



# Board of Executive Directors

## Short Procedure

Expires on 5 August 2020

PR-4484-1  
29 July 2020  
Original: English  
**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors

**From:** The Secretary

**Subject:** Suriname. Proposed reformulation of the "Fiscal Strengthening to Support Economic Growth Program" (4112/OC-SU), approved by Resolution DE-23/17, to Finance the Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Suriname

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**Remarks:** This operation is distributed as per the terms of Resolution DE-27/20, "IDB Governance Response to the COVID-19 Pandemic Outbreak", approved by the Board of Executive Directors on 7 April 2020, whereby all operations for COVID-19 preparedness and response shall be submitted for the approval of the IDB Board of Executive Directors by Short Procedure.

The Executive Directors are requested to inform the Secretary in writing with copy to "**SEC-EXE**", no later than **5 August 2020 at 5:30 p.m.**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors and a record to that effect will be made in the minutes of a forthcoming meeting.

**Reference:** PR-4484(6/17), DE-23/17, GN-2996(3/20), GN-2996-4(4/20), DE/27/20,



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **SURINAME**

**PROPOSED REFORMULATION OF THE  
FISCAL STRENGTHENING TO SUPPORT ECONOMIC GROWTH PROGRAM (4112/OC-SU)  
FOR THE FINANCING OF  
SUPPORT TO SAFETY NETS FOR VULNERABLE POPULATIONS AFFECTED BY  
CORONAVIRUS IN SURINAME  
REFORMULATION PROPOSAL**

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ABBREVIATIONS	
AKB	Child Allowance
AOV	Elderly Allowance
ESMR	Environmental and Social Management Report
FBMMEB	Support for Disadvantaged Persons with Disabilities
FBZwHH	Support for Poor Households
GDP	Gross Domestic Product
GOS	Government of Suriname
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
PAHO	Pan-American Health Organization
PMR	Progress Monitoring Report
SRD	Surinamese Dollar
SPF	Safeguard Policy Filter
SPRP	Strategic Preparedness and Response Plan
SSF	Safeguard Screening Form
UIS	Update to the Institutional Strategy
WHO	World Health Organization

## **I. PROGRAM BACKGROUND AND PROGRESS**

### **A. Purpose and request of the Government for the reformulation of the Program 4112/OC-SU**

- 1.1. In response to the Government of Suriname's request ([OEL#2](#)), the Bank is seeking the Board of Executive Directors approval to reformulate the Fiscal Strengthening to Support Economic Growth Program (FISEG - 4112/OC-SU) and reorient US\$20 million of the undisbursed funds to support Safety Nets for Vulnerable Populations Affected by Coronavirus in Suriname.

### **B. Background**

- 1.2. **Fiscal Position in Suriname.** A general problem faced by Suriname over the last decade (2010-2020) has been its asthenic fiscal stance that stunts economic growth, which is accentuated by the country's vulnerable position to external macroeconomic conditions. In the period 2010-16, declines in the prices of the leading commodity exports eroded the country's fiscal position due to dwindling tax revenues, and a mounting public expenditure<sup>1</sup> that led to a spiraling public debt, which increased from 19% to 68% of GDP. In response to the fiscal situation, the authorities launched in 2015 an adjustment program by reining in spending and increasing tax revenue to cut the budget deficit. Measures included the purging of past government expenditure arrears equivalent to 3.8% of GDP in 2015 and the reduction of electricity tariff subsidies.
- 1.3. To support the Government's effort to regain fiscal sustainability and economic growth, the Bank approved the US\$40 million FISEG program in June 2017. The program's objective was to support Suriname's efforts to achieve a more efficient tax collection and to improve the quality of expenditure through a more reliable public expenditure management control, including budget monitoring and evaluation by the Ministry of Finance and Planning.<sup>2</sup> Its specific objectives were to: (i) increase tax revenues; (ii) improve public expenditure planning and execution; and (iii) improve the quality of public investment while increasing alternative sources of funding for investment projects. The program had three components: (i) strengthen the revenue administration; (ii) strengthen the public financial management; and (iii) strengthen the public investment system.

### **C. The FISEG progress**

- 1.4. As of July 2020, the program had disbursed US\$13.97 million (35 percent of the original approved amount) and had an undisbursed balance of US\$26.03 million. The program is currently reported as satisfactory under the Bank's Progress Monitoring Report (March 2020). The progress reported by component is as follows:
- Component 1. Strengthen the revenue administration. Two crucial outputs are already underway: (a) the implementation of the Standard Integrated Government Tax Administration System; and (b) the acquisition of a building

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<sup>1</sup> Up from 25% to 32% of GDP in the period 2010 to 2015.

<sup>2</sup> Formerly named Ministry of Finance.

that will accommodate the new home of the tax administration headquarters. Combined, these activities will contribute to a more efficient tax collection.

- Component 2. Strengthen Public Financial Management. Only one output has been implemented (Virtual Private Network for the Ministry of Finance and Planning).
- Component 3. Strengthen the public investment system. No activity has yet been implemented.

1.5. **Proposed changes.** The amount to be reoriented to support Suriname's safety net is US\$20 million (50 percent of the original approved amount). Table 1.1 displays the original and reformulated budget, by component.

**Table 1.1 Description of change (US\$)**

No.	Components	Current budget	Reformulated budget	Reduction of the budget
<b>Direct Costs</b>				
<b>1 Component 1: Strengthen the Revenue Administration</b>				
1.1	New Organizational Structure (OS) of the revenue administration implemented	489,430	81,434	407,996
1.2	Taxpayer Service (TS) function and organization in the ORA created and staffed	591,423	125,025	466,398
1.3	Internal Revenue System Modules implemented	7,130,214	7,130,214	0
1.4	New Tax Appeal System implemented	135,960	0	135,960
1.5	New Customs Procedures Implemented	4,475,040	0	4,475,040
1.6	New Customs Systems Implemented	1,670,311	0	1,670,311
1.7	Revenue Administration Physical Structure Implemented (including gender specific needs)	7,738,520	7,738,520	0
1.8	Tax Legal Framework Reviewed and Updated	348,220	0	348,220
<b>Total for Component 1</b>		<b>22,579,118</b>	<b>15,075,193</b>	<b>7,503,925</b>
<b>2 Component 2: Strengthen the Public Financial Management</b>				
2.1	New Public Financial Management Organisational Structure Implemented for MOF	597,000	0	597,000
2.2	Macroeconomic analysis, fiscal and public policy function of the MoF modernized	396,000	0	396,000
2.3	Budget planning business model reviewed and implemented	1,026,000	0	1,026,000
2.4	Treasury Operations developed and implemented	1,137,520	0	1,137,520
2.5	Budget Execution Systems Implemented	2,850,222	0	2,850,222
2.6	Accounting system and Internal Control and Internal Audit reviewed and strengthened according to the new International Public Sector Accounting Standards (IPSAS)	579,500	0	579,500
2.7	State Owned Enterprises (SOEs) business model reviewed and implemented	693,000	0	693,000
2.8	Technological Infrastructure for the MOF (including Transparency Portal) Updated	2,742,960	922,395	1,820,565
2.9	Public Financial Management Legal Framework Reviewed and Updated.	228,000	0	228,000
<b>Total for Component 2</b>		<b>10,250,202</b>	<b>922,395</b>	<b>9,327,807</b>
<b>3 Component 3: Strengthening the Public Investment System</b>				
3.1	Design and establishment of a Public Investment and PPPs Unit including the business model and a management system	1,135,600	0	1,135,600
3.2	Implementation of an operational plan and funding for planning, pre-investment and feasibility studies in public infrastructure and PPPs	2,032,668	0	2,032,668
<b>Total for Component 3</b>		<b>3,168,268</b>	<b>0</b>	<b>3,168,268</b>
<b>Administrative Costs</b>		<b>2,227,567</b>	<b>2,227,567</b>	<b>0</b>
<b>Project management</b>				
	Chief of the PIU	244,800	244,800	0
	Financial Expert	221,760	221,760	0
	Procurement Expert	221,760	221,760	0
	Monitoring Expert	221,760	221,760	0
	Evaluation Expert	170,000	170,000	0
	Audit & Evaluation	220,000	220,000	0
	Consultancies to support the execution	692,000	692,000	0
	Monitoring tools	100,000	100,000	0
	PIU administrative expenses	135,487	135,487	0
<b>Contingencies</b>		<b>1,774,845</b>	<b>1,774,845</b>	<b>0</b>
<b>Total Fiscal Strengthening Support for Economic Growth</b>		<b>40,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>



