

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

SURINAME

FISCAL SUPPORT PROGRAM TO REGAIN GROWTH

(SU-L1060)

PROJECT PROFILE

This document was prepared by the project team consisting of: Gerardo Reyes-Tagle (IFD/FMM), Project Team Leader; Luis Alejos (IFD/FMM), Alternate Team Leader; Lucas Hoepel (CCB/CSU); Mariska Tjon A Loi (FMP/CSU); Mónica Centeno (LEG/SGO); Rosangela Bando (SPD/SDV); Juan Carlos Vasquez (VPS/ESG); Susana Roman-Sánchez and Anastasiya Yarygina (IFD/FMM); Laura Ospina, Osvaldo Santín, and Luis Fernando Cadena (Consultants).

Under the Access to Information Policy, this document is subject to Public Disclosure.

PROJECT PROFILE

SURINAME

I. BASIC DATA

Project Name:	Fiscal Support Program to Regain Growth		
Project Number:	SU-L1060		
Project Team:	Gerardo Reyes-Tagle (IFD/FMM), Project Team Leader; Luis Alejos (IFD/FMM), Alternate Team Leader; Lucas Hoepel (CCB/CSU); Mariska Tjon A Loi (FMP/CSU); Mónica Centeno (LEG/SGO); Rosangela Bando (SPD/SDV); Juan Carlos Vasquez (VPS/ESG); Susana Roman-Sánchez and Anastasiya Yarygina (IFD/FMM); Laura Ospina, Osvaldo Santín, and Luis Fernando Cadena (Consultants).		
Borrower:	Republic of Suriname		
Executing Agency:	Ministry of Finance (MOFP)		
Financial Plan:	IDB Ordinary Capital:	US\$	50,000,000
	Total:	US\$	50,000,000
Safeguards:	Policies triggered:	ESPS 1, ESPS 2, ESPS 10	
	Classification:	C	

II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 **Macroeconomic and fiscal background.** Suriname faces a severe macroeconomic crisis caused by fiscal imbalances, an overhang of the shock in commodity prices and the impact of the Coronavirus disease 2019 pandemic. The economy had negative growth rates in 2015 (-3.4%) and 2016 (-4.9%), followed by a mild recovery in 2017-2019. Fiscal deficits averaged 12.6% of GDP in 2015-2019, with government revenue significantly below public expenditure.¹
- 2.2 The pandemic exacerbated the decline in economic stability, as GDP fell in 2020 (-15.9%) and 2021 (-3.5%), while the fiscal deficit reached 13.4% of GDP in 2020 and 7.3% in 2021.² Significant parallel market exchange rate premiums, bouts of monetary financing, and a large exchange rate devaluation³ caused spiraling inflation (from 4.2% to 60.7% in 2019-2020) and increased public debt (from 85.2% to 147.7% of GDP in 2019-2020).⁴ Economic growth is expected to stabilize in 2022 (1.8%) and 2023 (2.7%) 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.
- 2.3 **Extended Fund Facility (EFF) program and fiscal reform.** To address these challenges, the Government of Suriname requested support from the

¹ [IMF \(2022\)](#).

² *Idem*.

³ The Central Bank of Suriname (CBS) floated its currency as part of the stabilization reforms.

⁴ IMF (2022).

- International Monetary Fund (IMF) through an EFF program (approved in December 2021 for a three-year period and US\$690 million). The EFF supports fiscal sustainability, exchange rate, monetary and financial stability, and governance.⁵
- 2.4 The EFF supports the introduction of a value-added tax (VAT),⁶ Its implementation is expected to require a comprehensive plan to increase tax and customs administration capabilities. The EFF's structural benchmarks also include streamlining a Treasury Single Account (TSA) and measures to increase control and transparency in public procurement.⁷
- 2.5 **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)⁸, a Programmatic Policy-based loan (PBP) for US\$150 million (in preparation), an investment loan (in execution)⁹, and this operation. Consistently with the EFF program (¶2.3), 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 State-Owned Enterprises (SOEs). The investment loan 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 Regional Technical Cooperation¹⁰.
- 2.6 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.
- 2.7 **Justification.** In this context, this operation forms part of the Bank's integral support package (¶2.5) and focuses on overcoming key challenges to successfully implement the fiscal reform agenda, including:
- 2.8 **Problem 1. Limited institutional capacity in tax and customs administration.** A priority to ensure sustained tax revenues and the success of VAT implementation is to strengthen the Directorate of Taxes and Customs (DoTC) within the Ministry of Finance (MOFP).¹¹ The DoTC collects about 70% of government revenues. Between 2017 and 2019, tax revenue averaged 14.3% of GDP (below the Caribbean average of 21.3%¹²) before falling to 13.4% in 2020.

