimate. Includes the expected benefits from the reforms proposed in the Extended Fund Facility (EFF) program.

Figure 1. Government revenue and expenditure 2016-2022



Source: IMF (2022).

- 1.6 **Extended Fund Facility (EFF) program and fiscal reform.** To address these significant macroeconomic challenges, the Government of Suriname requested support from the IMF through an EFF program (approved in December 2021 for a

¹⁰ MFP reached an agreement on 22 June 2022 with the members of the Paris Club for the debt restructuring of approximately US\$100 million in external public debt ([MFP 2022](#)). Under the agreed terms, Paris Club creditors will reschedule all amounts of principal and interest due in 2022 to 2024, which will be repaid over 20 years, including a seven-year grace period ([UNCTAD 2022](#)).

¹¹ MFP published a Press Release describing the potential terms ([MFP 2022](#)).

three-year period and US\$690 million). The EFF supports fiscal sustainability, exchange rate, monetary and financial stability, and governance. The first review of the extended arrangement under the EFF was completed in March 2022. All quantitative targets were met, except for the performance criterion for net international reserves, which was missed by a small margin. A staff-level agreement on the second review was reached in May 2022, in which it is highlighted that Suriname's economic program remains progressing albeit with delays in some policy reforms (IMF 2022). Program reviews are currently delayed. At the IMF fall meetings in October 2022, the government requested a reassessment of the current EFF program to consider the worsening international situation due to the Russian invasion to Ukraine and its local effect in rising food prices and unemployment. The IMF agreed to the request and is planning a staff mission in December of this year to assess the situation and evaluate with the authorities' options to bring the reviews up to date and present the new EFF program to their board in March 2023. The Bank is assisting the government through an integral support package (€1.20), which is consistent with the EFF and complements its policy actions.

- 1.7 In terms of fiscal sustainability, one of the main measures supported by the EFF is the introduction of a Value-Added Tax (VAT), which will replace the country's sale tax.¹² Its implementation is expected to require a comprehensive plan to increase tax and customs administration capabilities.¹³ The EFF's structural benchmarks also include actions to strengthen the expenditure control framework by improving public financial management operations, such as streamlining a Treasury Single Account (TSA) and measures to increase control and transparency in public procurement.¹⁴
- 1.8 **Challenges and problems addressed.** In this context, on the country needs to overcome key challenges to successfully implement the fiscal reform agenda, including:
- 1.9 **Problem 1. Limited institutional capacity in tax and customs administration.** A key concern for the success of VAT implementation and to increase tax revenue is the limited institutional capacity of the Directorate of Taxes and Customs (DoTC) within the Ministry of Finance and Planning (MFP).¹⁵ The DoTC is responsible for the collection of about 70% of total government revenues.¹⁶
- 1.10 The DoTC is facing critical institutional capacity challenges that have led to low levels of tax collection and taxpayer compliance.¹⁷ Between 2017 and 2019, tax revenue averaged 14.3% of GDP (below the Caribbean average of 21.3%¹⁸) before falling to 13.4% in 2020. In the period 2013-2016, non-filing of income tax returns averaged 25% and 54% for large taxpayers and other taxpayers, respectively. For 2019, the DoTC estimated that income and sales tax compliance

¹² The literature indicates that the introduction of the VAT can lead to higher government revenues. For instance, VAT introduction in the Caribbean has yielded positive results (Beuermann and Schwartz 2018).

¹³ IMF (2022).

¹⁴ Idem.

¹⁵ See: [Howell \(2017\)](#).

¹⁶ The remaining revenues correspond to non-tax income, mainly due to royalties from the mining sector.

¹⁷ For a detailed account of the institutional challenges faced by the DOTC, see: [Howell, H. \(2017\)](#).

¹⁸ See: IMF (2022) and [Corbacho et al. \(2013\)](#).

was around 33% and 63%, respectively.¹⁹ Tax arrears averaged 73% of the domestic revenue collection.²⁰

1.11 The main causes of these results include:

- a. **Inadequate organizational structure and scope of taxpayer's services:** DoTC is organized by tax type rather than by functions, which results in overlapping activities and organizational units. For example: (i) administrative processes are spread out, creating difficulties for task planning, prioritization, and execution; (ii) there are no corporate business plans or policies related to resources, services, property, personnel and contracts;²¹ and (iii) the organization by tax type limits comprehensive audit coverage.²² Regarding taxpayer's services, the staff lacks appropriate training to handle questions from taxpayers, and there are no systems available for accessing any tax services online.
- b. **Inefficiencies in internal revenue and customs operations:** There are gaps and inaccuracies in the taxpayer register, such as limited taxpayer segmentation; cross-referenced information regarding subsidiaries, corporate grouping arrangements, third parties, etc. is not available; the Tax Identification Number (TIN) is different among taxes, which complicates consolidating the taxpayer information; DoTC's registration Information Technology (IT) system does not interface with other IT subsystems; and deactivation of dormant taxpayers is done manually and sporadically. The manual processing of tax returns is prone to errors and underreporting. The use of paper invoices limits the revenue administration's effectiveness as it promotes misfiling, deficient information for decision-making purposes and evasion. Arrears' collection is independent of other functional units due to legal provisions, limiting coordination among units (e.g., audit and assessment), especially as they have no common IT system available.²³ Other issues include inadequate risk management;²⁴ lack of current procedures and practices;²⁵ insufficient staff training;²⁶ and the need to update processes, standards and procedures to include the new VAT. Additionally, there is a need to upgrade vehicles and other means of transport, as well as non-intrusive equipment for customs administration.

¹⁹ DoTC (2020).

²⁰ DoTC (2017).

²¹ Howell (2017).

²² [Dos Santos et.al \(2005\)](#).

²³ Idem.

²⁴ There is neither identification, assessment, ranking, quantification, and mitigation of compliance risks, nor management of operational and human capital risks.

²⁵ For instance, lack of current procedures and practices restricts the ability of customs to adequately validate declarations for imports and exports resulting in suboptimal collection. Poor valuation of imports and exports has reportedly caused losses of 30%–40% in customs duties.

²⁶ There is a limited number of qualified staff to carry tax auditing functions, with none of the auditors holding a Certified Public Account degree. Best practices in developing countries establish that 30% should be accredited tax-compliance auditors (World Bank 2005). On the customs side, although AW is in place, lack of specialized training is limiting the potential use of the system. The AW risk analysis engine needs parameters based upon data analytics to be an effective compliance tool. Lack of trained staff limits the adoption of more risk profiling of imports and exports.

- c. **Outdated and insufficient tax and customs technological infrastructure:** The DoTC's technological infrastructure is outdated. For example: (i) the system operates on old tax software applications running on outdated versions of the software; (ii) the IT equipment relies on ad-hoc peer-to-peer networking which introduces significant security risks into the system and prevents the central administration of their office network; (iii) required security components such as Web Application Firewall (WAF) or Intrusion Prevention System (IPS) are not implemented; (iv) there is no disaster recovery plan and technical support for Automated System for Customs Data (ASYCUDA) World and the IT environment is lacking, creating an important risk;²⁷ (v) there is no business continuity plan for tax processes; (vi) exchange of information amongst government entities is done through manual file transfers; and (vii) there is no official customs website, with online information about processing transactions through customs.²⁸ Moreover, ASYCUDA World (AW) is not fully functional as the implementation of all modules is not finalized.²⁹
- d. **Outdated legal framework:** Currently, there are no provisions for e-filing, electronic signature, or validity of e-documents. Additionally, the new VAT implementation will require updating the current regulatory frameworks to ensure its adequate administration.

1.12 **Problem 2. Weak processes and lack of implementation of the new Public Financial Management (PFM) framework.** In the context of enhancing fiscal discipline to ensure the stability of the fiscal accounts, the literature on public expenditure indicates that instruments such as fiscal rules, medium-term budget plans, and annual budgets are useful tools to guide expenditure policy but are meaningless if expenditure cannot be controlled during execution.³⁰ Moreover, weak expenditure controls are associated with higher levels of expenditure and with lack of budget credibility.³¹ Suriname's new PFM Act of 2019 aimed at increasing expenditure control by expanding the requirements governing the annual budget's preparation, execution, and reporting. These include a fiscal strategy paper to guide medium-term fiscal policy and the inclusion of information on efficiency and effectiveness in the annual budget documentation. However, the Act has faced implementation delays. Furthermore, there are important shortcomings in other key areas of the expenditure control framework, such as cash management, public procurement processes, internal control, and State-Owned Enterprise's (SOE) oversight.³²

1.13 The main challenges to be addressed are:

- a. **MFP's inadequate organizational structure for PFM functions.** PFM functions are spread among several entities. For instance, treasury operations are not integrated in a single organizational structure.³³ The equivalent of the treasury function spans five organizational units, four in the MFP and one in

²⁷ World Bank (2005).

²⁸ Idem.

²⁹ DOTC (2021).

³⁰ [Pattanayak \(2016\)](#).

³¹ Idem.