- 1.6. Reorienting FISEG resources will modify the program original objective as Components 2 and 3 will be eliminated and replaced with a new component that will tackle the immediate safety net response. The activities designed to improve public expenditure planning and execution and the quality of public investment will not be conducted. The project will focus exclusively on supporting the efforts to achieve a more efficient tax collection of the central Government. Specific objectives “(ii) improve public expenditure, planning, and execution” and “(iii) improve the quality of public investment while increasing alternative sources of funding for investment projects” will also be eliminated. Considering that the reformulation includes a reduction of the scope of most outputs of the original program, it is necessary to modify the impact indicators and expected outcomes related to these outputs (see Reformulated Results Matrix Annex IV).
- 1.7. The reformulation will keep key relevant outputs under Component 1, including the modernization of the Standard Integrated Government Tax Administration System and the new home of the tax administration. Together, these outputs will improve revenue collection capability to regain economic resilience after the COVID-19 crisis. More specifically, the scope of the outputs will be as follows:
- The internal revenue system modules (1.3) and the revenue administration physical structure (1.7) will be implemented as originally planned.
  - The new organizational structure of the tax administration (1.1) and the taxpayer service function (1.2) will still be carried out, but their scope will be reduced to only action plans, instead of full implementation.
  - Four outputs, whose implementation had already been delayed before the COVID-19 pandemic, will be eliminated.<sup>3</sup>
  - Of the remaining components, only the “technological infrastructure for the Ministry of Finance and Planning (MOF)” output (including Transparency Portal; 2.8 in Component 2) will be implemented; all other outputs in Components 2 and 3 will be eliminated.
- 1.8. **Changes in the result matrix and the vertical logic.** The reformulated results matrix in Annex IV reflects the proposed changes to the impact, outcome, and output indicators. The original project targets are adjusted, taking into account the downturn in economic activity. The presented economic estimates assume scenarios where the COVID-19 mitigation measures on the public deficit are implemented.
- 1.9. The original outcome indicators “Increase the availability of resources for effective government public expenditures” (outcome 2) and “Increase the ratio of the project amount financed through Public-Private Partnerships (PPP) over total public investment” (outcome 3) were removed. The vertical logic of the original project assumed that Components 2 and 3 investments would allow these outcomes to be achieved; most of these investments were eliminated in this reformulation. The

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<sup>3</sup> These are: (i) “new tax appeal system (TAS) implemented (1.4)”; (ii) “new customs procedures implemented (1.5)”; (iii) “new customs systems implemented (1.6)”; and (iv) “tax legal framework reviewed and updated (1.8)”.

only output that still represents investments in the reformulated project is output 2.8 (technological infrastructure for MOF). In the new vertical logic of the reformulated project, this product contributes to achieving outcome 1, and therefore was modified as output 1.5 of Component 1, eliminating Component 2 from the reformulated operation (See [OEL#3](#)).

- 1.10. The estimated US\$6 million of undisbursed funds of Component 1 after the reformulation will contribute to the implementation of the Standard Integrated Government Tax Administration System, the refurbishment of the revenue administration office, the update of the technological infrastructure for the MOF, and related training. Increasing the technical capacity of the tax administration and the Ministry of Finance and Planning will contribute to the voluntary compliance, timely filing of tax declarations and payments of taxes, and accurate reporting that will promote an efficient revenue management.
- 1.11. The execution by the Ministry of Finance and Planning will continue through the existing Project Execution Unit, as described in the Loan Contract. The date of the last disbursement will remain unchanged, with no planned extension. The last disbursement date will be July 11, 2022.
- 1.12. **Environmental and Social Risks after the reformulation.** According to Directive B.3 of Operational Policy OP-703, the original program was classified as Category “B”; however, changes in the construction activities in Component 1 and the addition of the component related to safety nets for vulnerable populations in response to the COVID-19 crisis have downgraded the program to Category “C”. Remodeling of the recently acquired tax administration building will not entail any additional land or resettlement. Therefore, it is not necessary to conduct an environmental and social assessment.<sup>4</sup> However, the current Environmental and Social Management Plan (ESMP) will be updated with the adequate measures to mitigate any impact during the remodeling and operation of the building, including COVID19 prevention measures.

## II. PROPOSED MODIFICATIONS AND RATIONALE

### A. Background, problem to be addressed, and rationale.

- 2.1 **COVID-19 pandemic.** On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. COVID-19 is a respiratory disease caused by the 2019 novel coronavirus or nCoV-2019. As of July 23, 2020, more than 15 million cases were reported worldwide, resulting in 625,392 deaths. The first cases in Latin America and the Caribbean were reported in late February. Since then, the number of cases and deaths have risen quickly, reaching 4 million confirmed cases and 169,960 deaths, as of July 23. In Suriname, the first confirmed case was recorded on March 13, 2020 and the first death from COVID-19 occurred

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<sup>4</sup> Due to the location of the construction near to the Suriname River, the proximity to the sea and the climatic conditions of Suriname, flooding was a potential high risk. Construction was replaced with the acquisition of an existing building, formerly belonging to the American embassy. The new location is not subject to the risk of flooding. Disaster risk classification Type 1 changed from high to moderate, because of presence of hurricanes, earthquakes and tsunami in the area, and an emergency response contingency plan will be part of the ESMP.

on April 1, 2020. As of July 23, 2020, there were 1,176 confirmed cases and 21 deaths.