⁵ [IMF \(2021\)](#).

⁶ VAT introduction in the Caribbean has yielded positive results (Beuermann and Schwartz 2018).

⁷ IMF (2022).

⁸ "Macroeconomic Emergency Program to Protect Economic and Social Development" (SU-L1064).

⁹ "Fiscal Strengthening to Support Economic Growth Program" (SU-L1050).

¹⁰ "Support to deal with the Economic and Social Effects of COVID-19 through the Strengthening of Fiscal Policy and Management in CCB" (ATN/OC 18057-RG).

¹¹ See: [Howell \(2017\)](#).

¹² See: IMF (2022) and [Corbacho et al. \(2013\)](#).

- 2.9 The main causes of these results include: (i) DoTC's inadequate organizational structure and scope of taxpayer's services;¹³ (ii) inefficiencies in internal revenue and customs operations;¹⁴ (iii) outdated and insufficient technological infrastructure;¹⁵ and (iv) outdated legal framework.¹⁶
- 2.10 **Problem 2. Weak processes and lack of implementation of the new Public Financial Management (PFM) framework.** The new PFM Act of 2019 expanded 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. Additionally, there are important shortcomings in cash management,¹⁷ public procurement processes,¹⁸ internal control, and SOE's oversight.
- 2.11 The main challenges to be addressed are: (i) MOFP's inadequate organizational structure for PFM functions;¹⁹ (ii) ineffective budget planning and execution; and (iii) outdated PFM technological infrastructure.²⁰
- 2.12 **Problem 3. Fragmented and unregulated public investment framework.** Public investment functions are fragmented, unregulated and lack transparency. Moreover, there are no developed alternative sources of investment available to finance public projects.
- 2.13 The main causes are: (i) outdated public investment management;²¹ and (ii) responsibilities and functions are spread among line-ministries.²²
- 2.14 **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.
- 2.15 To achieve these objectives, this operation supports:
- 2.16 **Component 1. Strengthening revenue administration (US\$30 million).** The objective is to revamp the DoTC's institutional organization and support the internal procedures to increase effectiveness. It includes:

¹³ DoTC is organized by tax type rather than by functions, which results in overlapping activities and organizational units.

¹⁴ Examples include inaccuracies in the taxpayer register; inadequate risk management; manual processing of tax returns; lack of current procedures and practices; and insufficient staff training. CIAT (2013).

¹⁶ There are no provisions for e-filing, electronic signature, or validity of e-documents. Additionally, VAT implementation will require updating the current regulatory frameworks.

¹⁷ Only 75% of central government expenditures are channeled through the TSA.

¹⁸ The EFF includes as a structural benchmark the enactment of the new procurement law.

¹⁹ PFM functions are spread among several entities. See: Gentry (2016) and Howell (2017).

²⁰ The three main systems (SIGTAS, AW and IFMIS) are not integrated and operate in three different data centers.

²¹ The National Investment System lacks guidelines, procedures, and processes to identify and prioritize public investment projects. See: PEFA (2014) and IMF (2019, 2021).

²² Line ministries carry out their control with separate management tools and Excel spreadsheets, as there is no integrated electronic system.

