

**FISCAL STRENGTHENING TO SUPPORT ECONOMIC GROWTH PROGRAM
(SU-L1050)**

**Operating Regulations
Manual**

2017

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Operating Regulations Manual
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ABBREVIATIONS

AGD	Accounting General Department
AW	ASYCUDA World
BD	Budget Directorate
CC	Component Coordinator
DoTC	Department of Taxes and Customs
ESA	Environmental Social Assessment
IDB	Inter-American Development Bank
IFMIS	Integrated Financial Management Information System
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LAC	Latin American and Caribbean
MoF	Ministry of Finance
ORA	Office of Revenue Administration
PA	Procurement Plan
PEP	Pluri-annual Execution Plan
PIU	Program Implementation Unit
PFM	Public Financial Management
PGC	Program General Coordinator
PMR	Progress Monitoring Report
POA	Annual Operating Plan
POM	Program Operations Manual
PPPs	Public Private Partnerships
SAI	Supreme Audit Institution (Rekenkamer)
SBA	Stand-By-Agreement
SC	Steering Committee
SIGTAS	Standard Integrated Government Tax Administration System
ST	Sales Tax
TD	Treasury Directorate
TIN	Taxpayer Identification Number
VAT	Value Added Tax
TSA	Treasury Single Account
WCO	World Customs Organization
WG	Working Groups

FISCAL STRENGTHENING TO SUPPORT ECONOMIC GROWTH PROGRAM OPERATING REGULATIONS MANUAL

I. Objective, Scope and Use

A. Objective, scope and use of the manual

- 1.1 The operating regulations as set forth in this manual complement the norms, as well as the general and specific procedures to be followed in the execution of the Fiscal Strengthening to Support Economic Growth Program ("The Program") to be financed with resources from project SU-L1050, as subscribed by Suriname and the Inter-American Development Bank (IDB) on year 2017.
- 1.2 This manual is to be used in conjunction with the Loan Contract, its Annexes and the Project Document. In cases of discrepancies between the manual or the Project Document and the Loan Contract, the latter prevails.
- 1.3 This manual is designed for use by all participants involved in the execution of the Program, including: officers of Office of Revenue Administration (ORA) and the Ministry of Finance (MoF) beneficiaries Directorates. The manual is also intended for firms and consultants contracted to prepare, design, develop, monitor or review any service or product related to the Program.
- 1.4 All changes to this manual require the IDB Country Office's non-objection. (See Chapter X for the procedures to modify this manual).

II. Program Description

A. Objectives

- 2.1 The objective of the Fiscal Strengthening for Economic Growth (FISEG) program is to support Suriname's efforts to return to a sustainable fiscal path in the medium term through an ongoing reduction of its fiscal deficit. The specific objectives of the program are: (i) increase tax revenue; (ii) improve public expenditure planning and execution; and (iii) improve the quality of public investment while increasing alternative source of funding for investment projects.

B. Components

- 2.2 This single US\$40 million investment loan operation includes the following components and activities:
 - a. **Component 1 – Strengthen revenue administration (US\$22.5 million).** The objective of this component is to revamp the DoTC's institutional organization and support the VAT implementation. It will finance the following activities:
 - (i) **Organizational structure and taxpayer services:** (i) new organizational structure for the Office of Revenue Administration (ORA) prepared and implemented (including the new functions for the VAT); and (ii) Taxpayer Service (TS) function and organization in the ORA created and staffed;
 - (ii) **Internal revenue operations:** (i) new effective TIN system for all taxpayers in Suriname designed and implemented; (ii) integrated tax return (declaration) system for all taxes (including VAT) using modern procedures and methods designed and implemented; (iii) new payment system for all taxes (including VAT)

through the banking system designed and implemented; (iv) stop filing and refund processing procedures and system modernized; (v) tax audit procedures and system based on risk analysis implemented including training existing auditors; (vi) tax arrears collections procedures and system reviewed and modernized; and (vii) tax appeal system and institutions implemented.

- (iii) **Customs operations:** (i) plan for the improvement of customs processes according to the WCO standards prepared and implemented; (ii) customs audit business model reviewed and modernized; (iii) post clearance audit system implemented; (iv) new procedures for the adoption of the VAT developed and implemented; (v) plan for the modernization of the Customs IT implemented; and (vi) operational support for AW customs system implementation.
 - (iv) **Physical infrastructure:** plan for the modernization of the new ORA physical infrastructure implemented, including a new building, updated office space that will meet gender specific needs,¹ telecommunication equipment, and inspections equipment for Customs.
 - (v) **Revenue administration legal framework:** tax legal framework reviewed and updated.
- b. Component 2 – Strengthen the PFM (US\$10.2 million).** The objective of this component is strengthening the budget decision-making process regarding planning, execution and monitoring. It will finance the following activities:
- (i) **Organizational structure:** new organizational structure of key areas (macroeconomic assessment, treasury and procurement) of the MoF developed and implemented;
 - (ii) **Budget planning and execution:** (i) macroeconomic analysis, fiscal and public policy function of the MoF modernized; (ii) budget planning business model reviewed and improved; (iii) treasury operations developed and implemented; (iv) debt management operations and system reviewed and strengthened; (v) procurement system reviewed and strengthened;² (vi) accounting system reviewed and strengthened according to the new IPSAS; (vii) internal control needs assessment and recommendations for improvement prepared and implemented; (viii) SOEs business model reviewed and indicated adjustments implemented; and (ix) internal audit procedures and system reviewed and strengthened;
 - (iii) **Technology infrastructure:** (i) transparency portal for the MoF designed and implemented; and (ii) technological infrastructures of the MoF updated.
 - (iv) **Regarding the Legal Framework:** PFM legal framework reviewed and updated.
- c. Component 3 – Strengthen the public investment system (US\$3.2 million).** The objective of this component is to strengthen the public investment strategy to prioritize and rationalize investment projects based on Value for Money. It will finance: the design and establishment of a PI and PPPs Unit including the business model, management system and training for existing MoF personnel in formulating,