³² Allen (2022) and IMF (2021).

³³ Gentry (2016) and Howell (2017).

the CBS. These entities do not adequately perform functions expected in a treasury office, such as cash management and forecasting; use of a comprehensive TSA;³⁴ accounting for revenues; and accounting policy and procedures. There is no formal cash management procedure established or entity directly responsible for this function. Also, there is no committee to oversee cash management activities.

- b. **Ineffective budget planning and execution.** There are deficiencies in medium-term fiscal planning, as macroeconomic assessments are limited and the current Medium-Term Expenditure Framework (MTEF) is restricted in scope, it is not used to link expenditure policy over time, and it does not include measurable outcomes.³⁵ There is no standardized mechanism to manage the seasonal difference between cash inflows and outflows making it hard for line ministries to plan budget execution. The financial budgets are not linked to any results or goal achievement.³⁶ The current expenditure management system is inefficient, and there is a systemic risk of arrears. Public procurement is carried out by the line ministries and there is no regulatory entity to oversee procurement processes.³⁷ Information on procurement legislation and regulations is not systematically provided to the public nor is it made freely accessible.³⁸ Awarded contracts are not published.³⁹ There is no consolidation of the auditing process, limiting its effectiveness.⁴⁰ Capacity to oversee the 163 active SOEs and other parastatal entities has been weak, with only seven joint stock companies consistently providing financial information to the MFP.⁴¹
- c. **Outdated PFM technological infrastructure.** The three main systems: The Standard Integrated Government Tax Administration System (SIGTAS), AW and the Integrated Financial Management Information System (IFMIS) are not integrated and operate in three different data centers, not sharing any technological infrastructure. The technological infrastructure of the MFP is obsolete and does not meet the requirement of the three main systems. Moreover, there are no permanent training programs in IT competencies, including software, hardware, and communication.

³⁴ There is a partial TSA through which about 75% of central government expenditures are channeled. The EFF includes as a structural benchmark the publication of a time-bound plan to streamline treasury functions through the TSA.

³⁵ Moreover, MTEF targets are not always consistent with expenditure forward estimates produced by line ministries (Frey et al. 2021).

³⁶ Sector strategies presented by line-ministries are normally not considered in the final budget.

³⁷ Competition, value for money analysis and controls in procurement are weak. Circulars, decrees, letters of information and regulations within each ministry, department, or other government entity, are essentially an internal set of rules for financial control of the government administration. The use of procurement plans is not enforced.

³⁸ The EFF includes as a structural benchmark the enactment of the new procurement law to centralize the publication of all tenders and contract awards and to expand the Integrated Financial Management Information System to cover procurement, audits, and controls.

³⁹ The EFF includes as a structural benchmark the publication, on a government website, of all public procurement contracts, including information on the awarded entities and their beneficial owners, the names of the public officials awarding the contracts, and an ex-post validation of delivery of the contracted services.

⁴⁰ For example, each of the 16 ministries submits their annual statements separately with significant delays of up to 15 months (PEFA 2014).

⁴¹ Stuurgroep State-Owned Enterprises (2022) and Howell (2017).

1.14 **Problem 3. Fragmented and unregulated public investment framework.**

Expenditure allocated to public investment plays a dual role in the context of medium-term fiscal sustainability. First, given the multiyear nature of investment projects, their control is an essential part of overall expenditure control and prevention of arrears.⁴² Second, the empirical evidence indicates that public investment in countries with low stock of public capital carry a high return, hence promoting economic growth.⁴³ In Suriname, public investment functions are highly fragmented, unregulated and lack transparency. Moreover, there is no evidence of adequate sources allocated to finance pre-investment and feasibility studies for public projects.⁴⁴ Also, despite Suriname's vulnerability to climate change, particularly through its exposure to river and coastal floods, climate considerations are not fully integrated in the public investment framework, creating an important fiscal risk.⁴⁵

1.15 The main causes of these issues are:

- a. **Outdated public investment management.** The National Investment System lacks guidelines, procedures, and processes to identify and prioritize public investment projects.⁴⁶ There is no database on the status of each project or linkage to the government's economic development plans. There is no knowledge base to assess the criteria and effects of public investment projects. Additionally, there is neither a centralized project database, nor uniform methodologies for project preparation, feasibility studies, execution, monitoring, and evaluation.⁴⁷ Climate risk exposure is not adequately assessed, while climate resilience considerations are not systematically incorporated in the projects' design.^{48, 49}
- b. **Responsibilities and functions are spread among line-ministries.** There is no over-arching legal instrument governing public investment management (PIM) activity, covering the applicability and scope of principles, rules, and the institutions for implementing them.⁵⁰ Capital and recurrent expenditures are presented separately by line-ministries and mixed in the budget making it hard to assess the amount assigned to each category. There is no integrated electronic system supporting public investment operations. The line ministries carry out their control with separate management tools and Excel spreadsheets.⁵¹

⁴² Pattanayak (2016).

⁴³ [Izquierdo et al. \(2019\)](#).

⁴⁴ Britos (2022).

⁴⁵ Idem.

⁴⁶ MFP (2022), PEFA (2014).

⁴⁷ Britos (2022), PEFA (2014) and IMF (2019, 2021).

⁴⁸ Britos (2022).

⁴⁹ In Paramaribo and Wanica, for example, a climate risk assessment determined that infrastructure assets such as roads and bridges should be protected from climate hazards, particularly sea-level rise and intense precipitation events like flooding ([Solaun et al., 2021](#)).

⁵⁰ Addressing this issue, Britos (2022) concludes: "The choice of legal instrument should [...] provide clarity on definitions, principles and specify key roles and responsibilities across all the PIM functions, as well as giving authority to an existing or consolidated designated body to carry out required PIM reforms. It should cover all forms of public investment regardless of their origin, source of financing or form of implementation".

⁵¹ Line ministries carry out their control with separate management tools and Excel spreadsheets, as there is no integrated electronic system.

- 1.16 **Justification.** Against this challenging macroeconomic and fiscal outlook, the Government of Suriname has embarked in a comprehensive recovery plan⁵² that includes support from the IMF through a three-year EFF program (¶1.6), as well as from the Bank and other donors (¶1.20). The government cements its plan in four pillars: (i) prudent fiscal package in line with the EFF; (ii) a debt restructuring of the government's obligations; (iii) a system of reserve money targeting, that unifies the parallel and official exchange rates; and (iv) stronger financial supervision of the largest banks in Suriname. The fiscal pillar includes measures aimed at restoring fiscal sustainability by increasing government revenues and containing and rationalizing public expenditure. On the revenue side, the measures include the introduction of the VAT as a replacement of the sales tax, strengthening the institutional capacity of the tax and customs administration, and raising the royalty rate on small gold miners.⁵³ On the expenditure side, the focus is mainly on the reduction of spending through a decrease in subsidies and other current expenditure.⁵⁴ The government has also prioritized the strengthening of public financial management after the enactment of the PFM Act of 2019 (¶1.12), particularly with regards to reforming and streamlining all treasury functions into a TSA, strengthening the expenditure control framework (including accounting and public procurement operations), enhancing the accountability and transparency of SOEs, and strengthening the public investment management framework.⁵⁵
- 1.17 In this context, the authorities requested support from the Bank to assist with the economic recovery plan, particularly with regards to the fiscal pillar. To that end and as part of the Bank's integral support package for Suriname (¶1.20), this operation aims to contribute to restore fiscal sustainability in the medium-term by focusing on strengthening the revenue administration, enhancing public financial management, and improving public investment management.
- 1.18 **The Bank's experience in the country and the region and lessons learned.** The Bank has ample experience in fiscal and tax administration programs. In Suriname, it has provided support through Policy Based Loans –Revenue Policy and Administration Reform I Program ([3105/OC-SU](#) approved in 2013 for US\$20 million and totally disbursed), Public Capital Expenditure Management Program ([2666/OC-SU](#) approved in 2011 for US\$20 million and totally disbursed), and Strengthening of Public Expenditure Management II ([2862/OC-SU](#) approved in 2012 for US\$20 million and totally disbursed)–, and investment loan –Fiscal Strengthening to Support Economic Growth Program ([4112/OC-SU](#) approved in 2017 for US\$40 million and 85% disbursed).⁵⁶ The Bank has also supported similar programs in other Caribbean countries: Bahamas (Conditions for Sustainable Fiscal Balance in the Bahamas, [ATN/JF-13061-BH](#), which supported VAT implementation) and Jamaica (Fiscal Structural Program for Economic Growth, [3148/OC-JA](#), Fiscal Structural Program for Economic Growth II, [3511/OC-JA](#), and Fiscal Structural Program for Economic Growth III, [3880/OC-JA](#); and Fiscal

⁵² [Herstel Plan 2020-2022](#).

⁵³ As part of the Bank's support package (¶1.20), the SDL (5500/OC-SU) supported the increase in the royalty rate on gold miners, while the Programmatic Policy-Based Loan (PBP) (5635/OC-SU, approved on November 2, 2022) is supporting the approval of the VAT law. Component 1 of this operation (¶1.25) will provide support for the implementation of the VAT and for the institutional strengthening of the DoTC.

