

**Fiduciary Technical**

**Note – Suriname**

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**Acronyms and Abbreviations**

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| CAROSAI | Caribbean Organization of Supreme Audit Institutions |
| CARTAC | Caribbean Regional Technical Assistance Centre |
| CLAD | Centrale Landsaccountantsdients (Central Audit Office) |
| COF | Country Office  |
| CCT | Conditional Cash Transfer |
| COM | Council of Ministers |
| CBvS | Central Bank of Suriname |
| EAF | External Audit Firm |
| FMP | Financial Management and procurement Services Office |
| FINIS  | Financiën Informatie Systeem (Financial Information System) |
| FMIS | Financial Management Integrated System |
| GUS | Guide for the Use of Country Systems |
| GOS | Government of Suriname |
| IDB | Inter-American Development Bank |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPSAS | International Public Sector Accounting Standards |
| MoF | Ministry of Finance |
| MTTF | multi-annual fiscal forecast |
| MOP | Meerjaren Ontwikkelingsplan (5-year National development Plan) |
| PBL | Policy Based Loans |
| PEFA | Public Expenditure & Financial Accountability  |
| PFM | Public Financial Management |
| PEU | Project Executing Unit |
| PRODEV | Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness |
| PET | PRODEV evaluation tool |
| QBs | Quick Books (accounting software) |
| ROSC | Report on the Observance of Standards and Codes |
| SAI | Supreme Audit Institution |
| SAI-PMF | SAI Performance Measurement Framework |
| SDMO | Suriname Debt Management Office |
| TI | Treasure Inspectorate |
| TSA | Treasure Single Account |
| VAT  | Value Added Tax |