- 2.2 **Macroeconomic and social context.** The last Survey of Living Conditions for Suriname was undertaken in 2017. It found an overall poverty rate of 26.2%, with an additional 13.1% of the population classified as vulnerable.<sup>5</sup> The incidence of poverty in the interior region was much higher, at 47%. Income inequality was high, with a Gini coefficient of 0.48. The combination of revenue sensitivity to mining sector developments, budget rigidity, absence of fiscal buffers, and new policy frameworks to guide macroeconomic decision making has often led to fiscal and external sustainability issues. Moreover, the authorities did not implement an International Monetary Fund Stand-By-Arrangement program in 2016 or introduce reforms to strengthen the fiscal and macroeconomic framework following the 2015 macroeconomic crisis. In this context, Suriname is facing the COVID-19 crisis with large fiscal and external imbalances, high foreign currency denominated debt, low and declining international reserves, and banking sector vulnerabilities. The pandemic is impacting the economy through commodity prices and the partial lockdown of the domestic economy. Real Gross Domestic Product (GDP) is expected to contract by at least 5% in 2020.<sup>6</sup> The country was downgraded with a negative outlook by Fitch, Moody's, and Standard and Poor's in the first half of 2020.
- 2.3 The health measures necessary to fight COVID-19, particularly social distancing, had immediate impacts and will have lasting economic consequences. The authorities closed all borders (land, sea, and air) on March 14 and implemented a partial lockdown with a curfew on March 28. On April 8, the National Assembly approved the Exceptional Condition COVID-19 (State of Emergency) Law. The country had a two-week period with no reported cases in May, after which social distancing restrictions were relaxed in the lead up to the May 25 elections. However, after May, the number of new COVID-19 cases has started to grow. On June 3, the Government announced a total lockdown of the country from June 8 for a period of two weeks. The specific measures included: (i) restrictions on leaving home; (ii) restrictions on public gatherings; (iii) closure of all non-essential companies; (iv) closure of all borders (land, water, and air) and limitations of public and private transportation. The Government has recently eased restrictions on some businesses while enforcing strict social distancing measures. Nevertheless, these measures are having adverse impacts on the human contact industries, which account for an estimated 25% of the country's GDP, with possible long-term negative effects on small and medium enterprises.
- 2.4 **Population at risk.** The halt of economic activities due to the lockdown is hurting the income and consumption of most people. The overall worsening of macroeconomic conditions and recent increases in inflation<sup>7</sup> will further affect the living standards of the population, particularly for those who were already poor or vulnerable before the crisis. Vulnerable groups include households with children (a characteristic that is associated with likelihood and depth of poverty), the elderly

<sup>5</sup> Estimates based on per-capita consumption data from the 2017 Survey of Living Conditions (see [Beuermann and Flores Cruz, 2018](#) for further details).

<sup>6</sup> International Monetary Fund. 2020. World Economic Outlook, April 2020: The Great Lockdown. April. Washington, DC: International Monetary Fund.

<sup>7</sup> Inflation increased to 26.6 percent in April 2020 from 4.2 percent at the end of 2019 (year on year), (General Bureau of Statistics, Suriname). A [recent IDB study](#) shows that 17.6 and 26.3 percent of people working in services and sales and elementary occupations are classified as poor, respectively.

(who have shown to be the most vulnerable to the health consequences of COVID-19),<sup>8</sup> and individuals with disabilities (for whom social isolation can imply the loss of care services in addition to income).<sup>9</sup>

- 2.5 **Government response.** The Government of Suriname established a National COVID-19 Management Team to coordinate the health response and effectively manage the spread of the COVID-19. In addition, the authorities established a SRD400 million Emergency Fund to finance social support measures including housing related expenses. A separate SRD300 million Production Fund was established to support small and medium-sized enterprises. The Emergency Funds will manage both national and international resources obtained for tackling the pandemic.<sup>10</sup>
- 2.6 In order to mitigate the socioeconomic impact of the crisis, the Government announced an expansion of the safety net for a duration of six months, to be evaluated on a monthly basis. More specifically, the Government implemented: (i) an increase in the value of the cash transfers for the existing beneficiaries of four existing programs, namely the Support for Disadvantaged Persons with Disabilities (FBMMEB), the Child Allowance (AKB), the Elderly Allowance (AOV), and the Support for Poor Households (FBZWHH); and (ii) the introduction of an Unemployment Allowance to provide income support for individuals who lost informal earnings due to the crisis.
- 2.7 The Support for Disadvantaged Persons with Disabilities is a means-tested cash transfer for persons who have a monthly income below SRD4,500 and are certified as unable to work by a physician, either permanently or temporarily. It has about 10,000 beneficiaries,<sup>11</sup> that receive a monthly transfer of SRD325. During the COVID-19 crisis, the monthly transfer has been increased to SRD1,000 for a period of six months, with a monthly increase of SRD675.
- 2.8 The Child Allowance is a universal benefit of SRD50 per month for all children under 18 years old who are not receiving another child allowance from the parents' employers. The benefits are capped to SRD200 per month per households, and are paid to about 45,000 households.<sup>12</sup> As a response to the COVID-19 crisis, the value of the monthly benefit has been increased to SRD1,000 per household (irrespective

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<sup>8</sup> Data from the 2017 Survey of Living Conditions show that 16% of individuals aged 60 or older continue to work and are therefore particularly vulnerable to the economic effects of the COVID-19 crisis.

<sup>9</sup> Persons with disabilities have high risk of mortality, morbidity, and poverty in the face of COVID-19. They are at increased risk of developing complications since many have underlying health conditions such as heart conditions, diabetes, and lung disease. They face the crisis starting from a higher incidence of poverty. Other risks include interruptions in the provision of personal assistance services due to physical distancing measures. See: IDB. "Key measures to face the impacts of COVID-19 on people with disabilities: differences approach in times of pandemic", 2020.

<sup>10</sup> See <http://www.dna.sr/nieuws/wet-uitzonderingstoestand-covid-19-goedgekeurd/>

<sup>11</sup> Data from the Census of 2012 show that 12.5% of the population has at least one visual or physical mobility impairment. This is equivalent to about 73 thousand individuals. The number of the beneficiaries of the FBMMEB is substantially lower because of the means testing and the requirement of a higher degree of disability.

<sup>12</sup> According to the 2017 Survey of Living Conditions, in Suriname there are about 71 thousand households with children under 18 years old. This figure confirms that the Child Allowance has a high coverage of the target population. The same data shows that both the Support for Disadvantaged Persons with Disabilities and the Child Allowance reach all regions in the country, and in particular the latter has good coverage in the interior. More specifically, the interior is home to 6.08% of the population, and 7.51% of the beneficiaries of the Child Allowance.

of the number of eligible children) for a period of six months. This represents a monthly increase that ranges between SRD800 and SRD950, depending on the number of beneficiary children in the household.

- 2.9 The Elderly Allowance is a universal transfer for individuals aged 60 or older.<sup>13</sup> The benefit amounts to SRD525 per month, and has about 64,000 beneficiaries.<sup>14</sup> As a response to the COVID-19 crisis, its value has been doubled for a period of six months. The Support for Poor Households is a cash transfer ranging between SRD33 and SRD40.5 per month for household with monthly income below SRD4,500. It has about 5,000 beneficiary households. As a response to the COVID-19 crisis, the transfer was increased to SRD250 per month.<sup>15</sup> The new Unemployment Allowance is executed by the Ministry of Labor, and pays a benefit of SRD1,500 per month. It was introduced in response to the COVID-19 crisis to support about 8,000 households in the informal economy who lost earnings.
- 2.10 The Support for Disadvantaged Persons with Disabilities, the Child Allowance, the Elderly Allowance and the Support for Poor Households are implemented by the Ministry of Social Affairs and Housing (MOSAH). Payments for the Support for Disadvantaged Persons with Disabilities and the Elderly Allowance are made through bank account or moneycard for the beneficiaries that reside in the coastal areas, and cash-in-hand in the interior of the country. Despite being the largest social protection program in Suriname, the Child Allowance is wholly paid in cash in all areas of the country since it lacks an electronic payment system. The same situation applies for the Support for Poor Households. This results in higher transaction costs for the Ministry as well as beneficiaries. In addition, under the current circumstances, cash-in-hand payments require the implementation of mitigation measures to avoid that crowding contributes to the spread of COVID-19 (see ¶2.25). The payment in the interior of the country is done once a year, based on a planned schedule for the different regions. For those beneficiaries who were already paid before the value of the transfers was increased, a second payment will be made during 2020.
- 2.11 **Rationale and strategy.** This operation supports part of the efforts of the Government to protect minimum levels of income of households and individuals that are vulnerable to the economic effects of the COVID-19 crisis. More specifically, it supports part of the extraordinary cash transfers of the Support for Disadvantaged Persons with Disabilities, Child Allowance, and Elderly Allowance.<sup>16</sup> The Child Allowance and Elderly Allowance were selected because of their large coverage, as they are universal programs which allow reaching a high share of the population that is vulnerable to the socioeconomic consequences of the COVID-19 crisis. Their expansion is similar to the implementation of a temporary universal basic income.