⁵⁴ This is supported by the SDL (5500/OC-SU).

⁵⁵ [IMF \(2022\)](#).

⁵⁶ This investment loan was reformulated due to the pandemic.

Administration Modernization Programme [2658/OC-JA](#)). Further engagements in the region include programs to increase tax and customs administration institutional capacity and digital modernization in Colombia (Program to Support the Modernization of the National Tax and Customs Directorate, [5148/OC-CO](#)) and Peru (Improving Tax and Customs Revenue Collection Services Through Digital Transformation, [4725/OC-PE](#)), as well as programs to strengthen public financial management in Peru (Project to Improve the Financial Administration of the Public Sector through Digital Transformation, [5301/OC-PE](#)) and Uruguay (Budget and Financial Management Program, [4705/OC-UR](#)).

- 1.19 Lessons learned from this experience, particularly from Jamaica⁵⁷, Uruguay⁵⁸ and the previous fiscal programs in Suriname (¶1.18), have been integrated in the design of this operation and include the following: (i) the effectiveness of revenue administration reforms is greater when combined with tax policy reforms, through a combination of lending and non-lending instruments (¶1.20);⁵⁹ (ii) tax policy cannot be isolated from overall fiscal policy, which means that alternatives for closing fiscal gaps should incorporate other areas of fiscal policy, such as public expenditure and PFM (¶1.25-¶1.27);⁶⁰ (iii) long-term sustained engagement, including policy dialogue and TCs, is key to achieve results (¶1.18-¶1.25);⁶¹ and (iv) it is important to enhance efforts to strengthen Suriname's overall institutional setup for project execution (¶3.1-¶3.4).⁶²
- 1.20 **The Bank's support package and coordination with other donors.** The Bank is assisting the government through an integral support package including a Special Development Lending (SDL) operation for US\$50 million (approved on March 2022)⁶³, a PBP for US\$150 million (approved on November 2, 2022), an investment loan (in execution)⁶⁴, and this operation. Consistently with the EFF program (¶1.6), the SDL supports policies to restore fiscal sustainability, enhance exchange rate, monetary and financial stability, and improve governance. Complementarily, the PBP supports strengthening the tax system, rationalizing public expenditure, improving the macro-fiscal framework, and strengthening monitoring of SOEs. The investment loan (4112/OC-SU) has supported the tax administration through implementation of the first phase of online services, modernization of physical infrastructure, design of a new organizational structure, equipment, and software. The Bank will also support the estimation of the tax gap through a Technical Cooperation (TC).⁶⁵
- 1.21 The Bank is actively coordinating with the IMF and other donors, including the Netherlands Development Cooperation, which is supporting the creation of a Large Taxpayer Unit and the Fraud Anti-Money Laundering Unit.

⁵⁷ Office of Evaluation and Oversight (OVE) (2017). Comparative Evaluation: Review of Bank's Support to Tax Policy and Administration, 2007-2016. [Annex VII. Case Study Jamaica](#).

⁵⁸ OVE (2017). *Estudio Comparativo: Revisión del Apoyo del Banco en Temas de Política y Administración Tributaria, 2007-2016*. [Anexo X: Estudio de Caso Uruguay](#).

⁵⁹ [OVE \(2017\)](#).

⁶⁰ Idem.

⁶¹ Idem.

⁶² [IDB Country Strategy with Suriname 2021-2025](#).

⁶³ Macroeconomic Emergency Program to Protect Economic and Social Development ([5500/OC-SU](#)).

⁶⁴ Fiscal Strengthening to Support Economic Growth Program ([4112/OC-SU](#)).

⁶⁵ Support to deal with the Economic and Social Effects of COVID-19 through the Strengthening of Fiscal Policy and Management in CCB ([ATN/OC-8057-RG](#)).

- 1.22 **Strategic alignment.** The program is consistent with the Second Update to the Institutional Strategy (UIS) (document AB-3190-2) and aligned with the development challenge: (i) Productivity and Innovation, by supporting the digital transformation of tax and customs administration; and with the cross cutting issues: (i) Institutional Capacity and Rule of Law, by strengthening DoTC's institutional capacity and improving MFP's transparency and PFM functions; and (ii) Climate Change, by purchasing energy-efficient equipment, and introducing climate change considerations in public investment projects. According to the [joint MDB approach to climate finance](#), 13.75% of total IDB funding for this operation results in climate change adaptation due to the purchase of energy-efficient equipment and the integration of climate change in the evaluation and design of public investment projects. These resources contribute to the IDB's climate finance goal of 30% of annual approvals. The program contributes to the Corporate Results Framework 2020-2023 (GN-2727-12) through these indicators: (i) countries with strengthened tax and expenditure policy and management, by supporting strengthening of DoTC's processes, procedures, and VAT implementation; and (ii) agencies with strengthened digital technology and managerial capacity, by strengthening taxation and customs systems. The program is consistent with the Fiscal Management Sector Framework Document (GN-2831-10) regarding enhancing the contribution of fiscal policy and management to economic growth, supporting fiscal consolidation processes and strengthening fiscal institutions for the sustainability of the public finances, and enhancing the contribution of fiscal policy to climate change management; and with the Integration and Trade Sector Framework Document (GN-2715-11) regarding improvements in customs operations.
- 1.23 This operation is aligned with the IDB Group Country Strategy with Suriname 2021-2025 (GN-3065) under the strategic area of restoring macroeconomic sustainability, by contributing to the strategic objectives of: (i) attain fiscal sustainability in the medium term; and (ii) improve digital government. It is also included in the Update of the Annex III of the 2022 Operational Program Report (GN-3087-2).

B. Objective, components, and cost

- 1.24 **Objective.** The general development objective of the program is to improve medium-term fiscal sustainability.⁶⁶ The specific development objectives are: (i) increase tax revenue; (ii) improve budget planning and execution; and (iii) improve public investment management. To achieve these objectives, this operation supports:
- 1.25 **Component 1. Strengthening revenue administration (US\$30.9 million).** To address the issue of limited institutional capacity in tax and customs administration (Problem 1), the objective of this component is to revamp the DoTC's institutional organization and support the modernization of the internal procedures and technological infrastructure of the tax and customs administration to increase effectiveness.⁶⁷ To achieve this objective, the activities in this component include:

⁶⁶ In this context, the medium-term is defined as a period of five years.

⁶⁷ A more effective tax and customs administration can lead to increased tax revenues, which in turn contributes to reduce the primary fiscal deficit.

- a. **Subcomponent 1.1. Organizational structure and taxpayer services:** This activity focuses on the implementation of the SARA to increase the effectiveness of tax and customs administration and the strengthening of taxpayer services that help to promote taxpayer's voluntary compliance. It comprises: (i) plan for the implementation of the new organizational structure, based on functions, for a Semi-Autonomous Revenue Administration (SARA)^{68, 69} (including the new functions for the VAT and the development of a human resources framework⁷⁰); (ii) Taxpayer Service function and organization created and implemented; and (iii) plan for management of change implemented.⁷¹
- b. **Subcomponent 1.2. Modernization of the internal revenue operations and technological infrastructure:** Regarding the modernization of the internal revenue operations, the program will focus on reviewing and strengthening DoTC's process through the following activities: (i) new effective TIN system designed and implemented; (ii) integrated tax return (declaration) system for all taxes (including VAT) designed and implemented; (iii) new payment system for all taxes (including VAT) designed and implemented; (iv) stop-filing and refund processing procedures and system modernized; (v) tax audit and risk management procedures implemented (including training); (vi) tax arrears collections procedures and system reviewed and modernized; and (vii) plan to establish tax appeal system and institutions implemented. Regarding the modernization of the technological infrastructure and the interoperability with other IT systems, the activities include: (i) new tax and services technological platform designed and implemented; (ii) central data warehouse and Application Programming Interface (API) gateways implemented; (iii) new website for tax and customs services integration designed and implemented; (iv) IT and information governance model designed and implemented; (v) IT security model for network and servers (including a cybersecurity strategy); (vi) disaster recovery and business continuity plans designed and implemented; and (vii) IT training for DoTC staff.
- c. **Subcomponent 1.3. Modernization of the customs operations and technological infrastructure:** This activity focuses on improving customs operations and modernizing its technological infrastructure and the interoperability with other IT systems, through: (i) plan for strengthening of processes based on World Customs Organization (WCO) standards prepared and implemented; (ii) customs audit business model reviewed and modernized; (iii) post-clearance audit system implemented; (iv) new procedures for VAT developed and implemented; (v) modernization plan for

⁶⁸ This activity focuses on implementing the design prepared in the [Fiscal Strengthening to Support Economic Growth Program \(4112/OC-SU\)](#) (¶1.18-¶1.20).