1. **Introduction and Background to Suriname’s Fiduciary Context**
	1. The Fiduciary Technical Note (FTN) presents an overview of the development of Suriname’s Public Financial Management (PFM) System. It includes a brief description of the Suriname’s context of fiduciary systems, the progress achieved since the Bank’s last country strategy period 2011 – 2015 as well as the main findings and recommendations pinpointed by the last PFM assessments carried out by the Bank.
	2. Suriname is a small independent country (since 1975) with a population of 0.54 million inhabitants (2012 Census). It is rich in natural resources (mainly alumina, bauxite, gold and petroleum). The economic activity is mainly focused on the service sector estimated at 53.2% of GDP. Agriculture represents 5.5% of GDP, Mining and Quarrying 5.3% of GDP and Manufacturing 19.8% of GDP respectively. At present the economic activities are under pressure due to decrease of global commodity prices for oil and gold creating fiscal imbalances for the country. The country is a constitutional and democratic republic based on the 1987 constitution. It is divided into 10 administrative districts, each headed by a district commissioner appointed by the President. The Government of Suriname is composed of 17 line ministries, covering central and regional government administration.
	3. The legal and regulatory framework for PFM in Suriname is relatively outdated except for a few articles of the Constitution (1987). The PFM legislation has remained unchanged since before independence (1975) and reflects practices in the Netherlands before the 1970s. The Budget Law and Budget Regulations (1952-1953) Law is the main law for budget preparation and execution. It has two articles (18 and 19) on procurement, which are the main reference for procurement activities in the country. The budget law deals with only the basics of budget preparation and the treatment of revenues and expenditure during execution and reporting. It has no multi-year focus and its scope is only the Central Government. The Constitution of 1987 sets forth that the President should annually submit to the National Assembly the budget proposal and the policy to be followed by the government. In terms of the budget, the Constitution establishes that taxes are levied in Suriname only by virtue of the law, which regulates rates, tariffs and guarantees for taxpayers (art 155.). The Audit Act (1953) created the SAI (Rekenkamer) and stipulates its mandate and duties as to supervise the expenditures of the State and to control management of the Government. The CLAD Act (1972) creates the Centrale Landsaccountantsdienst as an autonomous agency for reviewing the government expenditure and financial reports as well as the overall government. The new Debt Act (2002) establishes that all expenditures of the State and the means by which they are financed should be included in the budget.
	4. The responsibility for PFM is assigned to the Ministry of Finance which is composed of three Directorates, each headed by a Permanent Secretary: The Directorate of Finance, the Tax Directorate and the Directorate for Development Cooperation.
2. **Current Diagnostics**
	1. Suriname has undergone 2 PFM assessments in 2011 and 2014 using the Public Expenditure and Financial Accountability (PEFA) performance measurement framework – both sponsored by the IDB. The 2014 assessment was finalized in 2015. A simultaneous assessment of the PFM subsystems of budget, treasury, internal audit, external audit and accounting and reporting, was carried out alongside the 2014 PEFA assessment using the IDB’s Tool for Determining the Level of Development and Use of Public Financial Management Systems (GUS). This assessment focused on projects and the execution of IDB funded projects using the same rules that govern government internal funds. The findings of the two assessments coincide in pertinent areas. Formal acceptance by the Government of the reports and follow-up on the results and recommendations of the reports through development of a new Action Plan or - updated 2011 Action Plan of the PFM reform agenda are pending. The Bank will support the Government in this process; it is expected that the PEFA and GUS results will be updated with improvement measures of the PFM system implemented by the government after the 2014 assessments. For example, the Government has fully deployed the IFMIS in all 17 line-ministries. The following are the findings of the 2014 diagnostics:
	2. **Financial Management:** The result of the assessment using the IDB’s Tool for Determining the Level of Development and Use of Public Financial Management Systems are both recommending opportunities for improvement in all areas of the public financial management system and therefore the IDB cannot rely on using this system for execution of Bank financed projects.
	3. **Budget Subsystem:**  Whilst the existing Budget Law and Budget Regulations (1952-1953) are dated, it is the main law for budget preparation and execution.Notwithstanding, Suriname has a systematic and good quality budget preparation process. Instructions and guidance is provided via a Budget preparation manual (not a legal manual) and budget circular, which is sent to the seventeen ministries. It is very detailed with ceilings approved by the Council. The budget classification system does not meet international standards; however, the classification makes it possible to identify resources by financing sources (domestic or foreign resources) but not at the program level. The budget classification system is unable to facilitate reporting of the project budget in a manner suitable for monitoring project execution and expenditure.