- a. **Organizational structure and taxpayer services:** (i) new organizational structure for a Semi-autonomous revenue administration (SARA)²³ implemented (including the new functions for the VAT); and (ii) Taxpayer Service (TS) function and organization created and implemented.
- b. **Internal revenue operations:** (i) new effective Tax Identification Number (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) tax appeal system and institutions implemented.
- c. **Customs operations:** (i) 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 IT implemented; (vi) operational support for Asycuda World (AW) system implementation; and (vii) vehicles and equipment.
- d. **Technological infrastructure:** (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; and (vi) disaster recovery and business continuity plans designed and implemented.
- e. **Legal framework:** taxation legal framework reviewed and updated.²⁴

2.17 **Component 2 – Enhancing public financial management (US\$10 million).**

The objective is to increase transparency and strengthen the budget planning, execution, and monitoring. It includes:

- a. **Organizational structure:** new MOFP's organizational structure of key areas (macroeconomic assessment, treasury, accounting, and procurement) developed and implemented.
- b. **Budget planning and execution:** (i) MOFP's macroeconomic analysis, fiscal and public policy function modernized; (ii) budget planning business model reviewed and improved;²⁵ (iii) PFM operations (treasury, procurement, accounting) reviewed and strengthened; (iv) internal control improvement plan prepared and implemented; (v) SOEs business model

²³ Focuses on implementing the design prepared in the previous program (¶2.5).

²⁴ Includes reviewing and updating the current regulatory framework to support VAT implementation.

²⁵ Includes budgeting for results.

reviewed and updated; and (vi) internal audit procedures and system reviewed and strengthened.

- c. **PFM technology infrastructure:** MOFP's technological infrastructure updated.²⁶

2.18 **Component 3 – Improving public investment management (US\$6 million).**

The objective is to increase transparency and strengthen the public investment strategy to prioritize and rationalize investment projects²⁷. It includes:

- a. **Public Investment Unit:** design and establishment including: (i) business model; (ii) management system; and (iii) training for MOFP personnel in formulating, executing, monitoring, and evaluating investment projects.²⁸
- b. **Project monitoring system and Operational Plan:** system implementation and operational plan, and funding for planning, pre-investment, and feasibility studies (including training).

2.19 **Program administration and contingencies (US\$4 million).** This includes the costs of program administration, auditing, monitoring and evaluation, and contingencies.

2.20 **Beneficiaries.** The main beneficiaries are: (i) the taxpayers, with more support to fulfill their tax and customs obligations; (ii) the government, with more resources to finance public policies; and (iii) the general population, with the benefits of public policies and more fiscal transparency.

2.21 **Impact and outcomes.** The impact indicator is the primary budget balance (% of GDP). The main expected outcomes are an increase in tax revenues (% of GDP), an increase in expenditures paid through the TSA (% of total expenditures), and an increase in the number of investment projects using the new monitoring system (% of total projects).

2.22 **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 MOFP's transparency and PFM functions; and (ii) Climate Change and Environmental Sustainability, by reducing paper use, purchasing energy-efficient equipment, and introducing climate-resiliency in investment projects. The program contributes to the Corporate Results Framework 2020-2023 (GN-2727-12) through the indicator "countries with strengthened tax and expenditure policy and management," by supporting strengthening of DoTC's processes, procedures, and VAT implementation; and through the indicator "agencies with strengthened digital technology and managerial capacity," by strengthening taxation and customs systems. The program is consistent with the Fiscal Policy and Management Sector Framework

²⁶ Includes upgrades to meet system requirements.

²⁷ This will include the prioritization of investments that are aligned with resilience building and sustainability.

²⁸ Includes training on climate-resilient infrastructure.

Document (GN-2831-8) regarding strengthening the efficiency of revenue administrations; financial management; and the use of public resources; and with the Integration and Trade Sector Framework Document (GN-2715-11) regarding improvements in customs operations.