⁶⁹ The literature on organizational structure of revenue authorities indicates that SARAs contribute to strengthen tax administration by decreasing political interference, providing more responsibility and accountability, and enhancing management capacity (Taliervo 2004; World Bank 2019).

⁷⁰ This includes the review of options to support a payment incentive scheme or similar to improve staff retention and productivity.

⁷¹ Includes the development of the plan, support for its implementation, and an internal and external communications plan.

IT implemented; (vi) operational support for AW system implementation; and (vii) plan for renewal of vehicles and equipment implemented.

- d. **Subcomponent 1.4. Legal framework:** The main activity is the review and update of the tax and customs administration legal framework. This includes the regulatory framework required to adequately support VAT implementation, as well as the framework for e-filing, electronic signature, or validity of e-documents.⁷²

1.26 **Component 2. Enhancing public financial management (US\$10 million).** To tackle the issue of weak processes and lack of implementation of the new PFM framework (Problem 2), the objective of this component is to increase the transparency of the budget process and strengthen the MFP's capabilities for budget planning, execution, and monitoring.⁷³ The activities to achieve this objective include:

- a. **Subcomponent 2.1. Organizational structure:** It includes the development and implementation of a new MFP's organizational structure of key areas (macroeconomic assessment, treasury, accounting, and procurement) to improve PFM functions and coordination and change management.
- b. **Subcomponent 2.2. Budget planning and execution:** This activity focuses on improving budget planning and execution capabilities through: (i) plan to modernize the MFP's macroeconomic analysis, fiscal and public policy function (including training); (ii) budget planning business model reviewed and improved;⁷⁴ (iii) treasury operations reviewed and strengthened;⁷⁵ (iv) public procurement procedures reviewed and strengthened;⁷⁶ (v) accounting system reviewed and strengthened;⁷⁷ (vi) internal control improvement plan prepared and implemented; (vii) SOEs business model reviewed and updated;⁷⁸ and (viii) internal audit procedures and system reviewed and strengthened.⁷⁹

⁷² The PBP operation 5635/OC-SU is supporting the approval of the VAT Act by the National Assembly. Complementarily, this operation focuses on the preparation of draft documentation to update any required regulations to support VAT implementation.

⁷³ A more transparent budget process (including budget modifications and financial reporting), combined with stronger budget planning, execution, and monitoring capabilities, contribute to increase budget credibility, and maintain control of public expenditure levels, facilitating the achievement of medium-term fiscal targets (Pattanayak 2016).

⁷⁴ Includes budgeting for results.

⁷⁵ Includes developing a new cash management model and enhancing the use of the TSA. International good practices require that payments should be made through a TSA system (Pattanayak 2016).

⁷⁶ The operation 5635/OC-SU is supporting the preparation of a draft procurement bill. Complementarily, this operation includes developing implementing an action plan for procurement system modernization, reviewing, and updating regulations and manuals, methodologies for framework contracts and reference price, as well as staff training.

⁷⁷ The PBP operation 5635/OC-SU is supporting the preparation of an action plan to update budget classifications. Complementarily, this operation focuses on reviewing and updating the chart of accounts and the Implementation of data mining methodologies and tools.

⁷⁸ The PBP operation 5635/OC-SU is supporting the preparation of an action plan and framework to regulate the SOEs. Complementarily, this operation will focus on the implementation of this action plan and the development of procedures to enhance oversight of the SOEs.

⁷⁹ Includes an assessment of the internal audit business model and the implementation of tools and methodologies for the audit of the main government information systems.

- c. **Subcomponent 2.3. PFM technology infrastructure and budget digitalization:** This activity includes the modernization of the IT infrastructure and its interoperability with other information systems: (i) plan to update MFP's technological infrastructure;⁸⁰ and (ii) IT training for MFP staff.⁸¹

1.27 **Component 3. Improving public investment management (US\$4.3 million).** To address the issue of a fragmented and unregulated public investment framework (Problem 3), the objective of this component is to increase transparency and strengthen the public investment strategy to prioritize and rationalize investment projects. This will include the prioritization of investments that are aligned with resilience building and sustainability. The activities that will be implemented to achieve this objective include:

- a. **Subcomponent 3.1. Public investment unit:** This activity focuses on enhancing public investment management and coordination through the design and establishment in the MFP of a public investment unit, which comprises: (i) design and implementation of the business model,⁸² including the integration of climate change in the public investment framework (for the case of project evaluation guidelines, these will include the assessment of climate risks and climate resilient designs); (ii) management system;⁸³ and (iii) training for MFP personnel in formulating, executing, monitoring, and evaluating investment projects, including training on the design of climate-resilient infrastructure and the evaluation of climate risks.
- b. **Subcomponent 3.2. Project monitoring system and operational plan:** This activity aims at strengthening control and transparency of the investment projects through the implementation of a monitoring system and project database. It includes: (i) system installation;⁸⁴ (ii) operational plan; and (iii) funding for planning, pre-investment, and feasibility studies (including training).⁸⁵
- c. **Subcomponent 3.3. Public investment legal framework:** review and update of the legal and regulatory framework, which includes the preparation of the draft documentation,⁸⁶ as well as any necessary modifications to create the public investment unit and the framework for the funding of pre-investment and feasibility studies.

⁸⁰ Includes: (i) IFMIS new modules implementation; (ii) IT security and cybersecurity, including acquisition of hardware and software; (iii) IT hardware to support IFMIS environment; (iv) central data warehouse; and (v) Integration with external entities. The acquisition of equipment will consider energy efficiency through the Energy Star certification or equivalent.

⁸¹ Training programs will be tailored for the different type of users in the MFP, according to their functional areas.

⁸² Includes the preparation of guidelines, manuals, and methodologies.

⁸³ Includes an IT management system.

⁸⁴ Includes the electronic system supporting public investment operations and the development of a project database.

⁸⁵ Includes the development of the framework for planning and financing pre-investment and feasibility studies, the preparation of these studies, and seminars for dissemination with MFP staff and staff of line-ministries.

⁸⁶ The PBP operation 5635/OC-SU is supporting the preparation of a public investment management assessment. Complementarily, this operation focuses on the review of the legal and regulatory framework for public investment management, as well as the preparation of draft documentation, which will serve as an input for the modernization of the public investment framework.

- 1.28 **Program administration and contingencies (US\$4.8 million).** This includes the costs of program administration, auditing, monitoring and evaluation, and contingencies.

C. Key results indicators

- 1.29 **Impact and outcomes.** The indicator for the general development objective is the primary budget balance (% of GDP).⁸⁷ The indicators for the specific development objectives are: (i) an increase in tax revenues (% of GDP),⁸⁸ (ii) an increase in expenditures paid through the TSA (% of total expenditures),⁸⁹ and (iii) an increase in the number of investment projects using the new monitoring system (% of total projects).⁹⁰ These results will be supported by the new SARA with modernized processes and technological platform (¶1.25); enhanced PFM operations in key functions (treasury, accounting, procurement, budget planning and execution) (¶1.26); and the new public investment management unit with a framework to prioritize and rationalize projects (¶1.27-¶1.25).
- 1.30 **Economic analysis.** A [cost-effectiveness analysis](#) was carried out to compare the effectiveness of the intervening entities (DoTC, MFP, and other line ministries) before and after the implementation of the project. The indicator used to measure the cost-effectiveness of the program was the annual cost (expenditure) of the intervening entities divided by the primary balance (total revenue minus primary expenditure) executed by the Government of Suriname. The conclusion is that, with the implementation of the project, the government will improve its primary balance more effectively than without the project, proven by the reduction of the average cost required to generate 100 additional Surinamese Dollars (SRD) of primary balance from 629.26 SRD without the project to 540.24 SRD with the project. Additionally, with the project the incremental cost to achieve 100 new SRD of primary balance will be only 11.05 SRD. A sensitivity analysis was performed to determine what would be the minimum percentage of additional revenue collection (as % of GDP) required for the program to remain at least as effective as without the program. The results show that for this to happen, a minimum increase in revenue collection of 0.09% of GDP is needed. Variations in the replacement cost and discount rate were also considered, without having any significant impact on the conclusions of the cost-effectiveness analysis.

⁸⁷ The primary budget balance (i.e., revenue minus primary expenditure) is an indicator of fiscal effort, which is a critical variable to determine fiscal sustainability ([Daniel et al. 2006](#)).

⁸⁸ Ceteris paribus, an increase in tax revenues improves the primary budget balance and, hence, it enhances medium-term fiscal sustainability. Raising revenue and implementing revenue policies depends critically on the quality of revenue administration ([Silvani and Baer 1997](#)).

⁸⁹ The implementation of a TSA system enhances the overall effectiveness of the PFM framework through: (i) the consolidation of government cash balances; (ii) increased oversight of all government cash flows; and (iii) improvements in budget control and monitoring ([Pattanayak and Fainboim, 2011](#)). A TSA also improves the quality of fiscal information, which is an important prerequisite for fiscal transparency ([IMF 2007](#); [Pattanayak and Fainboim 2011](#)). These factors improve budget credibility and expenditure control, facilitating the achievement of medium-term primary balance targets and fiscal sustainability.