¹ The project will execute a survey among staff members to find possible gender specific needs that will be introduced in the new physical infrastructure to support staff productivity.

²This activity takes into consideration the Bank's Office of Evaluation (OVE) recommendation to enhance fiduciary oversight of investment loans procurement. See RE-493-1.

executing, monitoring and evaluating investment projects; and (ii) implementation of an operational plan and funding for planning, pre-investment and feasibility studies in public infrastructure and PPPs including training for MoF personnel.

- d. Component IV. Administrative Costs.** While not formally a separate activity, this “component” includes the Program’s administrative costs and funding for strengthening the support areas of the four participating entities so that they will be able to provide better service at a lower cost to the technical areas. This component also includes funding for the PIU to carry out monitoring and evaluation activities and for the annual external audit.

C. Executing Agency and Beneficiary

- 2.3 The borrower will be the Republic of Suriname. The governmental entity responsible for implementing the program will be the MoF through the Office of the Minister of Finance (OMF). A Project Implementation Unit (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 delegate the operational responsibility for supervision and oversight of program activities to the chief of the PIU. In addition, a Steering Committee (SC), consisting of MoF staff representatives from tax administration, customs, OMF, and budget planning will be created to strengthen the coordination between units in the MoF³.

D. Cost and Financing

- 2.4 The program will be financed by a specific investment loan from the Bank with a total value of US\$40 million. The program costs are divided according to Table 2.1. Program Costs and Financing.

Table 2.1. Program Costs and Financing (US\$)

Categories	Bank	%
1. Direct Costs	35,997,588	89.99
Component I. Strengthen the revenue administration	22,579,118	56.45
Component II. Strengthen the PFM	10,250,202	25.63
Component III. Public Investment Strengthening	3,168,268	7.92
2. Administrative Costs	1,992,080	4.98
Chief of the PIU	244,800	0.61
Financial Expert	221,760	0.55
Procurement Expert	221,760	0.55
Monitoring Expert	221,760	0.55
Evaluation Expert	170,000	0.43
Audit and Evaluation	220,000	0.55
Consultancies to support the execution	692,000	1.73
Contingencies	2,010,332	5.03
Total	40,000,000	100.00

- 2.5 In accordance with document AB-2990, disbursement of the loan proceeds will be subject to the following maximum limits: (i) up to 15% in the first 12 months; (ii) up to 30% in the first 24 months; and (iii) up to 50% in the first 36 months, in all cases as of the

³ The Minister of Finance will be the chair the SC. 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 POA 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.

date of loan approval by the Bank's Board of Executive Directors. These limits may cease to be applicable if the requirements set by Bank policy with respect to the limits are satisfied, provided the borrower has been notified in writing.

Table 2.2. Disbursement Timetable (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	4,550,818	6,480,892	8,414,713	12,753,097	7,800,480	40,000,000	100.00
%	11	16	21	32	15	100	