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<sup>13</sup> Persons who are employed in the public sector and some private sector companies pay a monthly premium of 4% of their income. But persons who have not contributed over the years will also receive this benefit, from the moment they turn 60. All persons with the Surinamese nationality are entitled, as well as persons with a foreign nationality that have paid monthly premium consecutively for at least 10 years and have lived for 10 years consecutively in Suriname.

<sup>14</sup> This figure corresponds to 100% of the target population, based on data from the 2017 Survey of Living Conditions and population growth projections.

<sup>15</sup> Households who receive other cash transfer programs can still apply for the FBZwHH if their income is under the eligibility threshold. Nonetheless, the program has a small scale, given that a poverty incidence of 26.2% would require a coverage of about 38,000 households.

<sup>16</sup> This operation will finance 28% of the planned extraordinary transfers of the three programs, with the following breakdown by program: 63% of those of the Support for Disadvantaged Persons with Disabilities, 17% of those of the Child Allowance, and 37% of those of the Elderly Allowance.

The Support for Disadvantaged Persons with Disabilities was selected because of the particular economic and social vulnerability of its beneficiaries.

- 2.12 **Bank experience and lessons learned.** This project bases its strategy to protect the most vulnerable on several evaluations that have shown that cash transfers are the most effective tool to redistribute income and support consumption in the region. These experiences include successful responses to emergencies such as the introduction of the food component of Mexico's *Oportunidades* program during the 2009 financial crisis (2103/OC-ME, 2140/OC-ME, 2425/OC-ME). The Bank has accumulated comprehensive experience in the design, implementation, and evaluation of cash transfer programs in 18 Latin American and the Caribbean countries.<sup>17</sup> Lessons learned and best practices in the last 20 years show that beneficiaries' enrollment and payments require time and extensive fieldwork (2937/BL-HO, as well as technical assistance and policy dialogue to *Mas Familias en Acción* in Colombia). In the current context, such an approach would not allow a rapid response and carries a risk of promoting congregation, that may contribute to the spread of COVID-19. Recent work in response to the COVID-19 crisis, particularly in Guatemala, highlighted the importance to scale up electronic payments to promote social isolation. These lessons informed the design of the new component, that uses cash transfers to support income and consumption through the increased value of the transfers of the existing beneficiaries of three safety net programs. It also motivates the inclusion of a pilot of electronic payments for the beneficiaries of the Child Allowance program.
- 2.13 **Coordination with other Bank projects.** As part of the Bank's response to the pandemic, an emergency disbursement of US\$1.3 million was made from the Health Services Improvement Program (4593/OC-SU). It was mainly used to purchase medical supplies including Personal Protective Equipment that the country urgently needed.<sup>18</sup> This investment helped address the health emergency, while the reformulation proposed in this document focuses on the socioeconomic consequences of the crisis.
- 2.14 **Coordination with other multilaterals and donor agencies.** The Bank collaborated with the Pan-American Health Organization (PAHO) in its response to COVID-19, specifically financing the integrated Pandemic Preparedness Plan developed with the agency's technical guidance. The plan's implementation, that included the purchase of medical supplies, was also supported by the Bank in close coordination with PAHO and the Government of Suriname. The plan has also facilitated coordination in the response to COVID-19 with other international organizations such as the World Bank, that has provided US\$412,000 to purchase medical supplies. These funds were reallocated from a project in execution using an emergency contingent mechanism.
- 2.15 **Strategic alignment.** The operation is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and aligned with the challenge of Social Inclusion

<sup>17</sup> Ibarrarán et al. 2017. How Conditional Cash Transfers Work. IDB. <http://dx.doi.org/10.18235/0000746>

<sup>18</sup> In addition, since immediately after the declaration of pandemic by the World Health Organization on March 11, 2020, the Bank has been in dialogue with Government authorities regarding the use of the Contingent Loan for Natural Disaster Emergencies (SU-O0005). These resources are available for drawdown until November 2020 in accordance with the Proposal to expand the Contingent Credit Facility for Natural Disaster Emergencies to include health risks (GN-2999). Due to the government change that took place on July 16, 2020, it is to be discussed with the new administration whether this option will be requested.



and Equality, through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19 crisis. In addition, this operation is aligned with the crossing-cutting theme of Gender Equality and Diversity as it specifically targets persons with disabilities through the expansion of the Support for Disadvantaged Persons with Disabilities (FBMMEB). The operation will contribute to the Corporate Results Framework 2020-2023 (GN-2727-12) through the indicator “beneficiaries of anti-poverty programs”. It is aligned with the Strategy on Social Policy for Equity and Productivity (GN- 2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through responsive social protection policies. Finally, this operation is consistent with the Proposal for the IDB Group’s Governance Response to the COVID-19 Pandemic Outbreak (GN- 2996) and forms part of IDB’s comprehensive support to the Government to mitigate the economic impact of the COVID-19 pandemic.

**B. Objectives and components of the support to safety nets for vulnerable populations**

- 2.16 **Objectives.** The reformulation adds the new general development objective to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The related new specific objective is to support minimum income levels for those affected by the coronavirus in the immediate period. In order to achieve this objective, the following component will be financed.
- 2.17 **Component. Protection using existing cash transfer programs (US\$19,970,000).** This component will finance the increase in the value of the cash transfers for a period of up to six months for beneficiaries of three existing programs delivered by the Ministry of Social Affairs and Housing, namely: (i) Support for Disadvantaged Persons with Disabilities (FBMMEB); (ii) Child Allowance (AKB); and the Elderly Allowance (AOV). Since these are all paid to existing beneficiaries, there is no registration process. The payments will be made using the standard procedure (see ¶2.10). This component will also finance the design and implementation of a pilot of an electronic payment system for the Child Allowance.
- 2.18 **Monitoring, evaluation, and auditing (US\$30,000).** This item will fund project monitoring, evaluation, and auditing activities.
- 2.19 **Beneficiaries.** The actions proposed in this reformulation will benefit households and individuals belonging to the most vulnerable groups in the country: (i) 10,000 beneficiaries of the Support for Disadvantaged Persons with Disabilities; (ii) 22,500 households who receive the Child Allowance; and (iii) 30,000 persons aged 60 or older who are existing beneficiaries of the Elderly Allowance.

**C. Key results indicators**

- 2.20 The project will contribute to maintaining standards of living for vulnerable households and individuals whose income levels are affected by the COVID-19 crisis. The expected outcome is the provision of additional income support to 55% of the country’s vulnerable population. This will be achieved through the payment of extraordinary cash transfers to 97% of the beneficiaries of the Support for

Disadvantaged Persons with Disabilities, 49% of the beneficiary households of the Child Allowance, and 47% of the beneficiaries of the Elderly Allowance.<sup>19</sup> All these households and individuals are considered to be vulnerable in the current context.

