

TC Document FORMAT AND CONTENT

I. Basic Information for TC

▪ Country/Region:	SURINAM
▪ TC Name:	Support To The Fiscal Reforms In Suriname
▪ TC Number:	SU-T1125
▪ Team Leader/Members:	Reyes-Tagle, Gerardo (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM) Alternate Team Leader; Canillas Gomez, Mariana Belen (IFD/FMM); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Hoepel, Lucas A (CCB/CSU); Park Kwon, Yery (IFD/FMM); Roman Sanchez, Susana (IFD/FMM); Tjon A Loi, Mariska Chuquita (VPC/FMP)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	SU-L1050
▪ Date of TC Abstract authorization:	26 Jun 2019.
▪ Beneficiary:	Surinam
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	30 months for disbursement and execution.
▪ Required start date:	October 2019
▪ Types of consultants:	Individuals and Firms
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Institutional capacity and rule of law

II. Description of the Associated Loan/Guarantee

- II.1 This TC is associated to the “Fiscal Strengthening to Support Economic Growth” (SU-L1050) loan program signed and achieved first eligibility on December 18, 2017. The program is scheduled to close on July 11, 2022. To date, the program has disbursed only 15.45% of the total loan amount of US\$40 million. While this appeared to represent a strong pace of implementation in Year 1, approximately 50% of this has been paid to activities related to Component 1 as a retroactive payment for work which began in 2016, prior to the SU-L1050 loan approval date. Only half of the disbursed amount made by March 2018 has been justified as payments to the Project Implementation Unit (PIU) and few consultants and additional payments for the continuation of the activities of the firm contracted to reform the tax system modules. During the year 2019, a physical purchase has been made by the Government of Suriname for the use of the semi-autonomous revenue agency (SARA) and the upgrading of information and communications technologies (ICT) equipment.

- II.2 However, efforts in the implementation regarding the institutional, technical and personnel training of the program should be advanced for the remaining years to guarantee a successful completion and outcome of the program. The objective of this TC is to support the Ministry of Finance and the Directorate of Taxes and Customs to overcome its limited capacity and facilitate the smooth transition in leadership and change management strategies that could arise as the activities of the loan operation (SU-L1050) is advanced. Also, it will complement and reinforce the objectives of the SU-T1089, which helped to create a comprehensive program for expanding institutional capacity and the implementation of policy reform to ensure fiscal sustainability in the country. If SU-T1089 focused on assisting the technical capabilities to strengthen revenue collection, this TC will focus on strengthening the institutional and personal management.

III. Objectives and Justification of the TC

- III.1 In the last three years, Suriname has taken a proactive approach to reversing the fiscal deficits and rising public debt levels, due to the negative impact of declines in the prices of the main commodity exports and the resulting sliding tax revenues. The country entered into a 5-year loan agreement with the IDB (SU-L1050) to increase tax revenues and improve the efficiency of the Directorate of Taxes and Customs (DOTC).
- III.2 There has been a persistent lack of investment in capacity building in the Ministry of Finance and specifically in the Directorate of Taxes and Customs, which poses leadership and management capacity issues in that directorate. In the Directorate of Taxes and Customs, there is low technical and managerial capacity within key areas such as tax collection, audits, among other administrative areas. This deficit is evidenced by inefficient workflow processes, bureaucratic structures that hinder decision making, and outdated management procedures and systems. Therefore, it has become clear after a year of implementation, that it is necessary to invest in additional support to the loan program in the areas of operational support, management support and technical expertise.
- III.3 This TC aims to address some of the deficiencies of the current management team of the Directorate of Taxes and Customs and the Ministry of Finance, complementing the progress in the implementation of key activities of the SU-L1050 program that aim to return Suriname to a sustainable fiscal path in the medium term through the gradual reduction of its fiscal deficit. These goals will be achieved through the provision of expert mentorship and coaching to the senior management team of the Directorate of Taxes and Customs and the Ministry of Finance in order to strengthen their organizational structure, and to provide technical advisory to complement the ongoing SU-L1050 program activities by conducting necessary technical studies in the areas of fiscal management, revenue administration and public financial management, and key areas to aid policy decision making at the leadership level of the organization.
- III.4 The TC's objectives are two-fold; (i) to contribute to the improvement of public sector management in the Directorate of Taxes and Customs and the Ministry of Finance by increasing the capacity and knowledge of the management team in the areas of leadership, communication, project and change management; and (ii) to improve the technical capacity of the Directorate of Taxes and Customs and the Ministry of Finance to aid policy decision making at the leadership level of the organization complementing the efforts made through the TC "Fiscal Policy for Sustainability and Growth"

(SU-T1089) and for a successful completion of the “Fiscal Strengthening to Support Economic Growth Program” (SU-L1050).