III. Organization, Functions and Responsibilities for Program Execution

A. Organization

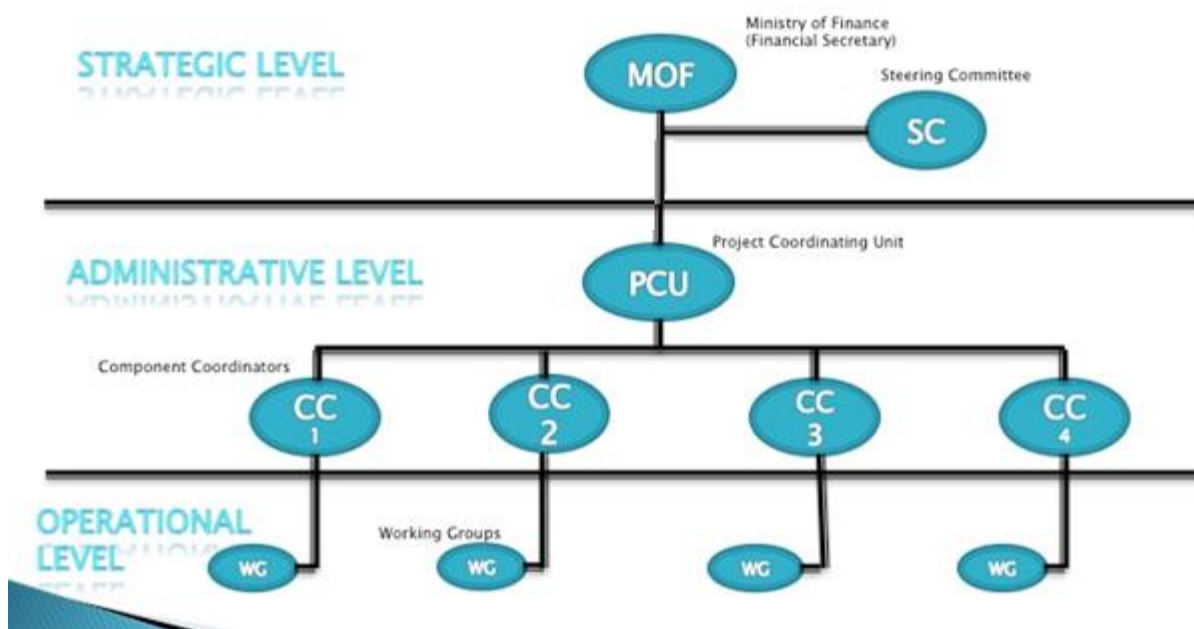
- 3.1 The Program is organized as follows: (i) the Head of the project (HP) and (ii) a Steering Committee at the strategic level; (iii) a Project Implementation Unit (PIU) and Component Coordinators (CC) at the operational level; and (iv) the Working groups (WG) at the operational level. The Ministry of Finance (MOF) is designated as the executing agency. (See Figure 1)
- 3.2 The HP and the SC organized at the level of the MOF will oversee the execution, providing strategic direction and support to the Programme through the review of progress reports and the Annual Plan of Operations (APO). The Steering Committee consists of representatives from the Ministry of Finance and ORA. The Financial Secretary or designate will chair the Steering Committee. The HP will be a permanent member of the SC, and the Head of the PIU (Coordinator) will act as secretary of the SC with voice but no vote.
- 3.3 The PIU will be headed by a coordinator and will consist of three small units: a Technical Unit (one professional and one assistant), a Procurement Unit (procurement specialist), an Accounting Unit (one senior accountant and one junior) and a Monitoring and Evaluation Specialist. The PIU's specific responsibilities will include: (i) coordinating and supporting the preparation of the POAs; (ii) preparation of budgets, project accounting, and preparation of request to replenish the program funds; (iii) preparation of annual procurement plan for the program and the procurement of goods and the contracting of services for the program; (iv) coordinating the preparation of technical reports and preparing periodic and end of year financial reports; (v) monitoring of program's activities progress and analyzing variances of actual results against plans; (vi) contracting the external auditor and ensuring-through the MOF the application of the external audit or recommendations; and (vii) serving as a liaison for the program with the Bank.
- 3.4 The Program contains activities that would benefit and involve the participation in the execution of the Program of the following entities: (i) ORA; (ii) Budget Directorate (BD); (iii) Treasury Directorate (TD); (iv) the Accounting General Directorate (AGD). In addition; Supreme Audit Institution (SAI); and the new PPP Unit (PPPU), the PIU team will work with the AGD to execute the centralization of payments. In each of these entities or other entities participating in the technical execution of the Program a Component Coordinator will be designated. For each major activity or group of smaller activities in the respective entity a Working group will be organized that will be responsible for the execution of the specific activity. A leader will head each Working Team. Through the respective Component Coordinator, each WG's leader will agree with the PIU how his/her program activities are to be carried out by the team. The WG's will have primary responsibility for implementing this plan and will be accountable through the CC to the

PIU for meeting all quantitative, qualitative and timeline targets. Figure 1 below provides a graphical representation of the Program execution scheme.

- 3.5 The Ad-hoc Technical Committees are composed of personnel called to participate for specific topics at the discretion of the Director General / Advisor – Focal Point to the Ministry (See Figure 1).

Figure 1

The Execution Mechanism



B. Steering Committee (SC) Functions and Responsibilities

- 3.6 While the specific working rules for this committee will be periodically reviewed by its members, the Committee will function subject to the following general rules:
- The Committee is chaired by the Financial Secretary
 - The head of the PIU (Coordinator) acts as Secretary of the Committee on a permanent basis, with a voice, but without a vote.
 - The Committee meets at least once every six months, and more often if necessary.
 - The HP can call for extraordinary sessions of the Committee, if so required.

- e. To have a quorum, the Committee requires that at least three of its members be present at the session, one of which must be the representative from the Ministry of Finance.
- f. The decisions of the Committee require a simple majority. In the case of a tie, the HP can vote to break the tie.
- g. All decisions and proceedings of the Committee are to be recorded in minutes.