- 2.21 **Economic viability.** The monetary transfers directed to the COVID-19 vulnerable population will ensure minimum levels of quality of life through income support. Taking this into account, a cost-benefit analysis was performed to evaluate the economic justification of the project. A Net Present Value of SRD33.4 million (equivalent to US\$4.5 million) was estimated in the base case scenario, using a social discount rate of 5%, suggesting that the set of proposed actions are economically beneficial.<sup>20</sup> The analysis is robust to different assumptions regarding the discount rate and the fiscal multiplier effectiveness. This is a conservative analysis as it does not take into account the positive effects on human capital that result from the possibility of consumption smoothing, or the effects on nutrition, nor the potential reductions of COVID-19 related mortality and morbidity.

#### **D. Costs**

- 2.22 The operation remains a specific investment loan. A total amount of US\$20 million will be reoriented towards financing the support to safety net for vulnerable populations affected by the COVID-19 crisis. It is estimated that the new safety net component will be disbursed in 24 months. Table 2.1 presents the costs of the different components, distinguishing between those of the original fiscal loan and those of the safety net reformulation. Table 2.2 presents the projected disbursements per year of the safety net component. Since this is an emergency response intervention, most of the disbursement is expected to take place in 2020.

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<sup>19</sup> While all existing beneficiaries of these programs will receive extraordinary transfers, the percentages in this paragraph refer to the number of the existing beneficiaries for which part of the extraordinary transfers will be supported by this operation.

<sup>20</sup> The analysis renders a benefit:cost ratio of 1.24, an Internal Rate of Return of 24.1%, and a Modified Internal Rate of Return of 6.2%.



**Table 2.1. Estimated project costs (US\$)**

Components	Fiscal Strengthening	Support to Safety Net amount	Total
<b>Fiscal Components</b>			
Strengthen the Revenue Administration	15,075,193		15,075,193
Strengthen the Public Financial Management	922,395		922,395
Administrative Costs	2,227,567		2,227,567
Contingencies	1,774,845		1,774,845
<b>Subtotal Fiscal</b>	<b>20,000,000</b>		<b>20,000,000</b>
<b>Safety Net for Vulnerable Populations Component</b>			
<b>Component 1. Protection using existing cash transfer programs<sup>21</sup></b>	0	19,970,000	19,970,000
<b>Monitoring, evaluation, and auditing</b>	0	30,000	30,000
<b>Subtotal vulnerable populations</b>		<b>20,000,000</b>	<b>20,000,000</b>
<b>Total</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>40,000,000</b>

**Table 2.2 - Disbursement Projections of the Safety Net for Vulnerable Populations Component (US\$)**

	2020	2021	Total
IDB	19,907,636	92,364	20,000,000
%	99.5%	0.5%	100%

## **E. Environmental and social risks**

- 2.23 **Environmental and social risks.** No environmental and social liabilities on the current program activities have been identified. The vulnerable populations component will not finance any physical infrastructure and is not expected to cause any negative environmental or social impacts. Therefore, it is not necessary to conduct an environmental and social assessment. According to Directive B.3 of Operational Policy OP-703, the original operation under reformulation is classified as Category “C” (see par. 1.12).

## **F. Fiduciary risks**

- 2.24 In November 2016, an institutional capacity assessment<sup>22</sup> was carried out to assess the capacity of the Ministry of Finance and Planning to execute the Fiscal Strengthening to Support Economic Growth Program. The procurement, financial management, and internal and external control systems of the Ministry were evaluated, and the risk was deemed to be medium. To address this risk, the Bank proposed several mitigating measures: (i) assignment of specific fiduciary functions and responsibilities to Financial and Procurement Officers; (ii) development of an operation manual detailing overall policies, procedures and internal control

<sup>21</sup> The following breakdown is expected: US\$3,513,724 for transfers of the Support for Disadvantaged Persons with Disabilities; US\$6,121,687 for the Child Allowance; US\$10,242,226 for the Elderly Allowance; US\$92,363 for the pilot of electronic payments.

<sup>22</sup> Methodology for evaluating public executing agencies responsible of managing projects funded by the IDB.

requirements of the program processes; (iii) establishment of an accounting system and proper financial planning that serves as the basis for the IDB's disbursement projections; (iv) training in financial management and procurement and supervision by the IDB. Since then, these mitigation measures have been implemented and therefore the fiduciary risk is currently deemed low.

## **G. Other key risks and issues**

- 2.25 **Development risks.** An inherent reputational risk of cash transfers implemented during the COVID-19 pandemic lies in the potential for outbreaks due to crowding related to program payments. In order to mitigate the risks of potential contagion, the MOSAH has been implementing mitigation measures during cash payment events including: (i) staggered payments throughout the day to avoid crowding; (ii) increased amount of payment locations to avoid lines and prolonged waiting times; (iii) support from local police authorities to guarantee implementation of physical distancing and hygiene protocols; and (iv) specific times and queues for high risk population groups.
- 2.26 **Sustainability.** The reformulation is sustainable as it focuses exclusively on supporting the immediate efforts to protect vulnerable populations from the socioeconomic effects of the COVID-19 pandemic, by avoiding a rapid deterioration of social conditions in the country. The expansion of the safety nets is temporary. The loan represents a fraction of the financial and social effort being made by the country, which is determined to assume economic costs to save lives, as well as advance an inclusive recovery once the emergency has been contained.

## **H. Summary of implementation arrangements**

- 2.27 **Executing agency.** The Ministry of Finance and Planning will remain the executing agency of the fiscal and safety net components, through the Project Implementation Unit (PIU) established to execute the Fiscal Strengthening to Support Economic Growth Program loan.
- 2.28 **Execution and administration.** The responsibilities of the Project Implementation Unit include: (i) preparation of the implementation plan; (ii) financial administration, accounting, and preparation of budgets and disbursement requests; (iii) preparation of procurement plan and procurement of consultancy services, including the selection and hiring of the external audit firm; (iv) preparation of technical reports and financial statements; and (v) monitoring and evaluation of project activity progress.
- 2.29 **Interagency coordination.** The Ministry of Social Affairs and Housing is in charge of operating the existing cash transfer programs supported by the new component, including beneficiary's identification and registration. It also prepares the files with total number of beneficiaries and total amount to be paid. These files are then sent to the Ministry of Finance and Planning for approval. After approval, the Ministry of Finance and Planning transfers the funds to the account of the Ministry of Social Affairs and Housing at the Central Bank of Suriname. The Ministry of Social Affairs and Housing releases the payment to beneficiaries, either through the Bank system or by cash. The Ministry of Social Affairs and Housing has agreements in place with the Surinaamsche Post Spaar Bank (SPSB) and the GODO Bank that can be utilized

to conduct this process. Other Banks can be involved where necessary. Since the transfers funded by this operation are directed to existing beneficiaries and programs, no additional coordination processes need to be implemented between the Ministry of Social Affairs and Housing and the Ministry of Finance and Planning.