- 2.23 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 attaining fiscal sustainability in the medium term and improving digital government. It is also included in the 2022 Operational Program Report (GN-3087).
- 2.24 **Financing instrument.** Due to its fixed scope, logical interdependence of the components, and physical and technical individuality, this program will be financed by an investment loan of US\$50 million. The expected execution period is five years.
- 2.25 **Implementation arrangements.** The MOFP will be the executing agency. A Project Executing Unit, established in the MOFP, will be responsible for the fiduciary management of the project and the inter-departmental coordination.²⁹

III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 **Bank's experience in the region.** 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](#)), Public Capital Expenditure Management Program ([2666/OC-SU](#)), and Strengthening of Public Expenditure Management II ([2862/OC-SU](#))–, and investment loans –Fiscal Strengthening to Support Economic Growth Program ([4112/OC-SU](#)).³⁰ The Bank has also supported similar programs in other Caribbean countries: Bahamas (VAT implementation ATN/JF-13061-BH) and Jamaica (Fiscal Structural Program for Economic Growth: 3148/OC-JA, 3511/OC-JA, and 3880/OC-JA; and Fiscal Administration Modernization Programme 2658/OC-JA).

IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 In accordance with the Environmental and Social Policy Framework (ESPF), the operation was classified as Category “C” as it is expected to cause minimal or no negative environmental or social impacts.

The Bank may finance retroactively under the loan up to US\$10 million (20% of the proposed loan amount) eligible expenses incurred by the Borrower prior to the loan approval date by the Bank's Board of Executive Directors to finance works, goods, non-consulting and consulting services, provided that all the requirements are substantially similar to those set out in the loan agreement

²⁹ Lessons learnt used in this operation's design include supporting the execution agency in key areas: procurement, technological capabilities, and change management.

³⁰ This investment loan was reformulated due to the pandemic.

requirements.³¹ These expenses must have been incurred on or after the Project Profile approval date, and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

V. OTHER ISSUES

- 5.1 The main identified risks³² are:
- a. Negative macroeconomic conditions may cause slow economic recovery and limit the expected impact on tax revenues.
 - b. Lack of adequate systems, norms and procedures may cause errors and delays in procurement processes and the availability of information.
 - c. Lack of adequate training or resistance to change may limit staff's capabilities to take advantage of the new operational and ITE frameworks implemented.
 - d. Delays in the implementation of upgraded ITE systems could impact the outcomes of other activities in the project.
 - e. Policy reversals, difficulties attracting and retaining qualified staff, and inadequate maintenance of ITE systems and equipment could affect the sustainability of the improvements supported by the project.³³
- 5.2 These risks will be mitigated by a series of activities within the operation, such as updated operational processes, comprehensive risk management, and specialized training.

VI. RESOURCES AND TIMETABLE

- 6.1 The expected preparation timeline includes: (i) distribution of the Proposal for Operation Development (POD) to the Quality and Risk Review (QRR) by July 22nd; (ii) approval of the Draft Loan Proposal (DLP) by the Operation Policy Committee (OPC) on August 29th; and (iii) presentation to the Board of Directors by September 28th, 2022. Approximately US\$90,020 will be used for mission travel and consultancy.

³¹ Retroactive financing must also be in line with the Environmental and Social classification of this operation.

³² See: Risk Matrix.

³³ Sustainability risks beyond the execution period will be mitigated by establishing a SARA (§2.16) with autonomy to pay competitive wages, implement training programs, and prepare a medium-term maintenance plan for ITE systems.

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.

Operation Information

Operation Name	
Fiscal Support Programme to Regain Sustainable Growth	
Operation Number	SU-L1060

Operation Details

Organizational Unit	IDB Sector/Subsector
IFD/FMM	FISCAL POLICY FOR SUSTAINABILITY AND GROWTH
Type of Operation & Modality	Original IDB Amount
LON / ESP	\$50,000,000.00
Environmental and Social Impact Categorization (ESIC)	Disaster and Climate Change Risk Classification (DCCRC)
C	Low
Environmental and Social Risk Rating (ESRR)	
Moderate	
Executing Agency	Borrower
SU-MOF	MINISTRY OF FINANCE  
ESG Primary Team Member	Team Leader
	Gerardo Reyes-Tagle
Toolkit Completion Date	Author
12/04/2022	Tapia Alba, Mauricio Alejandro (Esg Guidance Service)
Applicable ESPSs with requirements	
ESPS 1; ESPS 2; ESPS 10	

Operation Classification Summary

Overriden ESIC	Overriden ESIC Justification
Comments	

Overriden DCCRC	Overriden DCCRC Justification

Comments

Summary of Impacts / Risks and Potential Solutions

The project has no environmental and social impacts and/or risks therefore no Environmental and Social Assessment (ESA) or Environmental and Social Impact Assessment (ESIA) process will be conducted for the project during preparation.