3.7 The Committee's responsibilities are:

- a. To review and approve the Annual Plan of Operations (POA).
- b. To review and approve the progress reports prepared by the Project Implementation Unit before the reports are sent to the IDB.
- c. To review and approve changes in objectives, strategies and components before those changes are presented to the IDB for non-objection.
- d. To review the annual audit reports to the program's financial statements before their submission to the IDB
- e. To review and approve the Program's mid-term and final reports to be prepared by the PIU before its submission to the IDB

C. Project Implementation Unit Functions and Responsibility

3.8 The PIU has the following responsibilities:

- a. To act as a liaison with the IDB for all matters related to the Program and to be responsible for monitoring and controlling the compliance of the Program's contractual clauses and requirements. To this end, all documents, technical or administrative, to be sent to the Bank, including all requests for disbursements, procurement of goods or contracting of services, technical support, etc. should be channeled through the PIU.
- b. To prepare and to get the approval from the SC before forwarding to the Bank the following documents: (i) the Annual Operating Plan (POA) and the Financial Plan (to be updated at least semi-annually); (ii) the semiannual Progress Reports; (iii) the Mid-Term and Final Program Evaluations; (iv) the data collected during the year to measure program performance indicators against baseline data; and (v) the Annual Procurement Plan, prepared as a part of the APO. These documents must be prepared, when applicable, with the participation of the Working groups.
- c. To monitor the indicators of progress and performance in the Logical Framework, analyze variances and causes and implement adjustments to reach planned objectives.
- d. To coordinate with the Loan Administration Monitoring and Disbursements (LAMDD) Unit – or successor Unit (within the Economics Division) MOF the annual budgetary assignment for the Program and the availability of resources to cover Program expenses. To coordinate the processing of justification of advance of IDB funds together with the four beneficiary (participating) agencies
- e. To ensure the consistency of plans with budgetary resources in the process of preparing, jointly with the Working groups, the POA.
- f. To prepare the Annual Procurement Plan for the Program and process the procurement of goods and the contracting of services for the Program.

- g. Jointly with the Financial Services Directorate, LAMD will carry out the financial administration of the Program. This function includes the following responsibilities:
 - (i) To develop and maintain the Program's accounting system and provide the financial information required by the Bank.
 - (ii) To maintain within the accounting system a set of accounts to control and account for the movement in the Special Account for the Project and present to the IDB the semiannual statements for this Fund.
 - (iii) To monitor and report on the Program's budget and physical execution.
 - (iv) To prepare and present to the IDB the requests for the advanced of funds and subsequent justification for renewals.
 - (v) To carry out the payment function for the Program's expenses.
 - (vi) To repair the annual financial statements.
- h. To carry out the procurement activities for the Program. This function entails:
 - (i) Preparing the consolidating annual procurement plans, ensuring that they reflect the specific annual plans prepared by the Working groups for their units and the procurement plan agreed with the IDB for the Program.
 - (ii) Receiving the request for goods and services from the Working groups and processing these requests after ensuring such good and services agree with the procurement plan agreed with the IDB for the Program and that the specifications and Terms of Reference are clear and complete.
 - (iii) Identifying consultants, preparing short lists, bidding documents and contracts for consulting services, procuring goods and hiring consultants.
 - (iv) Processing the payment for goods and consulting services after obtaining the clearance from the Working groups or the Beneficiary Units certifying that goods and consulting services were satisfactorily received.
 - (v) Ensuring that physical assets acquired by the Program are properly recorded into PIU Inventory and Accounting records.
 - (vi) Participating at the Procurement Committee within MOF for the selection of goods and consultants.
 - (vii) Organizing the start-up workshop for the program jointly with the IDB, and the annual review meetings to be attended by the PIU personnel involved in the execution and representatives from the Ministry of Finance and the IDB.

D. The Working groups (WG)

- 3.9 As pointed out in section 3.4, each of the four participating entities will form WGs to carry out the program execution activities applicable to the respective entity. In this connection, each WG has the following responsibilities:
- (i) To prepare, in cooperation with the PIU, the Annual Plan of Operations and Annual Procurement Plan for the part of the Program related to their units.
 - (ii) To prepare or review and adjust the Terms of Reference and/or technical specifications for the procurement of goods and/or contracting of consulting services.

- (iii) To review and render opinions, as required, on the qualifications of consultants short-listed.
- (iv) To monitor the progress and quality of consultancies, and to review and approve the consultants' final reports, ensuring that progress follows established plans and specifications, and reporting to the PIU any variances.
- (v) To implement end products resulting from the program and contribute to the dissemination of knowledge gained through the program.

IV. Program Planning

- 4.1 The PIU is responsible for the planning, monitoring and reporting on the performance and progress of Program execution. The PIU will also support and participate in the Program's evaluation activities
- 4.2 The Planning of Program activities is centered on the preparation of the POA, which is the principal instrument for the planning, monitoring and evaluation of the Program's activities. Monitoring and evaluation activities are discussed in Chapter VII of this Manual.