- 2.30 **Procurement.** The procurement of the activities of the fiscal components will be executed in accordance with the provisions of the Loan Contract. The new components include few acquisitions, which are included in the procurement plan. If other acquisitions are necessary, the procurement processes will be conducted within the Policies for the Acquisition of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15) and the Policies for the Selection and Contracting of consultants financed by the Inter-American Development Bank (GN- 2350-15), or the policies in force at the time of execution. The procurement plan for the safety net for vulnerable populations response ([REL#2](#)) includes details of the planned procurement processes. The plan may be updated during the execution period as required.
- 2.31 The Single Source Selection (SSS) of the firm VisaNet Guatemala to strengthen the digital payment system for social programs in Suriname is foreseen. This process is in accordance with Policy 2350-15, article 3.11 (d). VisaNet Guatemala has the experience of exceptional worth for this assignment as it is already supporting the Government of Guatemala in implementing a payment process to deliver monetary transfers to more than 1 million beneficiaries affected by the COVID-19 crisis, even in hard to reach areas. Given the solid experience of VisaNet Guatemala in working with social programs, and the similar geographical and institutional challenges between Guatemala and Suriname, it is considered that no other firm could develop such a system in a timely manner.
- 2.32 **Disbursements.** It is proposed that disbursements of the new component will be made through a separate advance of funds, based on liquidity needs for the related activities, so that the justification of expenses will be separate. Supporting justification for advances will be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (OP-273-12) or the guidelines in effect at the time of program execution, and the Fiduciary Agreements and Requirements (Annex III). Other types of disbursement will be available as stated in the OP-273-12.
- 2.33 **Reimbursement.** For the safety net component, the use of the expense reimbursement method is anticipated for the purposes of the first disbursement request once the Amendatory Contract has entered into force and the disbursement of the redirected resources is declared eligible. Expenses incurred after April 8 (when the National Assembly approved the Exceptional Condition COVID-19 (State of Emergency) Law) may be reimbursed to the Borrower against the redirected resources of Bank financing up to US\$ 12 million (60% of the reformulated amount), provided that such expenses have been incurred following requirements substantially similar to those established in the loan contract. It is estimated that during the months of May and June, extraordinary cash transfers implemented by the Government for the three programs supported by this operation were paid to about 110,000 beneficiaries, for a total value that exceeded US\$ 23 million. Even though this predates the official reformulation request, authorization of the

retroactive financing on an exceptional basis is justified, given the circumstances surrounding the global emergency.

- 2.34 **Audit.** Audit for the fiscal components will be done in accordance with the provisions of the Loan Contract. For the new safety net component throughout the loan disbursement period, the executing agency will submit to the Bank the project's annual audited reasonable assurance report within 120 days after the close of the fiscal year. The audit will be conducted by a Bank-eligible independent audit firm. The scope and related considerations will be governed by the Financial Management Guidelines (OP-273-12) and the Guide for Financial Reports and Management of External Audits. Audit costs will be financed with project resources.

#### **I. Summary of implementation arrangements for monitoring results**

- 2.35 **Monitoring.** The monitoring arrangements for the fiscal components remain the same. The executing agency will be responsible for implementing the monitoring and evaluation plan (see [REL#1](#)). In light of the crisis, the mechanism to report progress of project implementation and execution for this operation will be the Progress Monitoring Report (PMR). The main sources of information to complete the PMR are the results matrix and bi-annual progress reports.
- 2.36 **Evaluation.** The monitoring arrangements for the fiscal components remain the same. A project evaluation will assess the project's contribution to the specific objective to support minimum income levels for those affected by COVID-19 in the immediate period. To that end, a "before and after" analysis will be performed using information from the administrative systems of the Ministry of Social Affairs and Housing (specifically, records of actively enrolled beneficiaries, payment processes, and verification of termination of transfers) at different points in time. For the purpose of attributing the observed results to project interventions, the quantitative analysis will be supplemented with a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts.

### **III. RECOMMENDATION**

- 3.1 Based on the information and analysis presented in this document, it is recommended that the Board of Executive Directors of the Inter-American Development Bank approves by Short Procedure, as established in paragraph 6 of document CS-3953-4 (List of matters to be considered by the Board via Short Procedure), the reformulation proposal, in the terms and conditions described in this document.

Development Effectiveness Matrix		
Summary		SU-L1050
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		See Section I. Paragraph 1.8 and Section IIA Paragraphs 2.2-2.4
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.7
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.7
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		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	Yes	Training was provided by the IDB Fiduciary Team to the Project Implementation Unit of the Ministry of Finance.

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

**Evaluability Note:** This project proposes the reformulation of the program "FISCAL STRENGTHENING TO SUPPORT ECONOMIC GROWTH PROGRAM (SU-L1050)(4112/OC-SU)" to finance the "SUPPORT TO SAFETY NETS FOR VULNERABLE POPULATIONS AFFECTED BY CORONAVIRUS IN SURINAME", for an amount of USD20,000,000.

The loan reformulation proposal presents an adequate diagnosis of the problems, as well as a review of international evidence. The proposed solutions are appropriate to respond to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project. There are no impact indicators and almost all the result indicators are defined as products (and so under the control of the agency that implements them). The reformulation of the original FMM project lead to the redefinition of some of objectives and goals of that original Fiscal Strengthening operation. The POD adequately details the changes to the vertical logic of that original project that resulted from the reformulation. Such changes are summarized in a new result matrix for the project impacted by the reformulation.

The economic evaluation shows that the operation is efficient as it renders a benefit/cost ratio of 1.24, an Internal Rate of Return of 24.1%, and a Modified Internal Rate of Return of 6.2%. In a context of high uncertainty, the analysis considers the benefits in employment and labor income derived from the reduction of mortality and morbidity rates from COVID-19, while the costs are those associated with the implementation of a proposed standard intervention package by WHO.

The monitoring and evaluation plan propose to carry out a reflective analysis of the outcome indicators included in the result matrix, complemented by a review of the theory of change, updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the executing agency in coordination with the Bank.

**RESULTS MATRIX (SAFETY NETS COMPONENT)**

<b>PROJECT OBJECTIVE:</b>	The general development objective of this project is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support minimum income levels for those affected by the Coronavirus in the immediate period.
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**EXPECTED OUTCOMES**

Indicator	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Comments
<b>SPECIFIC OBJECTIVE:</b> To support minimum income levels for those affected by the Coronavirus in the immediate period						
<b>Indicator 1.1.</b> Percentage of the vulnerable population receiving extraordinary cash transfers funded by the project	% of individuals	0	April, 2020	55	Project ex-post evaluation	Numerator: Number of individuals benefiting from extraordinary cash transfers funded by the project (counting individuals for individual programs (FBMMEB and AOV), and all household members for household transfers (AKB, considering 3.9 members per households based on the living standard measurement survey (LSMS) of 2017) <sup>1</sup> as part of the strategy to counter the impacts of COVID-19.  Denominator: Number of vulnerable individuals in the country (calculated by multiplying the population in the country in 2020 by the percentage of vulnerable individuals – latest estimate is 39.3% based on LSMS 2017). Vulnerability is defined as having per-capita income below 125% of the poverty lines.
<b>Indicator 1.2.</b> Percentage of beneficiaries of the Support for Disadvantaged Persons with Disabilities (FBMMEB) that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis)	% of individuals	0	April 2020	97	Project ex-post evaluation	Source of the numerator: Bi-annual program report to the Bank; number of beneficiaries of the FBMMEB that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis).  Source of the denominator: Ministry of Social Affairs and Housing information system; number of beneficiaries of the FBMMEB in April 2020 (Baseline: 9,225 individuals).
<b>Indicator 1.3.</b> Percentage of beneficiary households of the Child allowance (AKB) that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis)	% of households	0	April 2020	49	Project ex-post evaluation	Source of the numerator: Bi-annual program report to the Bank; number of beneficiary households of the AKB that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis).  Source of the denominator: Ministry of Social Affairs and Housing information system; number of beneficiaries of the AKB in April 2020 (Baseline: 45,550 households).