There are no contextual risks associated with the project (e.g. political instability, oppression of communities, armed forces in the project area).

The operation will not have direct impacts associated with child labor or forced labor in the workforce.

The operation will not have significant indirect and/or cumulative impacts associated with child labor or forced labor in the workforce.

The Executing Agency or other relevant entity (in relation to the operation) has a proven track record to respect and protect the fundamental principles and rights of workers (including fair treatment, commitment to non-discrimination, equal opportunity, protection of workers including workers in vulnerable situations, work accommodations, migrant workers' rights, collective bargaining and rights of association) and compliance with national employment and labor laws.

The operation will not result in the direct loss of employment (i.e. retrenchment).

The operation will not result in the indirect and/or cumulative loss of employment (i.e. retrenchment).

The Borrower will prepare and operate a partial Grievance Redress Mechanism for all workers (direct and contracted).

The operation will not cause direct impacts associated with accidents, injury, and attraction disease arising from, associated with, or occurring in the course of work.

The operation will not cause indirect and/or cumulative impacts associated with accidents, injury, and attraction disease arising from, associated with, or occurring in the course of work.

The operation will promote a sustainable use of resources including energy, water and raw materials.

The operation will not have direct adverse impacts on human health and the environment due to pollution from project activities.

The operation will not have indirect and/or cumulative adverse impacts on human health and the environment due to pollution from project activities.

The operation will not generate direct impacts generated by solid waste (hazardous and/or non-hazardous).

The operation will not generate indirect and/or cumulative impacts generated by solid waste (hazardous and/or non-hazardous).



E&S Screening Filter

The operation will not have direct negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of hazardous materials such as PCBs, Radiological Waste, Mercury, CFCs, etc.

The operation will not have indirect and/or cumulative negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of hazardous materials such as PCBs, Radiological Waste, Mercury, CFCs, etc.

The operation will not have direct negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of pesticides.

The operation will not have indirect and/or cumulative negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of pesticides.

The operation is not expected to or currently produce directly GHG emissions.

The operation is not expected to or currently produce indirectly-cumulatively GHG emissions.

The operation is not considering alternatives to implement technically and financially feasible and cost-effective options to avoid or minimize project-related GHG emissions during the design and operation of the project.

The operation has no exposure to climate transition risks related with a loss of value of a project driven by the transition to a lower-carbon economy, result from extensive policy, legal, technology, and/or market changes to address climate change.

There are no direct health and safety risks associated with the design of structural elements or components of the operation (e.g. existing or new buildings, earthworks, bridges, drainage, roadways, power stations, transmission and distribution poles, underground utilities, and dams), and/or road transport activities (e.g. transport of heavy or over-sized equipment) which could result in health and safety impacts to third parties and project-affected people.

There are no indirect and/or cumulative health and safety risks associated with the design of structural elements or components of the operation (e.g. existing or new buildings, earthworks, bridges, drainage, roadways, power stations, transmission and distribution poles, underground utilities, and dams), and/or road transport activities (e.g. transport of heavy or over-sized equipment) which could result in health and safety impacts to third parties and project-affected people.

The project will not directly affect the public (including workers and their families) by exposing them to hazardous materials released by the project, particularly those that may be life threatening.

The project will not indirectly-cumulatively affect the public (including workers and their families) by exposing them to hazardous materials released by the project, particularly those that may be life threatening.

There is no potential for the project or project-related activities (e.g. the influx of temporary or permanent project labor, among others) to directly result in or exacerbate community exposure to water-related (i.e., waterborne, water-based, and vector-borne diseases) and/or communicable diseases (e.g. COVID).