	4. All phases of budget execution (commitment, goods and services received from suppliers and payments) are captured by FINIS, the current financial information system of the government, which feeds into the accounting system. FINIS is not a fully integrated system. There is no systematic reconciliation between the budget execution and the accounting records.
	5. **Treasury Subsystem:**  There is no specific legislation for activities related to the treasury. The Budget Law and Budget Regulations (1953) do not cover the treasury activities. Treasury operations are not fully computerized; there is no Treasury manual or Treasury financial program; however, the Comptability Act provides some guidance to treasury management.
	6. It is possible to track external resources, including the inflow of resources through the Central Bank held accounts. The funds are however fungible. Reconciliations of government’s main bank accounts are carried out manually and on a daily basis.
	7. Treasury functions are carried out by several entities: the Budget Department (Thesaurie Inspectie), the Compatibility Department (Comptabiliteit), the Paymaster (Centrale Betaaldienst) and the Central Bank of Suriname. The administrative process starts with an invoice that is issued when the Ministry receives goods or services. This is sent to the Budget Department which verifies the invoice to the purchase order. This is then submitted to the Compatibility Department (which has a representative in each Ministry) for review. If everything is in order, it is then sent to the Paymaster both in electronic form and in hard copy. Payments are based on the availability of cash (in the Paymaster’s accounts at the Central Bank). The different phases of the payment cycle may last several weeks or months. The spending Ministries whilst executing their budget do not receive information on the availability of funds as there is no cash flow planning. Expenditure is committed by the Ministries based on their monthly budget allocations, however, it is only at the end of the payment process that they are made aware of whether funds are available for payments.
	8. The Treasury subsystem is unable to facilitate adequate cash management – which includes bank financed projects -, since cash flow planning is not undertaken which can lead to overall delays in making payments.
	9. **Accounting and Reporting Subsystem:** There is no specific legislation for activities related to accounting and reporting. The Budget Law (1953) partially covers accounting activities but not reporting. The existing accounting guidelines are not consistent with the current budget law. Although accounting statements are presented in a consistent format, accounting standards used in Suriname do not comply with international public sector accounting standards IPSAS.
	10. The accounting system in Suriname is computerized and reflects budget execution. At least once per year, there is reconciliation between the budget execution and accounting records. The accounting system is not detailed and its classifications are very general, mainly in policy related expenditures and revenues. The accounting system does not have enough flexibility to manage donor-funded projects as it does not allow information at the project level to be tracked and disaggregated by component according to the classification of expenditures.
	11. Public debt management has improved following the receipt of technical assistance to the Suriname Debt Management Office (SDMO) (Bureau voor de Staatsschuld) to improve debt management in 2011 and 2014 from CARTAC. Reconciliations of external and internal debt data are carried out on a monthly basis with the Central Bank of Suriname against debt payments as well as creditors. Debt statistical reports are prepared monthly (within 2 weeks following the period covered) in Dutch and are published on the website of SDMO ten weeks after the period covered.
	12. **Internal audit subsystem:** The CLAD Act (1972) created the CLAD (Centrale Landsaccountantdienst), an autonomous agency with the mandate of auditing the administration of the government (17 ministries including the 25 Directorates and the parastatals) and the state-owned enterprises. CLAD has an internal audit unit in every ministry. These units perform a limited number of internal control functions (mainly pre-audit of transactions). Over time, CLAD’s activities have concentrated on the review of the financial reports and auditing of the annual financial statements (prior to being audited by the SAI) of the ministries and the parastatals. CLAD also carries out fraud investigation and reports directly to the Minister of Finance.
	13. **External Control Subsystem:** The Rekenkamer (SAI) was created in 1953 to perform supervision of financial resources in accordance with the budget, as well as the approval of the account of receipts and expenditures. In addition, it is mandated to control the financial management of the Government in the widest sense. In practice, CLAD has been assuming the task of performing the audits of the government expenditures and financial statements because of the lack of technical capacity of the office of the Rekenkamer. In recent years, the Rekenkamer has been working on improving its technical capacity by increasing the number of professional auditors in the institution and developing institutional strengthening plans with the support of the donor community and it now has the capacity to undertake both compliance and performance audits according to its mandate.