<sup>1</sup> <https://publications.iadb.org/en/suriname-survey-living-conditions-2016-2017>.

Indicator	Unit of measure	Baseline	Baseline year	Final target (2022)	Means of verification	Comments
<b>Indicator 1.4.</b> Percentage of beneficiaries of the Elderly allowance (AOV) that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis)	% of individuals	0	April 2020	46	Project ex-post evaluation	Source of the numerator: Bi-annual program report to the Bank; number of beneficiaries of the AOV that receive extraordinary cash transfers (increased as part of the response to the COVID-19 crisis).  Source of the denominator: Ministry of Social Affairs and Housing information system; number of beneficiaries of the AOV in April 2020 (Baseline: 64,069 individuals).

## OUTPUTS

Output	Unit of measure	Baseline	Baseline year	2020	2021	Final target (2022)	Means of verification	Comments
<b>Component. Protection using existing cash transfer programs</b>								
<b>Indicator 1.1.</b> Extraordinary cash transfers paid to beneficiaries of the Support for Disadvantaged Persons with Disabilities (FBMMEB)	Number of transfers to individuals	0	April 2020	38,500	0	38,500	Bi-annual program report to the Bank	Number of extraordinary monthly cash transfers (increased as part of the response to the COVID-19 crisis) paid to beneficiaries of the Support for Disadvantaged Persons with Disabilities (FBMMEB). Transfers are usually monthly, but sometimes more monthly transfers are combined in a single payment.  “Gender tracking” (reported by male/female gender of the beneficiaries)
<b>Indicator 1.2.</b> Extraordinary cash transfers paid to beneficiaries of the Child Allowance (AKB).	Number of transfers to households	0	April 2020	45,276	0	45,276	Bi-annual program report to the Bank	Number of extraordinary monthly cash transfers (increased as part of the response to the COVID-19 crisis) paid to beneficiaries of the Child Allowance (AKB). Transfers are usually monthly, but sometimes more monthly transfers are combined in a single payment.  “Gender tracking” (reported by male/female gender of the beneficiaries)

Output	Unit of measure	Baseline	Baseline year	2020	2021	Final target (2022)	Means of verification	Comments
<b>Indicator 1.3.</b> Extraordinary cash transfers paid to beneficiaries of the Elderly Allowance (AOV).	Number of transfers to individuals	0	April 2020	111,927	0	111,927	Bi-annual program report to the Bank	Number of extraordinary monthly cash transfers (increased as part of the response to the COVID-19 crisis) paid to beneficiaries of the Elderly Allowance (AOV). Transfers are usually monthly, but sometimes more monthly transfers are combined in a single payment.  "Gender tracking" (reported by male/female gender of the beneficiaries)
<b>Indicator 1.4.</b> Pilot of electronic payments for beneficiaries of the Child Allowance (AKB)	Number of pilots	0	April 2020	0	1	1	Bi-annual program report to the Bank	The pilot is defined by the implementation of electronic payments (e.g., through virtual or money cards) to a subset of AKB beneficiaries (that so far have received cash-in-hand).



<b>Country:</b> Suriname	<b>Sector:</b> SCL	<b>Project Number:</b> SU-L1050	<b>Year:</b> 2020
<b>Co-financing:</b> <i>Not applicable</i>		<b>Co-execution:</b> <i>Not applicable</i>	

### **Fiduciary Agreements and Requirements**

**Executing Agency: Ministry of Finance of Planning**

**Project Name: Support to Safety Nets for Vulnerable Populations affected by Coronavirus**

#### **I. Executing Agency Fiduciary Context**

##### **1. Use of Country System in the Project<sup>1</sup>**

Budget	<input checked="" type="checkbox"/>	Reporting	<input type="checkbox"/>	Information System	<input type="checkbox"/>	National Competitive Bidding (NCB)	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	Internal Audit	<input checked="" type="checkbox"/>	Price Comparison	<input type="checkbox"/>	Advanced NCB	<input type="checkbox"/>
Accounting	<input type="checkbox"/>	External Control	<input type="checkbox"/>	Individual Consultancy	<input type="checkbox"/>	Consultancy Firm	<input type="checkbox"/>

**Applicable National Laws:** N/A

##### **2. Executing Agency Fiduciary Capacity**

The fiduciary risk is currently deemed low. The Ministry of Finance and Planning has been executing the loan Fiscal Strengthening to Support Economic Growth Program (4112/OC-SU) based on IDB procurement policies and procedures. Additionally, dedicated procurement and financial management specialists were hired under the project and are currently still employed as part of the Project Implementation Unit and have, in the meantime, received additional training in IDB procurement and financial management procedures.

##### **3. Fiduciary Risk and Mitigation Actions**

**Fiduciary Risk:** High ☐ Medium ☐ Low ☒

#### **II. Aspects to be considered in the Special Conditions of the Contract.**

None

#### **III. Agreements and Requirements for Procurement Execution**

The operation does not contemplate other procurement procedures, except for:

- 1.) A contract amendment to the current audit contract under the Fiscal Strengthening to Support Economic Growth Program to include additional services. The Audit Firm Crowe Burgos Accountants N.V. is currently contracted to audit the Fiscal Strengthening to Support Economic Growth Program and will be requested to carry out the "The Reasonable Assurance Engagement Audit" for the reformulated component.
- 2.) A firm to provide technical assistance to strengthen the digital payment system for social programs in Suriname.

**Exception to the Policies and Guides:** Not applicable

<sup>1</sup> Any system or subsystem that is subsequently approved could be applicable to the operation, in accordance with the terms of the validation conducted by the Bank.

<b>Retroactive Financing and/or Advanced Procurement</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Expenses incurred prior to the term of the Modified Agreement</b>	<ul style="list-style-type: none"> <li>• The use of the expense reimbursement method is anticipated for the purposes of the first disbursement request once the Amendatory Contract has entered into force and the disbursement of the redirected resources is declared eligible. Expenses incurred after April 8th (when the National Assembly approved the Exceptional Condition COVID-19 (State of Emergency) Law may be reimbursed to the Borrower against the redirected resources of Bank financing up to US\$ 12 million (60% of the reformulated amount), provided that such expenses have been incurred following requirements substantially similar to those established in the loan contract. It is estimated that during the months of May and June, extraordinary cash transfers implemented by the Government for the three programs supported by this operation were paid to about 110,000 beneficiaries, for a total value that exceeded US\$23 million.</li> </ul>
<b>Procurement Complementary Support</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Projects with Financial Intermediaries</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Procurement Agents</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Direct Contracting/ Single Source Selection</b>	<ul style="list-style-type: none"> <li>• The single source selection (SSS) of the firm VisaNet Guatemala to strengthen the digital payment system for social programs in Suriname is foreseen. The SSS of VisaNet Guatemala is in accordance with Policy 2350-15, article 3.11 (d) “when only one firm is qualified <b>or has experience of exceptional worth for the assignment</b>”. VisaNet Guatemala has the experience of exceptional worth for this assignment as it is already supporting the Government of Guatemala in implementing the payment process to deliver monetary transfers to vulnerable populations affected by the COVID-19 crisis. VisaNet Guatemala has developed a system that generates a temporary account number. This number, similar to a debit card number, allows beneficiaries to receive the transfer through Banks, ATMs from the VisaNet, and affiliated stores. To date, this system has transferred the benefit to more than 1 million beneficiaries all over the country, even in hard to reach areas. Given the solid experience of VisaNet Guatemala in working with social programs, and the similar geographical and institutional challenges between Guatemala and Suriname, it is considered that no other firm could develop such a system in a timely manner.</li> </ul>