There is no potential for the project or project-related activities (e.g. the influx of temporary or permanent project labor, among others) to indirectly-cumulatively result in or exacerbate community exposure to water-related (i.e., waterborne, water-based, and vector-borne diseases) and/or communicable diseases (e.g. COVID).



The project's direct impacts on priority ecosystem services will not result in adverse health and safety risks and impacts to the project-affected people.

The project's indirect and/or cumulative impacts on priority ecosystem services will not result in adverse health and safety risks and impacts to the project-affected people.

There is no potential for an emergency or unanticipated event to occur in the project area of influence that demands immediate action to prevent or reduce harm to people, property, and/or the environment.

Natural hazards, such as earthquakes, droughts, landslides, floods, wildfires, or others, including those caused or exacerbated by climate change, are not likely to occur in the project area, and there will be no impact the project, and/or the project will not exacerbate the risk from natural hazards to human life, property, and/or the environment.

There is no potential direct impacts to workers and project-affected people related to the use or arrangement of security services to safeguard personnel and/or property.

There is no potential indirect and/or cumulative impacts to workers and project-affected people related to the use or arrangement of security services to safeguard personnel and/or property.

The project will not lead to direct impacts related to land acquisition - Impacts include, and are not limited to, relocation; loss of shelter; loss of land; loss of assets; restrictions on land and natural resources; loss of income; loss of livelihoods; loss of social safety net.

The project will not lead to indirect and/or cumulative impacts related to land acquisition - Impacts include, and are not limited to, relocation; loss of shelter; loss of land; loss of assets; restrictions on land and natural resources; loss of income; loss of livelihoods; loss of social safety net.

Vulnerable people will not be disproportionately affected by direct impacts related to land acquisition - people may be considered vulnerable by virtue of disability, state of health, indigenous status, gender identity, sexual orientation, religion, race, color, ethnicity, age, language, political or other opinion, national or social origin, property, birth, economic disadvantage, or social condition. Other vulnerable people include the elderly, children, single-headed households, refugees, internally displaced persons, natural resource dependent communities.

Vulnerable people will not be disproportionately affected by indirect and/or cumulative impacts related to land acquisition - people may be considered vulnerable by virtue of disability, state of health, indigenous status, gender identity, sexual orientation, religion, race, color, ethnicity, age, language, political or other opinion, national or social origin, property, birth, economic disadvantage, or social condition. Other vulnerable people include the elderly, children, single-headed households, refugees, internally displaced persons, natural resource dependent communities.

The operation doesn't have the potential to directly impact modified habitat that include significant biodiversity value.

The operation doesn't have the potential to indirectly-cumulatively impact modified habitat that include significant biodiversity value.

The operation doesn't have the potential to directly convert or degrade natural habitat.

The operation doesn't have the potential to indirectly-cumulatively convert or degrade natural habitat.



E&S Screening Filter

The operation doesn't have the direct potential to implement project activities in critical natural habitat.

The operation doesn't have the indirect and/or cumulative potential to implement project activities in critical natural habitat.

The operation is not expected to directly impact a legally protected area or an internationally recognized area.

The operation is not expected to indirectly-cumulatively impact a legally protected area or an internationally recognized area.

The project will not directly introduce (intentionally or accidentally) alien, or non-native, species of flora and fauna that have the potential for invasive behavior in areas where they are not normally found.

The project will not indirectly-cumulatively introduce (intentionally or accidentally) alien, or non-native, species of flora and fauna that have the potential for invasive behavior in areas where they are not normally found.

The project is not likely to adversely directly impact ecosystem services.

The project is not likely to adversely indirectly-cumulatively impact ecosystem services.

The project is not expected to cause adverse direct impact on Indigenous Peoples. FPIC is required when there will be (i) impacts on lands and natural resources subject to traditional ownership or under customary use; (ii) Relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use; or (iii) significant impact on Cultural Heritage.

The project is not expected to cause adverse indirect/cumulative impact on Indigenous Peoples. FPIC is required when there will be (i) impacts on lands and natural resources subject to traditional ownership or under customary use; (ii) Relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use; or (iii) significant impact on Cultural Heritage.