⁹⁰ Ceteris paribus, an increase in public investment efficiency (for instance, through an improved public investment management framework) can lead to lower investment costs, improving the primary balance and fiscal sustainability. For infrastructure projects, it is estimated that savings of as much as 40% can be achieved through the optimization of project portfolios, streamlining delivery of projects, and making the most of existing infrastructure ([Dobbs et al. 2013](#)).

- 1.31 **Beneficiaries.** The main direct beneficiaries are the government and public servants, with more resources to finance public policies and better institutional capabilities to control expenditure and prioritize public investment. The main indirect beneficiaries are the taxpayers, with more support to fulfill their tax and customs obligations through more efficient and effective services; and the general population, with the benefits of public policies and more fiscal transparency in the use of public resources.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 Due to its fixed scope, logical interdependence of the components, and physical and technical individuality, this program will be financed by a specific investment loan of US\$50 million, financed from the Bank's Ordinary Capital. The expected execution period is five years. The program costs are divided according to Table 2:

Table 2. Summary of program costs (US\$ million)

Components	IDB	%
Component 1. Strengthening revenue administration	30.9	61.7
1.1. Organizational structure and taxpayer services	0.9	1.8
1.2. Modernization of the internal revenue operations and technological infrastructure	16.3	32.6
1.3. Modernization of the customs operations and technological infrastructure	13.2	26.4
1.4. Legal framework	0.4	0.8
Component 2. Enhancing public financial management	10.0	20.0
2.1. Organizational structure	0.6	1.2
2.2. Budget planning and execution	4.9	9.8
2.3. PFM technology infrastructure and budget digitalization	4.5	9.0
Component 3. Improving public investment management	4.3	8.7
3.1. Public investment unit	0.7	1.5
3.2. Project monitoring system and operational plan	3.4	6.8
3.3. Public investment legal framework	0.2	0.4
Program administration and contingencies	4.8	9.6
Total	50.0	100.0

Note: Costs by product/activity are indicative.

Table 3. Disbursement timetable (US\$ million)

Source	Year 1	Year 2	Year3	Year 4	Year 5	Total
IDB	5.2	8.2	12.4	14.3	9.8	50.0
%	10	16	25	29	20	100

B. Environmental and social safeguard risks

- 2.2 In accordance with the Environmental and Social Policy Framework (ESPF) (GN-2965-23), the operation was classified as Category "C", with Environmental and Social Risk Rating (ESRR) of moderate and Disaster and Climate Change Risk Classification of low.

C. Fiduciary risk

- 2.3 The following fiduciary medium-high risks were identified: (i) organizational structure: the EA lacks a formal assignment of functions and responsibilities for financial management and procurement activities. This risk will be mitigated by establishing a PIU with a minimum staff conformation, including procurement and financial specialists, as well as training on the Bank's procurement policy, procedures, and financial management; (ii) internal processes: the EA lacks norms and procedures, process flows for planning, organizational and financial management. This risk will be mitigated by an accounting system that will integrate the financial and budgeting reports; and (iii) internal processes: the EA lacks experience with the financial management and procurement administration under Bank programs. This risk will be mitigated by the Bank's semi-annual inspection visits, as well as training on the Bank's procurement policy, procedures, and financial management.

D. Other risks and key issues

- 2.4 **Economic and financial environment (Medium-High).** Negative macroeconomic conditions post-pandemic and the materialization of natural disaster risks may lead to a slow economic recovery and additional expenditure needs, thus, limiting the expected positive impact of the project on tax revenues and the budget balance. This risk will be mitigated by increasing revenue resilience through a higher effectiveness of tax and customs administration (§1.25), enhancing macroeconomic analysis and budget planning capabilities to anticipate the impact of potential economic shocks (§1.26), and improving the public investment management framework to increase the impact of public investment projects on economic growth and improve their resilience to natural disasters (§1.27).
- 2.5 **Human Resources (Medium-High).** If the current staff at the MFP does not receive adequate management and technological training, then their capabilities to take full advantage of the new operational and IT frameworks may be limited. This would likely have a detrimental impact on the expected efficiency gains in tax and customs administration, public financial management and public investment management supported by the project. This risk will be mitigated by implementing specialized management and IT training programs in each component of this project (§1.25-§1.27) and the implementation of a plan for management of change (§1.25).
- 2.6 **IT systems (Medium-High).** If there are delays in the implementation of upgrades and disaster recovery measures for the IT systems supported by the project, this could negatively impact the outcomes of other activities, such as the ability to comprehensively implement a compliance risk management framework, and the automation of operational functions, among others. This risk will be mitigated by establishing a PIU, and by hiring an IT specialist to advice on the implementation of these upgrades and the IT disaster recovery plan.
- 2.7 **Sustainability (High).** The improvements introduced (e.g., organizational structure, risk management framework, IT systems, etc.) could deteriorate in the medium-term, due to policy reversals and/or lack of sufficient measures to attract

and retain qualified human resources, as well as to maintain and update the IT systems and equipment introduced by the program. If such events materialize, this could have a negative impact on the expected improvements in tax and customs administration, public financial management and public investment management supported by the project. This risk will be partially mitigated both during and beyond the execution period by establishing a SARA (§1.25) with autonomy to pay competitive wages, implement training programs, and prepare a medium-term plan for IT systems that includes maintenance, updating of technology, interoperability mechanisms and cybersecurity (§1.25); and the implementation of a plan for management of change (§1.25), which will include an internal and external communication strategy. Additionally, the establishment of the PIU and the strengthening of key operational processes in the MFP (§1.26) will also contribute to mitigate this risk.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Suriname. The governmental entity responsible for implementing the program will be the MFP through the Office of the Minister of Finance (OMF). A PIU will be established within the existing structure of the OMF that will be responsible for carrying out all the fiduciary and technical obligations of the program. The Minister will serve as the titular Program General Coordinator (PGC), who will provide strategic guidance to the project and will delegate the operational responsibility for supervision and oversight of program activities to the chief of the PIU.⁹¹
- 3.2 **Functions of the PIU.** The PIU will be responsible for carrying out all the operational and fiduciary obligations (including procurement, financial management and social and environmental safeguards) necessary for program execution and will act as the Bank's direct interlocutor. Among other responsibilities, the PIU will be: (i) performing technical and operational coordination of the program; (ii) programming the activities related to the loan; (iii) approving and financing the activities related to the loan; (iv) supervising the formulation, execution, and evaluation all of the activities related to the loan; (v) developing, implementing and updating the Pluri-annual Execution Plan (PEP), the Annual Operation Plans (AOP), Procurement Plan, (PA), Results Matrix (RM), and the Progress Monitoring Report (PMR); (vi) preparing terms of reference, tendering and procurements of goods, construction works, services and consultancies; (vii) maintaining all formal communication with the Bank, particularly submitting disbursement requests and preparing financial statements; and (viii) contracting and approving the final program evaluation. To this end, the MFP will be strengthened through the hiring of qualified and specialized personnel fully dedicated to the program.
- 3.3 **Coordination arrangements.** A Steering Committee (SC) will be created in the MFP to facilitate the coordination among stakeholders and provide strategic direction to the project. The Minister of Finance and Planning, or a designated

⁹¹ See the [Program Operation Manual](#).

representative, will be the Chair of the SC. Additionally, the chief of the PIU will act as Secretary of the SC with voice but no vote. SC functions include review and approval of: (i) the AOP and the progress reports prepared by the PIU; (ii) changes in objectives, strategies and components before those changes are presented to the Bank for non-objection; (iii) annual audit reports of the financial statements; and (iv) the mid-term and final reports. In terms of organization, the SC acts at the strategic level, while the PIU's role is at the operational level.⁹²

- 3.4 **Special contractual clause prior to first disbursement: (i) the establishment of the PIU and the hiring of its key personnel, in accordance with the terms previously agreed with the Bank, including: (a) the chief of the PIU; (b) a procurement specialist; (c) monitoring and evaluation specialist; and (d) a senior financial specialist; (ii) the approval of the [Program Operations Manual](#) by the MFP, in the terms previously agreed with the Bank; and (iii) the creation of the Steering Committee, to the Bank's satisfaction. Such Steering Committee shall be formed by MFP staff representatives from tax administration, customs, OMF, and budget planning.** These conditions are necessary to ensure the technical and operational aspects, and institutional responsibility that are required for the start-up and orderly execution of the project.
- 3.5 **Procurement and contracting.** Procurement and contracting will follow the policies applicable for the procurement of goods and works financed by the Bank (GN-2349-15), and the policies for selection and contracting of consultants financed by the Bank (GN-2350-15), as well as the fiduciary arrangements included in Annex III.
- 3.6 **Direct contracting.** The Government of Suriname would have directly contract UNCTAD, within the stipulated period for retroactivity, for US\$1.1 million for the delivery of an upgraded ASYCUDA World system that will facilitate the continuation of data management and related functions that is critical for the management import and export activities for the whole economy of Suriname, improve the level of efficiency at the Customs and Excise Department in Suriname by strengthening the management capacity and capabilities, as well as increasing the level of trade facilitation. UNCTAD is the primary licensed supplier of the software, in both Suriname and internationally. ASYCUDA is currently operating in other Caribbean countries like Barbados, Belize, Antigua and Barbuda, Dominica, Caribbean Netherlands, Jamaica, etc. In addition, they are the sole supplier of ASYCUDA system and have a center in Barbados (GN-2350-15, paragraph 3.11 (d)). They have previously worked with DoTC and is familiar with their operations, constraints, and challenges (GN-2350-15, paragraph 3.11 (a)).
- 3.7 **Retroactive financing.** The Bank may retroactively finance from the resources of the loan, up to the sum of US\$1.1 million (2.2% of the proposed loan amount) eligible expenses incurred by the Borrower prior to the date of approval of the loan Bank's Board of Executive Directors to finance goods, non-consulting and consulting services associated to Component 1, provided that all the requirements are substantially similar to those set out in the loan agreement requirements.