<b>Operational Expenses:</b> <input type="checkbox"/> Not applicable	<b>National Preference:</b> <input type="checkbox"/> Not applicable
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<b>General Procurement Supervision Method of the Project:</b>	
<b>Supervision Method:</b> ex-ante	<b>For:</b> Individual Consultants and Firms

Thresholds by Country: [www.iadb.org/procurement](http://www.iadb.org/procurement)

#### IV. Agreements and Requirements for Financial Management

<b>Programming and Budget</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Treasury and Disbursement Management</b>	<ul style="list-style-type: none"> <li><b>The disbursement mechanism will be electronic.</b></li> <li>The Ministry of Finance and Planning agrees to establish 2 (two) Special Accounts at the Central Bank of Suriname, denominated in US Dollars and Surinamese Dollars. These accounts will have exclusive use to cover for program expenditures.</li> <li><b>Financial Plan –.</b> The Ministry of Finance and Planning will be using Reimbursement and Advance of Funds as their preferred method to receive loan resources. However, other types of disbursement will be available as stated in the OP- 273-12</li> <li><b>Percentage for the justification of expenditure:</b> 80%</li> <li><b>Flow of Project resources:</b> The resources will be disbursed mostly by transfers to the Ministry of Finance and Planning for extraordinary cash transfers of the Support for Disadvantaged Persons with Disabilities (FBMMEB), Child allowance (AKB) and Elderly allowance (AOV) made in response to the COVID-19 crisis.</li> </ul>
<b>Accounting, Information System and Report Generation</b>	<ul style="list-style-type: none"> <li><b>Specific accounting norms:</b> IFRS.</li> <li><b>Accounting reports:</b> The Executing Agency will utilize the off the shelf accounting and financial management software QuickBooks currently used for the accounting and financial reporting of SU-L 1050 program. 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).</li> <li><b>Accounting Method and Currency:</b> Cash basis and USD.</li> </ul>
<b>External Control</b>	<ul style="list-style-type: none"> <li><b>The Borrower and the Executing Agency, as agreed with the Bank,</b> will amend the current audit contract of the External Independent Audit Firm Crowe Burgos Accountants N.V. which is currently providing audit services for project SU-L1050 to carry out in addition “the Reasonable Assurance Engagement Audit” for cash transfers of the Support for Disadvantaged Persons with Disabilities (FBMMEB), Child allowance (AKB) and Elderly allowance (AOV), in accordance with the previously agreed Terms of</li> </ul>

	Reference. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP273-12) 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 within 120 days after the date of last disbursement.
<b>Financial Supervision of the Project</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>

## V. Information relevant to the operation

### Policies and Guides applicable to the operation

<b>Financial Management</b>	<b>Procurement</b>
<ul style="list-style-type: none"> <li><u>GN-2811 [OP-273-12]</u></li> </ul>	<ul style="list-style-type: none"> <li><u>GN-2349-15</u></li> <li><u>GN-2350-15</u></li> </ul>

### Records and Files

All records and files will be maintained by the Project Implementation Unit, according to accepted best practices, and be kept for up to three (3) years beyond the end of the operation's execution period.

**RESULTS MATRIX**  
**(FISCAL STRENGTHENING TO SUPPORT ECONOMIC GROWTH PROGRAM)**

<b>PROJECT OBJECTIVE</b>	The general development objective is to support the government's efforts to achieve a more efficient tax collection of the central government. The specific objective is to increase tax revenue.
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**EXPECTED IMPACT**

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Final target (2022)	Means of verification	Comments
<b>GENERAL OBJECTIVE:</b> The program aims to support the government's efforts to achieve a more efficient tax collection of the central government.									
<b>Impact 1:</b> Decrease the ratio public deficit and GDP									
<b>Indicator 1:</b> Public Deficit / GDP	%	-12.1	2020	-12.1	-12.1	-7.2	-7.2	<b>Source:</b> IMF World Economic Outlook (2019, 2020)  <b>Means of verification:</b> Central Bank of Suriname annual report, IMF Article IV	The indicator measures the performance of the fiscal stance. The closer to zero, the stronger the fiscal sustainability. Target uses the WEO IMF estimations and is compatible with the increase revenue estimation presented in indicator 1. Baseline: Public Deficit = SRD \$ X million GDP = SRD \$ X million WEO IMF April 2020  The projection considers the impact of COVID 19.

## EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Final target (2022)	Means of verification	Comments
<b>Specific objective:</b> Increase tax revenue									
<b>Indicator 1.1.</b> Tax revenue / GDP	%	23.8	2020	23.8	23.8	25.6	25.6	<b>Source:</b> IMF World Economic Outlook (2019, 2020)  <b>Means of verification:</b> MOF Annual Report / IMF Article IV	The indicator measures tax revenue growth to GDP. Higher ratios indicate better revenue performance and contribution to deficit reduction. Target uses the WEO IMF estimations and are compatible with the economic analysis, which estimated that the implementation of the VAT alone will generate a revenue increase of 0.64% of GDP. <sup>1</sup> Baseline: Tax Revenue = SRD \$ X million GDP = SRD \$ X million  The projection considers the impact of COVID 19.

<sup>1</sup> [Revenue Mobilization in Developing Countries.](#)

## OUTPUTS

OUTPUTS	Unit of measure	Baseline	Year 2020	Year 2021	Year 2022	Final Goal	Means of verification	Observations
<b>Indicator 1.1:</b> Action plans for new Organizational Structure (OS) of the revenue administration developed	Organizational structure	0	0	1	0	1	<b>Means of verification:</b> Resolutions issued by the MOF approving the new OS.	
<b>Indicator 1.2:</b> Action plans for taxpayer Service (TS) function developed	Taxpayer service	0	0	1	0	1	<b>Means of verification:</b> Annual ORA including the TS activities.	
<b>Indicator 1.3:</b> Internal Revenue System Modules implemented	Systems	0	0	3	3	6	<b>Means of verification:</b> Annual ORA report informing that the modules are fully implemented.	
<b>Indicator 1.4:</b> Revenue Administration Physical Structure Implemented (including gender specific needs)	Building	0	1	0	0	1	<b>Means of verification:</b> 1. Annual ORA report informing the new building is fully operational. 2. Survey to representative number of male and female workers. 3. Blueprints include gender specific features found in survey.	
<b>Indicator 1.5:</b> Technological Infrastructure for the MOF (including Transparency Portal) Updated	Systems	0	0	0	1	1	<b>Means of verification:</b> Annual report from the ICT directorate of the MOF informing that the systems are fully implemented and are operational.	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/20

Suriname. Reformulation of the Fiscal Strengthening to Support Economic Growth Program  
Loan 4112/OC-SU (for the financing of Support to Safety Nets for Vulnerable  
Populations Affected by Coronavirus in Suriname)

The Board of Executive Directors

RESOLVES:

1. To approve the reformulation of Loan 4112/OC-SU "Fiscal Strengthening to Support Economic Growth Program" authorized by Resolution DE-23/17, in order to finance Support to Safety Nets for Vulnerable Populations Affected by Coronavirus in Suriname, in accordance with the terms and conditions described in Document PR-\_\_\_\_\_.
2. 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, to amend Loan Contract 4112/OC-SU for the purpose described in this Resolution.

(Adopted on \_\_\_\_\_ 2020)