A. Annual Operating Plan

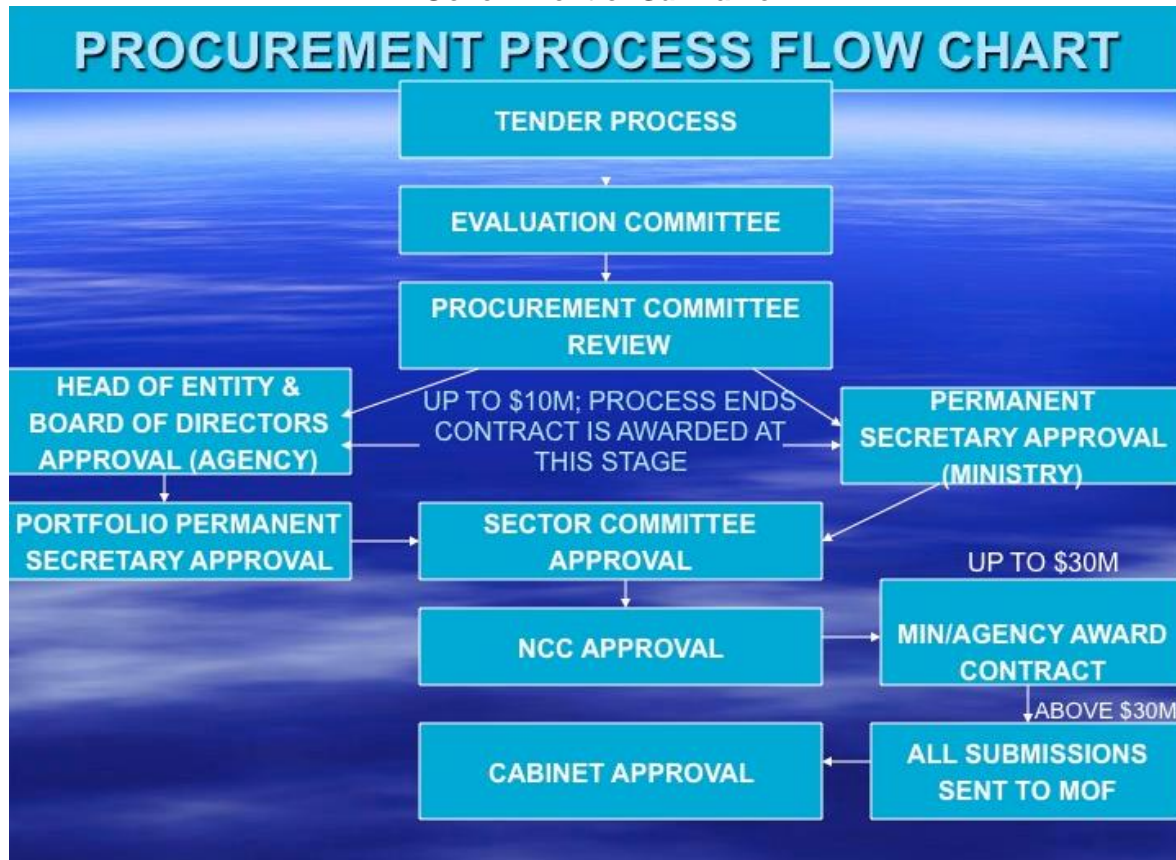
- 4.3 The POA is a tool that organizes the activities to be conducted during a year. It is based upon the goals and objectives specified in the Loan Agreement and the Project Report documents, but the POA provides a finer level of detail than those documents and includes the updated budget and timelines for the activities and tasks, reflecting the cumulative lessons learned during the Program's execution.
- 4.4 The Annual Operating Plan will be developed with the close participation and input from the specific units in each of the four entities (ORA, BD, TD, SAI and AGD) involved in the Program's execution. The Annual Plan requires the approval of the SC and non-objection of the IDB.
- 4.5 The POA will be prepared using a participatory process involving the PIU and the units involved in the Program's execution (see preceding paragraph). The Program Coordinator of the PIU is responsible for leading and coordinating the preparation of the POA. The PIU will help the participating units in the preparation of the annual plans corresponding to each unit and will consolidate these plans into one.
- 4.6 The contents of the POA will include at minimum the following information:
 - a. **Introduction:** A statement of the purpose of the document together with a concise description of the general aspects of the Program to be executed in the year.
 - b. **Analysis of Previous Year's Execution:** Beginning with the second Annual Operating Plan, there should be an analysis of the previous year's execution, including: (i) a comparison summary of planned and actual physical and financial quantitative goals by the Program activity; and (ii) a brief explanation of the reason for the variation between planned and actual goals.
 - c. **Objectives and Goals of the Plan:** This section should present the general and specific objectives and goals related to the Program Report, the Loan Agreement, the Program's Results Matrix, and the detailed cost tables in Annex 3. The setting of goals should be realistic and based on the execution capacity to date. Precise, measurable, quantitative goals should be set.

- d. **Description of Activities:** The activities that will be carried out during the year should be presented in a clear and concise format organized by component and activities. The methodology that will be used to implement the activities should be explained, including the identification of the institutions and individuals involved in the execution of the activities and their corresponding responsibilities during execution. The resources budgeted for each activity (person days and cost) should be identified. Any factors that might jeopardize the successful achievement of stated goals should be identified and the actions that will be taken to help mitigate those factors should be briefly described.
- e. **Chronogram of Activities:** A chronogram of activities should be presented, showing the expected beginning and ending date for activity and a monthly or quarterly level of detail for the year. Gantt Charts can be used for this purpose.
- f. **Financing and Procurement:** Quarterly financial disbursement tables should be presented by Subcomponent. The source of financing (IDB or GoS or another donor) should be indicated. A procurement plan including: (i) the cost of goods and services that will be acquired during the year, (ii) type of procurement; (iii) timing of the procurement; and (iv) the entity responsible for the execution of the procurement will be presented (while the PIU is ultimately responsible for all of the procurement activities of the Program, in certain instances the procurement of information technology equipment and software as well as the costs of the workshops and didactic and supportive materials for certain Program activities may be bundled into consulting contracts).
- g. **The Monitoring and Evaluation Plan for the program is specified in required link 3 of the POD/Loan proposal.** The specific monitoring and impact indicators corresponding to each of the activities programmed for the year will be presented, referring to the Results Matrix as well as the Chronogram of Activities. The source of information or form of collection of the data corresponding to each indicator should be identified.