⁹² Idem. Based on the lessons learned from previous operations (§1.19), this structure has been put in place to improve the execution of the program. Additionally, an IT expert will also be hired to provide advice on the execution of IT-related activities.

These expenses must have been incurred on or after the Project Profile approval date (June 29th, 2022), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

- 3.8 **Deadline and mode of disbursement.** The disbursement period is five years. The Bank will disburse the program resources in accordance with project liquidity needs as evidenced by the current and anticipated commitments and obligations. It is expected that the advance of funds methodology will be used. These advances, which will cover liquidity needs for a period not exceeding six months, will be calculated based on the semi-annual cash flow program allocated for the program and on investment categories, products and/or activities to be executed during the period. Subsequent advances may be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank. Disbursement reviews will be performed on the ex-post modality in line with OP-273-6.
- 3.9 **Audits.** Throughout the loan disbursement period, the Executing Agency will submit to the Bank annual audited financial statements within 120 days after the close of the fiscal year and one final financial audit of the Project to be submitted within 120 days after the date of last disbursement. The audit will be conducted by a Bank-eligible independent audit firm. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring.** Program monitoring is based on the standard Bank instruments: (i) the [PEP](#) and [AOP](#); (ii) the Procurement Plan ([PP](#)); (iii) the RM and Monitoring and Evaluation Arrangements ([MEA](#)); and (iv) the PMR. Semi-annual progress reports will be presented within 60 calendar days after the end of the corresponding semester (end of February and end of August) and should include the outcomes and outputs achieved in the execution of the AOP, the PP, the RM, as well as a description of the status of compliance with the environmental and social obligations. The PIU will maintain an administrative information system to register all relevant events in program implementation. This system will furnish all the required information for completing the financial and administrative reports and will be a key instrument for program monitoring.
- 3.11 **Evaluation.** Two evaluations will be performed: a midterm evaluation (90 days after the project reaches 60% disbursement or 3.5 years from the eligibility date, whatever happens first) and a final evaluation that (90 days after the program reaches 90% of the disbursement of the loan resources) will be carried out together with the Project Completion Report. The midterm report will include: (i) the outcomes of the physical and financial execution; (ii) the degree of fulfillment of targets in the results matrix; (iii) the degree of fulfillment of environmental requirements and works maintenance; (iv) a summary of the results of the audits and of the improvement plans; and (v) a summary of the main lessons learned. The final evaluation will adopt a before and after approach, comparing the status of indicators in the Results Matrix at the beginning and the end of the program's

interventions and evaluating the effectiveness of the program according to its specific objectives ([REL2](#)).

Development Effectiveness Matrix		
Summary		SU-L1060
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Countries with strengthened tax and expenditure policy and management (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3065	(i) Attain fiscal sustainability in the medium term; and (ii) improve digital government.
Country Program Results Matrix	GN-3087-2	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.6
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.6
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		2.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		7.1
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		4.3
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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		

Evaluability Assessment Note: The general development objective of the program is to improve medium-term fiscal sustainability. The specific development objectives are: (i) increase tax revenue; (ii) improve budget planning and execution; and (iii) improve public investment management. Suriname faces a severe economic crisis, and the fiscal team at the IADB is supporting the country to recover sustainability with a package of projects. This operation follows a SDL loan approved in March 2022 and PBP approved in November 2022. The current account deficit is 6.5% of the GDP and tax collection in 2020 was 13.4% of GDP (below the Caribbean average of 21.3%). The diagnosis identifies three relevant determinants of the fiscal crisis that will be tackled by the intervention: (i) the limited institutional capacity to collect taxes, (ii) the lack of effectiveness in public financial management due to the use of outdated processes, and (iii) the unregulated public investment framework. Although the diagnosis is clear, lack of available data does not allow to dimension the results' gap related to poor investment management.

The vertical logic of the project is suitable to achieve the specific objectives of the project. The results matrix presents appropriate outcomes indicators given the data availability challenges in this context. Note that the timely implementation of products in component 3 is needed to be achieved the associated expected result. The project appropriately plans M&E activities. We highly recommend the team to constantly monitor the gains in tax collection associated to specific objective 1. Since it does depend on economic cycle, it is important to also monitor associated complementary indicators such non-filling income tax rates. The M&E plan indicates that the achievement of results will be evaluated with a before and after methodology.

The project presents a cost-effectiveness analysis (CEA). It measures the cost-effectiveness of expected changes of the primary balance with and without program for the period 2023 – 2032. In the scenario with program, the expected changes of the primary balance are the ones arising as a result of the activities included in the program: (i) increases in total revenue, and (ii) cost reductions arising from better budget execution and better public investment management. Note that public management cost-reduction will not be monitored as part of the results matrix. We recommend the team to work with the government to measure and monitor this dimension. The CEA analysis concludes that thanks to the program the public administration will be able to generate a positive primary balance with greater efficiency.

RESULTS MATRIX

Project objective	The specific development objectives are: (i) increase tax revenue; (ii) improve budget planning and execution; and (iii) improve public investment management. The achievement of these objectives will contribute to the general development objective of improve medium-term fiscal sustainability.
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General Development Objective

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Expected Year for Achievement	Target	Means of Verification	Comments
General development objective: Improve medium-term fiscal sustainability							
Primary budget balance	% GDP	-1.3	2021	2027	3.5 ¹	IMF Report	<ul style="list-style-type: none"> • Formula: (Primary budget balance) / GDP • Baseline: Tax revenues = -0.8 billion of SRD (2021). GDP = 56.2 billion of SRD (2021)

Specific Development Objectives

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments
Specific development objective 1: Increase tax revenue											
Tax revenues	% GDP	19.7	2021	19.7	19.7	20.2	20.3	20.5	20.5 ²	MFP Report and IMF Report	<ul style="list-style-type: none"> • Formula: (Tax revenues) / GDP • Baseline: Tax revenues = 11.1 billion of SRD (2021). GDP = 56.2 billion of SRD (2021) <p>The indicator includes direct and indirect taxation</p>

¹ The target is based on the IMF's EFF program data (IMF 2022), which comprises the estimated impact of the government's ongoing fiscal reforms, including this operation.

² Idem.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments
Specific development objective 2: Improve budget planning and execution											
Expenditures paid through the TSA	% total expenditure	75	2021	75	75	78	83	85	90 ³	MFP Report and IMF Report	<ul style="list-style-type: none"> • Formula: (total expenditures paid through the TSA) / (total expenditure) • Baseline: 75 (2021) Total expenditure refers to central government expenditure
Specific development objective 3: Improve public investment management											
Public investment expenditure in projects using the new monitoring system*	% total public investment	0	2021	0	0	10	15	30	50 ⁴	MFP Report and IMF Report	<ul style="list-style-type: none"> • Formula: (public investment expenditure in projects using the new monitoring system since the start of the project) / (total public investment since the start of the project) • Baseline: Public investment expenditure in projects using the new monitoring system = 0 (2021). *The new monitoring system refers to the project monitoring and management IT system, which integrates the new business model into the

³ The literature indicates that TSA coverage should be comprehensive by including all government-funded entities (Pattanayak and Fainboim, 2011). This target reflects the scope of this goal, but also acknowledges that full progress may take some time due to the integration of all accounts still held at commercial banks.