2.14 **Procurement:** The legal framework for public procurement is relatively old and does not meet international standards. Public Procurement is covered by two articles (Art.18 and Art.19) from the 1952 Budget Law and 1953 “Comptabiliteitsbesluit” which remain the basis of all public procurement to the Central Government, Autonomous Government Agencies and Public Corporations (parastatals). Additionally, several decrees from the Ministry of Finance, instructions from the Sub-Council for Tendering and Awarding (ORAG), letters of information from the Council of Ministers, and detailed regulations namely the AWS 1996 Rules and Regulations for the Tender of Works in Suriname and the UWS 1996 Conditions for the Execution of Works in Suriname complement the articles 18 and 19 of the Budget Law. The procurement system is decentralized with each Ministry or Sub-department being responsible for its own process. Department Directors may establish Procurement Commissions to manage the tender phase of the process. A Procurement Commission is usually made up of at least 5 persons drawn from the procuring entity’s staff. Two important bodies in the approval process are ORAG and the Council of Ministers. Ministries can approve awards up to SRD 4,000. The ORAG approves contract awards between SRD 4,000 and SRD 30,000 while the Council of Ministers approves awards above SRD 30,000.

2.15 Five (5) major parastatal institutions namely the N.V. Energie Bedrijven Suriname( EBS), the telecommunications company (Telesur), The Suriname State Oil Company (Staatsolie), the Road Authority, and the Suriname Water Company (SWM) manage their own procurement through Special Sector Frameworks.

2.16 The 2014 PEFA assessment reported on the public procurement indicators PI-2, PI-3 and PI-19. The assessment results indicate that the public procurement meets one of the six (6) requirements in relation to the Legal and Regulatory Framework for Procurement. Among the findings of the assessment on the procurement legal framework are:

 a) An absence of a clear lead agency responsible for directing procurement policy

 b) Multiple pieces of governing documentation and the absence of a comprehensive piece of legislation covering procurement

 c) Absence of an oversight mechanism

 d) A shortage of trained, competent procurement personnel and no program to develop this capacity

 Reforms to improve the procurement legal framework are being undertaken by the government of Suriname, including the drafting of a new procurement law.