V. Procurement Procedures and Guidelines

- 5.1 The procurement of goods and services and the contracting of consulting services are to be carried out in accordance with the procedures stipulated in the procurement policies of the Bank. These procedures are included in Annex B of the Loan Contract for the procurement of goods and services; and the Bank policy document GN-2239-7 procurement of goods and works, GN-2350-7 selection and contracting of consultants (individuals and firms) financed with IDB resources. See also www.iadb.org/procurement.
- 5.2 International competitive "bidding is to be used for procurement of goods and services of US\$ 350,000 and over and local competitive procedures may be used for lesser amounts, provided they do not conflict with Bank policies. For the contracting of consulting services, international competitive bidding is to be used for contracts with an estimated value of US\$ 200,000 and over.
- 5.3 Project procurement will also have to conform to GoS rules and regulations, as demonstrated in the following diagram.

Figure 2
Government of Suriname



VI. Financial Administration

A. Financial Plan

- 6.1 **Definition:** The project financial plan is “An instrument generally coordinated with the PEP and the POA (which includes the Procurement Plan), allowing the planning and monitoring of project funds flows. The HP should be prepared at the outset of the project and updated as the project is executed, reflecting the project’s actual liquidity needs.”⁴

B. Bank Accounts Advance of Funds and Payments

- 6.2 The loan resources are managed under the concept of an Advance of Funds. Under this concept, the Bank will provide an Advance of Funds based on liquidity needs as identified in the updated Project Financial Plan. The Bank will consider additional advanced after the review and approval of the justification of the prior advance.
- 6.3 The resources of the Advance of Funds are kept in a dedicated account at any local commercial bank or the Bank of Suriname (Central Bank), as per the GOS financial procedures for projects financed by multilateral agencies. The PIU is responsible for the preparation of Advance of Funds justifications. (see paragraph below).
- 6.4 Program payments are to be made using the commercially available Free Balance software. Certification of receipt of goods and services is to be done by the WG. The

⁴ IDB Project Disbursement Guide p. 18

voucher payments are prepared and paid by the PIU. Budgetary control is to be done by the AGD or successor unit within the MOF.

C. Justification of Advance of Funds

- 6.5 The justification is a process whereby the borrower shows that the resources of the advance of funds have been properly used for eligible project expenses. "As a general rule, the Bank does not require the justification to be accompanied by supporting documentation for the expenses or payments made (i.e., original receipts or photocopies thereof).⁵ The Executing Agency (PIU) is responsible for keeping the required records and maintaining the originals of all supporting documentation, with adequate cross-referencing to the applicable approved requests, in accordance with the Bank's document retention policy"⁶ Justifications are to be presented to the Bank once 80% of the advance of funds has been expended.

D. Alternative Payment Modalities

- 6.6 In addition to Advance of Funds, the Bank offers the following three payment modalities:

E. Direct Payments

- 6.7 **Definition:** "Payments made by the Bank to suppliers or contractors on behalf of the PIU for eligible goods and services of foreign or local origin, for project execution"⁷⁸ The executing agency can request the Bank to make direct payment if the circumstances so warrant.

F. Reimbursement of Eligible Expenses

- 6.8 **Definition:** "The Bank reimburses the PIU for payments it made for eligible expenses incurred charged to the project."⁹

G. Reimbursement against a letter of credit

- 6.9 **Definition:** "Reimbursements made by the IDB to a commercial bank for payments made to a supplier or contractor for goods and services (of foreign origin) within the framework of a letter of credit guaranteed in advance by the IDB."¹⁰

H. Accounting

- 6.10 Accounting for the Program is the responsibility of the PIU through its Accounting Unit. The AGD unit within the MOF renders technical support to the PIU in the review and updating of the accounting system and in the establishment and strengthening of financial accounting controls, including the development and updating, when necessary, of the programs accounting manual.

⁵ Supporting documentation includes accounting receipts, canceled invoices, receipts for fees, legible canceled checks, customs duties certificates, certificates of works, employment contracts, shipping, unloading, and storage documents, receipt reports, and any other payment support document acceptable to the Bank. In exceptional cases, the Bank may request certain original documentation.

⁶ IDB Project Disbursement Guide p. 5, paragraph 22

⁷ In the case of direct payments to local contractors or suppliers, differences may arise between the amount in local currency used to estimate the equivalent disbursement in the currency of the operation and the amount in local currency received by the beneficiary, because of the conversion made by the commercial bank. Such differences are the sole, exclusive responsibility of the beneficiary.