⁴ Progress in this indicator will be gradual, as new projects start going through the new system in new line ministries.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification	Comments
											<p>public investment framework, which will be financed in Component 3 of the program.</p> <p>The indicator measures the percentage of cumulative public investment that has used the new monitoring system since the start of the project. The system includes the improved practices along the project cycle, from pre-investment to execution.</p> <p>The data sources for this indicator include budgetary data and administrative data generated by the new monitoring system</p>

OUTPUTS

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
Component 1. Strengthening revenue administration										
Subcomponent 1.1. Organizational structure and taxpayer services										
Plan for the implementation of the new organizational structure of the SARA, approved and implemented ⁵	Plan	0	2021	0	0	1	0	0	1	The MFP providing the plan and documenting its implementation
Taxpayer service function and organization, approved and implemented	Plan	0	2021	0	0	0	1	0	1	The MFP providing the plan and documenting its implementation
Plan for the management of change, approved and implemented	Plan	0	2021	0	0	1	0	0		The MFP providing the plan and documenting its implementation
Subcomponent 1.2. Modernization of the internal revenue operations and technological infrastructure										
New effective TIN system designed and implemented	Report	0	2021	0	0	0	1	0	1	The MFP providing a report on the implementation of the TIN
Integrated tax return (declaration) system for all taxes (including VAT), designed, approved and implemented	Software	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the system
New payment system for all taxes (including VAT), designed, approved and implemented	Software	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the system
Stop-filing and refund processing procedures and	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and

⁵ Includes a plan for management of change.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
system, approved and implemented.										documenting its implementation
Tax audit and risk management procedures (including training), implemented	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the tax audit and risk management procedures (including training)
Tax arrears collections procedures and system, reviewed and modernized	Report	0	2021	0	0	0	0	1	1	The MFP providing a report reviewing the tax arrears collections and system and its modernization
Plan to establish a tax appeal system and institutions, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
New tax and services technological platform, designed and implemented	IT platform	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the platform
Central data warehouse and API gateways, implemented	System	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the system
New website for tax and customs services integration, designed, approved and implemented	Website	0	2021	0	0	0	0	1	1	The MFP providing evidence of the online implementation of the website
IT and information governance model, designed, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
IT security model for network and servers,	Plan	0	2021	0	0	0	0	1	1	

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
designed, approved and implemented ⁶										
Disaster recovery and business continuity plans, designed, approved and implemented	Plan	0	2021	0	0	0	0	2	2	The MFP providing the disaster recovery and business continuity plans and documenting their implementation
IT training program for DOTC staff, designed, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Subcomponent 1.3. Modernization of the customs operations and technological infrastructure										
Plan for the strengthening of processes based on WCO standards, prepared, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Customs audit business model, reviewed, approved and implemented ⁷	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan for the new audit business model.
Post clearance audit system, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
New procedures for VAT, developed and implemented	Report	0	2021	0	0	0	0	1	1	The MFP providing a report on the new procedures for VAT

⁶ Includes the acquisition and implementation of: (i) a secure communication network for data centers and LAN network for DOTC buildings; and (ii) technological instruments to support information security (IPS, firewalls, Web application firewall). The equipment will consider energy efficiency through the Energy Star certification or equivalent.

⁷ The modernization of the business model includes the acquisition of fixed and mobile scanning equipment. The equipment will consider energy efficiency through the Energy Star certification or equivalent.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
Modernization plan for IT, approved and implemented ⁸	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Operational support for AW system implementation, completed	Report	0	2021	0	0	0	0	1	1	The MFP providing the report on the provision of operational support for AW system implementation
Plan for renewal of vehicles and equipment, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation.
Subcomponent 1.4. Legal framework										
Tax and customs administration legal framework, reviewed and updated	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the tax and customs administration legal framework and its updates
Component 2: Enhancing public financial management										
Subcomponent 2.1. Organizational structure										
New MFP's organizational structure of key areas (macroeconomic assessment, treasury, accounting, and procurement), developed and implemented	Organizational structure	0	2021	0	0	1	0	0	1	The MFP providing evidence of the approval of the new organizational structure
Subcomponent 2.2. Budget planning and execution										
Plan to modernize the MFP's macroeconomic analysis, fiscal and	Plan	0	2021	0	0	1	0	0	1	The MFP providing the plan and documenting its implementation

⁸ The plan includes the acquisition of network, servers, PC's, printers, anti-malware and intrusion detection, as well as a disaster recovery / business continuity center to provide adequate resilience for IT systems. The equipment will consider energy efficiency through the Energy Star certification or equivalent.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
public policy function (including training), approved and implemented										
Budget planning business model, reviewed, approved and implemented	Plan	0	2021	0	0	0	1	0	1	The MFP providing the plan for the budget planning business model and evidence of its implementation.
Treasury operations reviewed and strengthened	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the treasury operations
Public procurement, procedures reviewed and strengthened	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the public procurement operations
Accounting system, reviewed and strengthened	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the accounting operations
Internal control improvement plan, prepared, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
SOEs business model, reviewed, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan with the SOEs business model and evidence of its implementation
Internal audit procedures and system, reviewed and strengthened.	Report	0	2021	0	0	0	0	1	1	The MFP providing the report reviewing the internal audit procedures and system

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
Subcomponent 2.3. PFM technology infrastructure and budget digitalization										
Plan to update MFP's technological infrastructure, approved and implemented ⁹	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Plan for IFMIS new modules implementation, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
IT security and cybersecurity plan, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Plan for the acquisition of IT hardware to support IFMIS environment, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
Central Data Warehouse, implemented	System	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the Central Data Warehouse
Plan for the integration with external entities, approved and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation
IT training program for MFP staff, designed and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation

⁹ The acquisition of equipment will consider energy efficiency through the Energy Star certification or equivalent.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
Component 3: Improving public investment management										
Subcomponent 3.1. Public Investment Unit										
Plan for the establishment of a public investment unit, including a business model and a management system, approved, and implemented	Plan	0	2021	0	0	0	0	1	1	The MFP providing the approved plan and evidence of its implementation
Business model, including the integration of climate change in the public investment framework, designed, approved and implemented ¹⁰	Plan	0	2021	0	0	1	0	0	1	The MFP providing the plan and documenting its implementation
Management system, implemented	Software	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the management system
Training program for MFP personnel in formulating, executing, monitoring, and evaluating investment projects, included climate change considerations designed, and implemented ¹¹	Plan	0	2021	0	0	0	0	1	1	The MFP providing the plan and documenting its implementation

¹⁰ Includes the preparation of guidelines, manuals and methodologies. For the case of project evaluation guidelines, these will include considerations for the assessment of climate risks and climate resilient designs.

¹¹ Includes training on the design of climate-resilient infrastructure and the evaluation of climate risks.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of Verification
Subcomponent 3.2. Project monitoring system and operational plan										
Project monitoring system, implemented	Software	0	2021	0	0	0	0	1	1	The MFP providing evidence of the implementation of the system
Operational plan, approved	Plan	0	2021	0	0	1	0	0	1	The MFP providing the operational plan
Design of a framework for funding planning, pre investment, and feasibility studies (including training), prepared	Design	0	2021	0	0	0	0	1	1	The MFP providing the design of the framework for funding planning, pre investment, and feasibility studies.
Subcomponent 3.3. Public investment legal framework										
Public investment legal and regulatory framework, reviewed and updated	Report	0	2021	0	0	0	1	0	1	The MFP providing the report reviewing the legal and regulatory framework and its updates

Country: Suriname

Division: IFD/FMM

Operation No.: SU-L1060

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing Agency (EA): Ministry of Finance and Planning (MFP)

Operation Name: Fiscal Support Program to Regain Growth

I. FIDUCIARY CONTEXT OF EXECUTING AGENCY

1. Use of country system in the operation

<input type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input type="checkbox"/> Information System	<input type="checkbox"/> National Competitive Bidding (NCB)
<input type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input type="checkbox"/> Accounting	<input type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Particularities of the fiduciary execution	The loan will be executed by the Ministry of Finance and Planning (MFP)
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3. Fiduciary capacity

Fiduciary Capacity of the EA	The fiduciary capacity for the MFP shows overall fiduciary risks as medium. These risks will be mitigated by offering trainings on IDB's Financial Management and Procurement policy and procedures.
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Organizational structure	The EA lacks a formal assignment of functions and responsibilities for financial management and procurement activities	Medium-High	Establishing a PIU with a minimum staff conformation, including procurement and financial specialists, as well as training on Bank's procurement policy, procedures, and financial management
Internal processes	The EA lacks norms and procedures, process flows for planning, organizational and financial management	Medium-High	An accounting system that will integrate the financial and budgeting reports
Internal processes	The EA lacks experience with the financial management and procurement administration under Bank programs	Medium-High	Bank's semi-annual inspection visits, as well as training on the Bank's procurement policy, procedures, and financial management

5. Policies and Guides applicable to operation: Procurement and contracting will follow the policies applicable for the procurement of goods and works financed by the Bank (GN-2349-15), and the policies for selection and contracting of consultants financed by the Bank (GN-2350-15), as well as the fiduciary arrangements included in this document.