Indigenous Peoples are not expected to be adversely impacted by direct project related land-acquisition or access restrictions. Note that all impacts on lands and natural resources subject to traditional ownership or under customary law requires FPIC.

Indigenous Peoples are not expected to be adversely impacted by indirect/cumulative project related land-acquisition or access restrictions. Note that all impacts on lands and natural resources subject to traditional ownership or under customary law requires Free Prior and Informed Consent (FPIC).

The project doesn't have the potential to cause adverse direct impacts on Indigenous Peoples who live in isolation and initial contact.

The project doesn't have the potential to cause adverse indirect and/or cumulative impacts on Indigenous Peoples who live in isolation and initial contact.

The project is not expected to directly damage or negatively impact cultural heritage.

The project is not expected to indirectly-cumulatively damage or negatively impact cultural heritage.

The project is not expected to directly damage or negatively impact critical cultural heritage.



The project is not expected to indirectly-cumulatively damage or negatively impact critical cultural heritage.

The project will not negatively directly affect people due to their gender, sexual orientation or gender identity.

The project will not negatively indirectly-cumulatively affect people due to their gender, sexual orientation or gender identity.

The project is not expected to lead to direct risks and impacts associated with Sexual and Gender-based Violence.

The project is not expected to lead to indirect and/or cumulative risks and impacts associated with Sexual and Gender-based Violence.

The project will not potentially face direct barriers to equitable gender-based participation.

The project will not potentially face indirect and/or cumulative barriers to equitable gender-based participation.

The project will not deal with a subject matter and/or be implemented in an area where the manipulation, interference, coercion, discrimination, and intimidation of stakeholders has been documented.

ESPS 1 - Assessment and Management of Environmental and Social Risks and Impacts

The project has no environmental and social impacts and/or risks therefore no Environmental and Social Management System (ESMS) will be prepared for the operation as defined under ESPS 1.

ESPS 2 - Labor and Working Conditions

The Executing Agency will partially prepare and maintain an Environmental and Social Management System (ESMS) for the operation with specific elements related to Labor and Working Conditions under ESPS 2.

ESPS 10 - Stakeholder Engagement and Information Disclosure

The Borrower will operate a Grievance Redress Mechanism at the Project level (direct and contracted).

ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY

- 1.1 In attention to the new Environmental and Social Policy Framework (ESPF), the operation was classified as Category “C” since no significant negative environmental or social effects are to be expected. Environmental and Social Performance Standards (ESPS) 1, 2 and 10 were triggered and actions will be considered during project design, considering the management system given by the local regulatory framework and the preparation by the borrower of an Environmental and Social Management System (ESMS) in accordance with the scope and nature of the expected impacts and risks associated with the operation.
- 1.2 **ESPS 2 - Labor and Working Conditions:** The Executing Agency will take into consideration for the operation the following norms related to Labor and Working Conditions.
- 1.3 Laws and Regulations. Suriname is member of the International Labor Organization. A large part of the working population in Suriname is employed on the basis of an employment agreement. Employment law can be found in various labor regulations: the Suriname Civil Code; separate Labor laws; the Personnel Act (Personeelswet) for civil servants (the largest segment of the Surinamese workforce); and the minimum hourly wages act. The country has regulations that cover trial periods, termination of employment agreements, notice periods, maximum working hours, minimum wages, annual leave, and right to join a labor union ([VANEPS, 2022](#)).
- 1.4 Safety Standards. Pursuant to article 1614 x of the Suriname Civil Code (Burgerlijk Wetboek), the employer is obliged to do all that is necessary to ensure a safe working environment for his employees. More specific provisions regarding the safety of the work environment of employees can be found in the Safety Act (Veiligheidswet) and secondary regulations derived from the Safety Act ([VANEPS, 2022](#)).
- 1.5 Functioning of the Labor Market. Suriname’s labor market is characterized by high levels of unemployment and informality, with high proportion working in the service sector. In 2017, the unemployment rate was 8.1%, compared to 6.9% for Latin America and the Caribbean (LAC) and 48.9% worked informally -that is, lacked social security (IDB-SIMS, 2021).
- 1.6 The Program and its ESPS strategy. This context represents a challenge in terms of public policies to protect workers, especially those linked to vulnerable groups. The Program seeks to address some of the underlying causes that generate informality, such as lack of skills demanded by employers and lack of information about job opportunities that meet labor and working conditions.
- 1.7 The general objective of the program is to promote employability with emphasis on vulnerable populations such as women. The specific objectives are to: (i) provide jobseekers with skills aligned with the productive sector needs; and (ii) expand the access of jobseekers and employers to labor market intermediation services.
- 1.8 The program will not generate employment per se but will promote training aligned with labor market needs to increase employability and increase access to formal jobs that meet labor and working conditions. Nonetheless, the design of the