2.17 During the country strategy period it is expected that the Bank will continue its efforts to strengthen the procurement capacity in Project Executing Units (PEUs) by providing continuous procurement training while taking advantage of opportunities to advance procurement knowledge and expertise in PEU’s through procurement certification programs. In line with the recommendations made in the Country Program Evaluation, the Bank will continue its dialogue with the GoS to jointly explore solutions to address key procurement constraints, including solutions to optimize the use of the current limited availability of procurement and financial specialists. Hence, to define suitable approaches and strategies to mitigate procurement risks during project execution, the structure of existing project execution units will be considered. In the case of new loans, the convenience of central unit or transversal fiduciary services will be explored with the GOG to determine the most efficient execution mechanism.

Government Objectives

* 1. The government has shown continued commitment to improving the country PFM systems. During the strategy period 2016 - 2020, the government will continue with ongoing reforms combining policy initiatives and actions in the areas of public investment management, public procurement and public financial management and audit. These reforms are expected to positively impact the use of country systems in the medium term.
	2. In the area of **budget credibility**, the interventions programmed under policy based loan SU-L1029 include the introduction of the new Budget Act, the setting up of a Public Investment Unit in the MoF and improved cash management. To improve comprehensiveness and transparency, the following is programmed: the introduction of international accepted accounting standards, the revision of budget classification and chart of accounts to meet international standards and updating the legislative framework for public enterprises, including the governance arrangements. Investment loan SU-L1050 will support advances in this area (refer par. 4.1)
	3. The **new integrated financial management systems** IFMIS was being piloted in a few ministries. 2016 will see the full implementation of IFMIS in all Ministries. This is expected to improve GoS’ budget execution, accounting and reporting.
	4. **Tax Administration.** The Government of Suriname has undertaken an ambitious tax reform, which is being supported by the Bank through a policy-based loan “Strengthening of Revenue Management (SU-L1040). The objectives of the PBL are threefold: (I) tax administration reform through modernization and enhancement of the legal framework in the area of collection legislation, tax administration legislative changes to support restructuring of the directorate of taxes and customs,, consolidation of tax payer service, technical amendment of the wages tax and transformation of the Wealth Tax into a self-assessment system; (ii) introduction of value added tax (VAT).; and (iii) modernization of the customs revenue system which includes legislative framework improvements of the customs act, the Entertainment Act, the Excise Tax Act as well as initiatives to implement the ASYCUDA World customs automation system. The latter includes the implementation of electronic processing of clearance of goods through e-Manifest features of ASYCUDA World; and the action plan for customs modernization. Most of afore mentioned activities are ongoing and additional Bank support will be programmed for implementation under SU-L1050.
1. **Initiatives for the Development & Strengthening of the National Fiduciary System**
	1. The Bank will continue to support the development and strengthening of the public fiduciary system. Support will continue through current initiatives, which are expected to continue into the new strategy period, in line with GOS’ commitment to implement key policy measures of reforms with improving the quality of expenditures by strengthening the budgetary preparation and execution process; introduction of a new Budget Law; full implementation of the new Integrated Financial Management Information System; building of a Treasury Department to combine the treasury functions currently being carried out by different institutions; strengthening the Office of Tax Administration including Customs; introducing a Value Added Tax, strengthening the MOF´s physical infrastructure; modernization of the Public Procurement legislation and operations in the central government; and ongoing implementation of the action plans of the CLAD and Rekenkamer. The Bank will continue support to the Rekenkamer with conducting a SAI-PMF diagnostic assessing its performance against the International standards for Supreme Audit Institutions. The Bank will support this institution with the adoption of INTOSAI Auditing Standards, its process towards independence, and capacity building. Further the Bank will support the government’s structural reform plan through implementation of an investment loan SU-L1050 – Fiscal Economic Growth Program with the objective to achieve financial sustainability and economic growth by strengthening the Ministry of Finance ‘s institutional capacity, to effectively: a) collect tax revenue; b) improve quality of expenditure; and c) strengthen the monitoring and evaluation of Public investment and Public Private Partnerships and of State Owned enterprises. It is expected that the Bank will support the government with implementation of IPSAS in the new country strategy period.
	2. The other target being pursued in addition to the strengthening of the GoS’ PFM systems is the establishment of a sound and transparent public fiduciary structure to increase the confidence of donors to allow their funds to be executed through the same PFM mechanisms, through which the government funds are being executed.
	3. Short-term activities funded from technical cooperations: ATN/FI-13012-SU-Public Procurement Strengthening in Suriname and ATN/FI-14581-SU- Revenue and Expenditure Administration Support continue to support on-going implementation of reforms which include: a) A diagnostic study in the area of revenue covering i) tax policy and legal framework, ii) tax administration, iii) customs administration, and iv) institutional framework; b)Technical assistance in the area of public procurement including: i) review of draft Procurement Law in accordance with international best practices and UNCITRAL model law, ii) awareness campaign, iii) update of strategic action plan for Public Procurement Unit, and iv) identification of training opportunities for public officials; **c)** A diagnostic study in the area of State Owned Enterprises including: i) legal framework and labor arrangements, ii) operational framework, and iii) governance.
	4. The Bank could provide support to the GoS with the drafting of the budget in the new IFMIS system once the PFM Act has been passed. In addition, the Bank will support the GoS to review and test the functionalities of the new IFMIS as it relates to the financial administration of IDB-financed projects. With full implementation of IFMIS the use of the old FINIS system will come to an end. The Bank will also provide support in the streamlining of treasury operations including cash management with the development of the treasury module that exists in the IFMIS.
	5. Technical cooperation ATN/FI-14581-SU- Revenue and Expenditure Administration is also aimed at strengthening the PFM system by supporting the ongoing implementation of the action plans of the CLAD and the Rekenkamer. For CLAD the strengthening of the internal audit capacity with the development of a common internal audit manual for use for all internal audit functions, the training of staff and the elaboration of an integrated action plan for audit will be further implemented.
	6. Under the operation SU-L1029 Strengthening of Public Expenditure Management III, some activities were carried out in the area of procurement modernization. A new draft procurement law was prepared and standard bidding documents were developed. However these activities did not develop into implemented adjustments to the procurement system. It is anticipated that these initial developments will be further advanced in the new strategy period.
2. **Use of Country Systems in Bank Operations**
	1. At present, none of the country’s PFM systems is used in operations executed by PEUs except for the Treasury Single Account mechanism established by the GoS for the projects installed in line ministries, currently piloted in 73% of loan operations. With the full implementation of IFMIS, the new integrated PFM system, the Bank will undertake a review with GoS, to ascertain whether it could be used for the financial administration of IDB-financed projects including facilitating project accounting and reporting. The Bank however foresees an increase in the use of the various sub-systems.
	2. Since implementation of the modernization activities planned under the previous country strategy period are delayed, but ongoing, the level of development of the national systems that was required to promote use has not been achieved as yet. It is expected that the modernization will be continued in the next country strategy period. There is currently no country procurement system in use. With the GoS’s indicated interest in resuming modernization activities and with sustained progress in establishing unitary, documented procedures, at the minimum, it could be possible to advance a Methodology for Assessing Procurement Systems (MAPS) diagnostics.

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| **Use of Country Systems**[[1]](#footnote-1) | **Baseline****2015**[[2]](#footnote-2) | **Estimated Use****2020**[[3]](#footnote-3) |
| **Financial Management** |
| Budget | 0% | 50% |
| Treasury | 0% | 50% |
| Accounting & Reporting | 0% | 25% |
| Internal Audit | 0% | 10% |
| External Audit | 0% | 10% |
| **Procurement** |
| Information System | 0% | 0% |
| Price comparison/ shopping | 0% | 0% |
| Individual Consulting | 0% | 0% |
| Partial NCB | 0% | 0% |
| Advanced NCB | 0% | 0% |

1. % of Bank financed projects using fiduciary country systems [↑](#footnote-ref-1)
2. Baseline: Use at the beginning of the country strategy period [↑](#footnote-ref-2)
3. Estimated use at the end of the country strategy [↑](#footnote-ref-3)