⁸ IDB Project Disbursement Guide p. 2 note C

⁹ IDB Project Disbursement Guide p. 2 note B

¹⁰ IDB Project Disbursement Guide p. 2 note D

- 6.11 The accounting system is maintained in both US and Surinamese currencies and should permit the timely registration of transactions in accordance with generally accepted accounting principles. The accounting system should provide the information to: (i) permit the verification and audit of the transactions; (ii) prepare the periodic and yearend financial statements; (iii) permit the identification of the category of investments and sources of financing; (iv) facilitate the identification of goods and services acquired through the program; and (v) determine the cost on specific investments of products and the financial progress of activities and components. The basic financial statements to be produced by the System are the "statement of Cash Received and Disbursement Made" (Annex 4) and the "Statement of Cumulative Investments" (Annex 5). When these statements are prepared on a cash basis the corresponding note should be included in the auditor's report.
- 6.12 The Statement of Cash Received and Disbursement Made present amounts at the beginning of the fiscal year, for the current year and cumulative amounts since the beginning of the project and cash used in its execution. The amounts should be classified according to; (i) funds financed by the Bank; (ii) funds financed by the local counterpart; and (iii) other contributions, if any. A reconciliation of these amounts with those presented in the Statement of Cumulative Investments must be included, either as a part of the statements or separately.
- 6.13 The Statement of Cumulative Investments presents the amounts at the beginning of the fiscal year, amounts for the current fiscal year, and cumulative amounts through the end of the fiscal year broken down by category and subcategory of investment, as shown in the Program's Cost Table in annex A of the Loan Contract. These amounts should be classified according to; (i) funds financed by the Bank; (ii) funds financed by the local contribution; and (iii) other contributions, if any. The amounts in this statement must be consistent with those previously reported to the Bank in the project progress reports. In the case of differences, a reconciliation of the amounts with an explanation of the differences must be included.

VII. Supervision, Monitoring and Evaluation

A. Inspection and Supervision

- 7.1 The Bank carries out inspection and supervision visits to assess the progress of the whole Program or of any of its components or activities. The Bank programs these visits with the frequency it considers necessary. The PIU, and other personnel involved in project execution, is required to assist the Bank in the arranging these visits. In case the Bank identifies Program activities not in conformity with policy or regulations, the Bank can suspend the disbursement of funds, stop the program and even request the reimbursement of funds already disbursed.

B. Monitoring and Evaluation

- 7.2 Program's monitoring is carried out through the following instruments: (i) the APO; (ii) Bi-Annual Technical and Financial Progress Reports; (iii) The Logical Framework; and (iv) the database containing the indicators and benchmarks to assess progress and results in the Program. During execution, the Bank may include other monitoring instruments it deems necessary. The Program includes a Mid-Term Evaluation and a Final Evaluation.

- 7.3 Once a year, on a date to be determined jointly, the PIU and the Bank will carry out annual reviews of Program execution. Based on information provided in the above-named instruments, the review will assess the overall execution during the previous year, including a comparison of specific program achievements with the indicators in the results matrix, an evaluation of the effectiveness of program management, with emphasis in the procurement function, a comparison of actual versus planned expenditures, an identification of issues affecting execution and of solutions required for the upcoming year. Beginning with the second year of the program, the annual reviews are to include the evaluation of the POA.
- 7.4 During project execution, the PIU will present semiannually Program Progress reports with information regarding disbursements, project implementation progress, status of indicators or benchmarks, and a brief description of program status, including an assessment of problems that affect project execution and identified solutions. (See paragraph 8.03)
- 7.5 After 30 months from the start of the Program, or when approximately 50% of the loan resources have been committed, whichever comes first, a mid-term review is to take place. This review, to be carried out with the help of an independent consultant financed with loan resources, will assess project performance in relation to goals, indicators and benchmarks. To ensure the assessment of specific aspects considered important, the Terms of Reference for the consultant will be jointly prepared by the PIU and the Bank, during the annual review meeting prior to the midterm review.
- 7.6 The final evaluation, to be also carried out with the help of an independent consultant, is to take place prior to the last disbursement of loan resources. This evaluation is to be carried out using a methodology agreed with the Bank will assess the degree of goal accomplishments and their impact, the program shortcomings and successes and draw lessons that could be applied in other programs. The specific terms of reference are to be prepared jointly by the PIU and the Bank at the annual review meeting prior to the final evaluation.

VIII. Reports

- 8.1 The following paragraphs present the reports to be submitted to the Bank.
- 8.2 **Annual Operating Plan (POA):** See Chapter IV, Section 1. The Plan is to be presented to the Bank's Country office prior to starting the budgetary process at the PIU, so that any necessary program funding for the Program be requested and included in the Government annual budget. The POA includes the presentation of the Annual Procurement Plan.
- 8.3 **Semiannual Progress Reports:** These reports are to be submitted to the Country Office twice a year: the first covering the first six months of operations and the second covering the whole year. The latter is to be presented together with the POA to facilitate the end-year evaluation of operations and the planning of operations for the upcoming year. The following information should be a part of these reports:
 - a. **Development Objectives:** An analysis of the progress toward reaching the program development objectives taking as the basis for the analysis the indicators for Goal and Purpose established in the Result Matrix, and the level of attainment as shown

in the latest POA. An analysis of variances and planned solutions for deviations should be included.