6. Exceptions to Policies and Rules: N/A.

II. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE LOAN AGREEMENT

<p>Exchange Rate: For purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be that indicated in paragraph (b)(i) of said Article. For purposes of determining the equivalency of the reimbursement of expenditures chargeable to the Loan, the agreed exchange rate shall be the Select Option on/in which the Borrower, the Executing Agency, or any other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, supplier, or beneficiary.</p>
<p>Type of Audit: Throughout the loan disbursement period, the EA will submit to the Bank annual audited financial statements within 120 days after the close of the fiscal year and one final financial audit of the Project to be submitted within 120 days after the date of last disbursement. The audit will be conducted by a Bank-eligible independent audit firm. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding Documents	For procurement of Works, Goods and Services Different of Consulting executed in accordance with the Procurement Policies (document GN-2349-15), subject to ICB, the Bank's Standard Bidding Documents (SBDs) or those agreed between EA and the Bank will be used for the particular procurement. Likewise, the selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank will be used for the particular selection. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project. This technical review can be ex-ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Advanced Contracting Retroactive Financing	<p>The Bank may retroactively finance from the resources of the loan, up to the sum of US\$1.1 million (2.2% of the proposed loan amount) eligible expenses incurred by the Borrower prior to the date of approval of the loan Bank's Board of Executive Directors to finance goods, non-consulting and consulting services associated to Component 1, provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred on or after the Project Profile approval date (June 29th, 2022), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.</p> <p>The Government of Suriname would have directly contract UNCTAD, within the stipulated period for retroactivity, for US\$1.1 million for the delivery of an upgraded ASYCUDA World system that will facilitate the continuation of data management and related functions that is critical for the management import and export activities for the whole economy of Suriname, improve the level of efficiency at the Customs and Excise Department in Suriname by strengthening the management capacity and capabilities, as well as increasing the level of trade facilitation. UNCTAD is the primary licensed supplier of the software, in both Suriname and internationally. ASYCUDA is currently operating in other Caribbean countries like Barbados, Belize, Antigua and Barbuda, Dominica, Caribbean Netherlands, Jamaica, etc. In addition, they are the sole supplier of ASYCUDA system and have a centre in Barbados (GN-2350-15, paragraph 3.11 (d)). They have previously worked with DoTC and is familiar with their operations, constraints, and challenges (GN-2350-15, paragraph 3.11 (a)).</p>

<input checked="" type="checkbox"/>	Procurement Supervision	The method of supervision shall be ex ante supervision.
<input checked="" type="checkbox"/>	Records and Archives	All records and files will be maintained by the PEU, in accordance with accepted best practices, and be kept for up to three years beyond the end of the operation's execution period.

7. Main Acquisitions

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount 000'US\$
Goods			
Mobile scanning equipment acquired via request for proposal process.	National Competitive Bidding	2023	400,000.00
New tax administration commercial off the shelf system that has been selected under SARA procurement process.			5,000,000.00
Acquire current technology (network, servers, personal computers, printers, anti-malware, and intrusion detection) to support the new IT software and locate it in a government (or ministry) primary and disaster recover data centres.			1,100,000.00
Disaster Recovery / business continuity centre for Data Centre to be established to provide adequate resilience for IT systems.			1,000,000.00
Vehicles for tax and customs collections, enforcement and compliance activities procured and deployed.	International Competitive Bidding	2024	555,000.00
Developing and implementation for a new corporate website.			1,000,000.00
Consulting Firms			
"International technical assistance to review current tax audit procedures and to design and implement new procedures utilizing international best practices adopted for the authority to operate environment, advising on localization of SIGTAS for audit requirements. This includes developing training programs via a train-the-trainer process."	Quality- and Cost-Based Selection	2023	142,481.00
Provide operational support for the ASYCUDA World instance by acquiring resources, through a firm, to provide technical support of the product both on a short-term contractual basis and through training of customs IT staff to keep the application operational (2 consultants for 1 year).			110,880.00
Certification Program in Public Procurement for public servants.			122,126.00
Awareness Campaign.			162,835.00

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount 000'US\$
Individuals			
Technical assistance to mentor the new SARA management in managing change and in project management. Supplement this with formal training in these topics.	Selection of individual consultant (by open invitation)	2023	198,000.00
Hiring of local consultants with expertise to support service operations.			221,760.00
Hiring of local consultants with expertise to support tax return operations.			369,600.00
Hiring of local consultants with expertise to support VAT operations.			369,600.00
Hiring of local consultants with expertise to support IT functions.			184,800.00
Development and implementation of a new organizational structure for the MFP in accordance with the new functions and entities to be established, including: (i) new chart organization; (ii) definition of the responsibilities for the main entities, as well as the corresponding job descriptions for the operational personnel; and (iii) implementation of a training program for the MFP based on the job description, including e-learning capability.			297,000.00
Hiring of external consultant(s) with expertise to support the capacity building and training of the economics department.			198,000.00
Develop capacity in: (i) macroeconomic diagnostics; (ii) presentation (or reporting) of integrated macroeconomic stance and outlook; (iii) fiscal developments highlighting and public policy results evaluation; (iv) projecting of the medium-term fiscal framework under different fiscal rules scenarios, integrating key macroeconomic assumptions, public policy goals, and specific fiscal and public debt sustainability targets; (v) aiding the budget department in translating public policy goals into the medium-term expenditure frameworks and the annual (departments) budget plans, while safeguarding the integrity of the overall fiscal balance; and (vi) liaising with the debt management office in safeguarding the financing sustainability of central government and public sector operations.			198,000.00
Strengthen the budget planning process as part of the implementation of the improved Medium Term Fiscal Framework methodology.			264,000.00

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount 000'US\$
Development and implementation of a system to manage the subsidies provided to the public enterprises, including training in subsidies subject.			396,000.00
Hiring of local consultants with expertise to support day to day treasury operations.			443,520.00
Establishment of a Treasury Department including: (i) the preparation of a road map for its implementation; and (ii) revamp the Treasury Single Account (TSA) system to result in information on total cash balances of the government being available at least daily and to consolidate cash balances in support of the cash management. Development and implementation of a new Cash Management (CM) model, including: (i) creation of a CM unit; (ii) establishment of a CM committee for coordination among stakeholders, including debt management and Central Bank; and (iii) implement a permanent training program.			594,000.00
Development and implementation of methodologies for framework contracts and reference price.			198,000.00
Development and implementation of an improved chart of accounts taking advantage of the capabilities of the new Integrated Financial Information System (IFMIS), including bank accounts, control accounts, and all government assets and liabilities.			198,000.00
Evaluation of the government accounting system against International Public Sector Accounting Standards and implementation of a work plan to improve accounting standards.			132,000.00
Development of a mechanisms to establish and rationalize subsidies to SOEs.			198,000.00
Plan for the implementation of a public investment unit, including a proposal for a business model.			99,000.00
Review of legal and regulatory framework for: (i) creation of public investment unit; and (ii) the framework for a fund to finance the pre-investment and feasibility studies.			162,835.00
Project coordinator.			244,800.00
Financial specialist.			221,760.00
Procurement specialist.			221,760.00
Monitoring specialist.			221,760.00
Technical assistants.			792,000.00

To access the Procurement Plan, see [link](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and Budget	The executing agency will prepare and implement an operational plan, which will include the budget plan, procurement plan and financial plan, consistent with a 12-month financial plan that will be required. The Borrower has committed to allocate, for each fiscal year of program execution, adequate fiscal space to guarantee the unrestricted execution of the program.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	<p>The disbursement mechanism shall be Manual and will follow the methods stated in the OP-273-12 and the Disbursement Handbook. The currency to manage the operation is the USD. The operation will generally work with a financial period of 6 months due to the planning cycle for the project. The Preferential Disbursement Method will be advance of funds, but other types of disbursements will be available.</p> <p>The operation is expected to justify 80% of accumulated balances pending of justification before requesting another advance of funds.</p>
<input checked="" type="checkbox"/>	Accounting, Information Systems and Reporting	<p>Specific accounting norms: IFRS (International Financing Reporting Standards).</p> <p>Accounting reports: The Executing Agency will utilize the off the shelf accounting and financial management software QuickBooks currently used for the accounting and financial reporting of many programs in the country.</p> <p>Financial Statements of the program will be prepared based on IDB rules given that the PFM reform is still in process. The financial specialist should maintain under his/her responsibility auxiliary records and systems (e.g., QuickBooks or similar).</p>
<input checked="" type="checkbox"/>	External Control: External Financial Audit and Project Reports	The Borrower and the Executing Agency, as agreed with the Bank, will hire the services of an audit firm through a bidding process. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. The annual financial audits/ assurance reports should be submitted within 120 days of the end of a fiscal year and one final financial audit within 120 days after the date of last disbursement.
<input checked="" type="checkbox"/>	Project Financial Supervision	Financial, accounting and institutional inspection visits or meetings will be performed to: (i) review of the reconciliation and supporting documentation for disbursements; (ii) compliance with financial and procurement procedures; (iii) review of compliance with the lending criteria; and (iv) follow up on audit findings and recommendations. The review of disbursements will be ex post.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Suriname. Loan ____/OC-SU to the Republic of Suriname
Fiscal Support Program to Regain Growth

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 aimed at cooperating in the execution of the Fiscal Support Program to Regain Growth. Such financing will be for the 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 ____ 2022)