program will evaluate: (1) Labor conditions and hiring of personnel for activities related to the operation; (2) Standards of safety and health of workers.

- 1.9 **ESPS 10 - Stakeholder Engagement and Information Disclosure:** The Borrower will operate a Grievance Redress Mechanism at the Project level (direct and contracted).
- 1.10 In consideration of the impact and risk category of the operation (Category C, minimal or no negative environmental or social impacts), the project team will develop a project-level grievance mechanism that will be implemented and operated by the Borrower. To this end, the project team will follow the IDB's internal Grievance Protocol to provide a channel for stakeholders to contact the IDB directly when interested in filing a complaint about the E&S performance of IDB projects. The Grievance Protocol will increase proactive engagement with stakeholders and serve as an "alert system" to identify projects where E&S risks may not be adequately managed by the Borrower.

INDEX OF COMPLETED AND PROPOSED SECTOR WORK

Studies	Description	Progress	References
Diagnostics	Suriname Tax and Customs Administration Diagnostic.	Completed in 2005.	IDB/CARTAC (2005). "Suriname Tax and Customs Diagnostic Study Report Version 2.0".
	Suriname – Report on Public Expenditure and Financial Accountability (PEFA)	Completed in 2015	Not publicly available.
	Report on the establishing of an effective Treasury and Cash Management Unit in Suriname.	Completed in 2016	Gentry, D. (2016). Suriname: Establishing an Effective Treasury and Cash Management Unit
	Institutional capacity of the MOF to execute the investment program	Completed in 2017	Howell, H. (2017). "Fiscal Strengthening for Economic Growth Program (SU-L1050). Institutional Capacity Assessment". IDB. Link
	Technical Assistance Report – Taking stock of Tax and Customs Preparations for Implementing VAT. IMF.	Completed in 2017	Not publicly available.
	2018 Article IV Consultation. IMF Country Report No. 18/376.	Completed in 2018	Link
	Suriname: Selected Issues. IMF Country Report No. 18/377.	Completed in 2018	Link
	2019 Article IV Consultation. IMF Country Report No. 18/376.	Completed in 2019	Link
	Suriname: Selected Issues. IMF Country Report No. 19/392.	Completed in 2019	Link
	Economic Institutions for a Resilient Caribbean. IADB Book. Beuermann W. Diether and Moisés J. Schwartz, B. (ed.) 2021.	Completed in 2021	Link

Studies	Description	Progress	References
	Herstelplan 2020-2022.	Completed in 2021	Link
	Technical Assistance Report – Frey, D. Trkic-Izmirlija, N., Bowen, M. and Owen, C. Suriname: Strengthening Budget Planning and Preparation. IMF/CARTAC.	Completed in 2021	Not publicly available.
	Technical Assistance Report – Cavanagh, J. and Owen, C. Suriname: Accounting and Financial Reporting. IMF/CARTAC.	Completed in 2021	Not publicly available.
	Memorandum of Economic and Financial Policies. IMF.	Completed in 2021	Not publicly available.
	Suriname: Request for an Extended Arrangement under the Extended Fund Facility. IMF.	Completed in 2021	Link
	Suriname: First Review under the Extended Arrangement under the Extended Fund Facility, and Financing Assurances Review. IMF.	Completed in 2022	Link

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.