- b. **Components and subcomponents (Outputs):** An analysis of the level of attainment of the goals for components and subcomponents as compared with the indicators of outputs presented in the Result Matrix, and with the cumulative results presented in the latest POA. An analysis of variances and planned solutions for deviations should be included.
- c. **Activities:** A comparison, either numerical or graphical (Gantt chart), of the level of cumulative execution of activities in relation to initial plans and plans in the current year POA. An analysis of variances and planned solutions for deviations should be included.
- d. **Administration and/or Management problems:** Information should be provided on any type of difficulties in the administrative/management area that constrain the normal execution of the program. Special emphasis should be given to the time it takes to procure goods and to contract services. Planned solutions to problems identified should be included.
- e. **Assumptions:** The continuing validity of initial assumptions should be analyzed, with view to mitigate unfavorable developments that may have negative effects on attainment of project goals or purposes.
- f. **Organization for Program execution:** Any changes in the original design of organization or structure for program execution should be reported and the reasons for those changes should be justified.
- g. **Outstanding contractual conditions:** A list of outstanding contractual conditions should be included with overdue dates for compliance, giving reasons for non-compliance and plans to comply.
- h. **Financial Execution:** This information will be presented following the format of the financial statements (paragraphs 6.07 and 6.08). The first report will contain financial information for the first six months, and the second the cumulative financial information for the whole year.
- i. **Procurement of Goods and Services:** A comparison of planned vs. actual levels of procurement for the year, with an analysis of variances and reasons for deviations
- j. **Special Topics:** Any topics that in the view of the PIU should be brought to the attention of the Bank for joint consideration.

8.4 **Advance of Funds Statements:** *See paragraph 6.02. These statements are presented to the Bank's Country office every six months. They present a summary accounting of inflow, outflow and balance of the Revolving Fund and a reconciliation of the balance in the Fund to the Central Bank cash account balance for the Advance of Funds.*

8.5 **Program's Financial Statements:** See paragraphs 6.06 to 6.08 and paragraph 9.02. These statements are presented to the Bank annually, duly audited by an independent firm of certified public accountants.

8.6 **Other reports:** Should the Bank find it necessary, it may request any other reports in addition to those in the previous paragraphs.

IX. External Audits

9.1 An external auditor is to be contracted to undertake an external operational and financial audit of the Program. The procedures to be followed for procurement of these auditing services are described in the documents, "Bank Policy on the *Audit* of Project and Entities, Document AF-100 (Rev. II-03)", Disbursements and External Audits Office

(ROS/DAU), Washington, D.C.; and "Procurement of Audit Services: Bidding Documents", Disbursements and External Audits Office (ROS/DAU), October 2000, Version No. 2". A general terms of reference for external auditors is provided in the document, "Terms of Reference for External Audits of Bank-Financed Projects, AF-400 (Rev. II-03)". These documents are available at the Bank's Country Office.

- 9.2 The Government of Suriname as borrower, with the support of the MOF and the PIU, must present annually to the Bank during the period of project execution and within 120 days after the end of the fiscal year the program financial statements duly audited by a certified public accounting firm, acceptable to the Bank.
- 9.3 In addition to the normal examination to the Program's financial statements, the scope of work for the external auditors includes: (i) an assessment of the system of internal controls established for the Program; (ii) an assessment of the compliance of the contractual conditions included in the Loan Contract; (iii) an assessment of the compliance with the regulations included in this manual and on the needs to update this manual, if conditions so require; (iv) an examination of a sample of procurement and contracting transactions to evaluate compliance with Bank's requirements, and delays, if any, in the process of procuring and contracting goods and services; (v) an examination of a representative sample of the request for funds replenishment to the Bank and of the supporting expenditures; and (vi) an examination of the revolving fund.
- 9.4 The external auditor should be provided with copies of the APOs for the year and of the semiannual progress reports.

X. Procedures for Modification of the Manual

- 10.1 To be a useful tool and point of reference throughout the Program's entire period of execution, it may be necessary for this Operating Manual to be refined and updated in light of the experience obtained during program implementation. While the applicability of this Manual will be a topic of the annual review meetings, it is the responsibility of the MOF, through a delegation to the PIU Coordinator, to ensure that this Manual is kept up to date.
- 10.2 The PIU's Program Coordinator is responsible for ensuring that the Operating Regulations are adhered to. It is the responsibility of the PIU to thoroughly review the Operating Regulations Manual and provide recommendations to improve it. As the Working groups are also responsible for understanding the relevant sections of the Manual, they should act as an additional source of recommendations for improvements.
- 10.3 All recommendations for the modifications to the Manual should be sent to the Program Coordinator, who will maintain a file of the recommended changes indicating the source of the recommendation and the date of receipt. The Program Coordinator will review all recommendations and will be responsible for forwarding recommended changes to the SC, and after SC approval to the Bank's Country office. Changes in format and/or style do not require approval. All modifications involving procedural changes will require the approval of the MOF and the no-objection of the Bank's Country Office.
- 10.4 This Manual includes both operating regulations as well as guidelines. These comprise the main body of the document, namely Chapter I to X, as well as Annexes 1 through 6. Any change to the contents of these chapters and annexes requires the approval of the SC and the non-objection of the Bank's Country Office.

- 10.5 Any time that modifications are made to this Manual, a new version should be circulated, indicating the date of version on the cover the document and on the footer of each page. Notice of these modifications should also be sent to the Program's External Auditor.