- III.5 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the objective of establishing more distributive fiscal policies by improving revenue management and designing more progressive tax systems contributing to remediate the structural and emerging development challenges stemmed from social exclusion and inequality. It will also contribute to increase the capacity of the public sector and civil service to deliver services, fight corruption and enforce the rule of law (point 2b of AB-3008). The TC is also aligned with the cross-cutting theme of institutional capacity and rule of law by improving tax administration in a digitally sustainable manner. The TC will contribute to the indicator government agencies benefitted by technological instruments for management of the 2016-2019 Corporate Results Framework (GN-2727-6). The TC is aligned to the Strategic Program for Institutional Development (INS) (GN-2819-1) particularly with the objective of contributing to the development of policies and public institutions that are efficient, effective, open and citizen oriented. Finally, the TC is aligned to the Fiscal Policy and Management Sector Framework Document (GN-2831-8) which underscores the importance of institutional capacity-building in the public sector to design and implement fiscal policies that improve efficient mobilization and allocation of resources that improve tax equity and social inclusion.

IV. Description of activities/components and budget

To achieve the objectives and strategies, this TC will finance the support of the following activities:

- IV.1 **Component 1: Strengthening Leadership and Communication Channels within the Revenue Administration.** This component seeks to address the institutional shortcomings in the Directorate of Taxes and Customs in these skillsets, to strengthen their capacity to implement and manage the major fiscal reforms being undertaken by the Government of Suriname, including those being financed by the loan SU-L1050 in order to ensure proactive policy decision making, and timely implementation and adoption of fiscal reforms. This component will finance the development and implementation of an internal and external institutional communication plan, including the hire of communication experts and leadership coaches, organize workshops, seminars and awareness building campaigns along with marketing collateral, which is essential to align the roles and functions of numerous consultants hired¹ to implement the Component 1 of the loan SU-L1050. This component will finance the following outputs: (i) the design of an institutional plan; (ii) implementation of the designed plan; and (iii) the delivery of a training workshop.
- IV.2 **Component 2: Support the Transition in Change Management within the Ministry of Finance.** This component will finance the development and implementation of a change management plan that will supplement the efforts in public financial management reform to acquire crucial management skills of change and project

¹ The number of consultants hired to carry out the reforms of Component 1 “Strengthening the Revenue Administration” of SU-L1050 to date are 11. This group of consultants were hired considering their expertise on the various sub-components of the first component of the loan program and will require appropriate channels to translate the set of knowledge acquired to DOTC’s personnel and strengthen their capacities to guarantee a sustainable management of the reform results.

management. This work will complement the work completed with TC SU-T1087, which provided training to middle managers in the Ministry of Finance. A project manager (team leader) to support and facilitate the reform activities under Component 2 of the loan SU-L1050 was recently hired and will require to develop a strategic approach to instigate work culture changes within the various layers of the Ministry of Finance to guarantee the successful implementation of the public financial management reform. This component will finance the hire of a project management expert that will support the review of a new operational planning process and management of human talent of the Ministry of Finance. This component will finance the following outputs: (i) the design of an institutional plan; (ii) implementation of the designed plan; and (iii) the delivery of a training workshop.

- IV.3 **Component 3: Produce Knowledge Products and Technical Studies.** This component will seek to increase technical capacity and knowledge of the management team in the Directorate of Taxes and Customs and the Ministry of Finance by financing technical studies and knowledge products in the areas of fiscal economics, revenue administration, and public financial management in Suriname to aid policy decision making at the leadership level of the organization. This component will finance the production of knowledge products as requested per the government or project implementation unit.²
- IV.4 The total amount of funding required for the TC is US\$150,000, as detailed below. This TC will be funded with the Strategic Development Program for Institutions Fund (INS-OC).

Indicative Budget (US\$)

Activity / Component	Description	IDB/Fund Funding	Total Funding
Component 1	Strengthening Leadership and Communication Channels within the Revenue Administration.	65,000	65,000
Component 2	Support the Transition in Change Management within the Ministry of Finance.	65,000	65,000
Component 3	Produce Knowledge Products and Technical Studies.	20,000	20,000
Total		150,000	150,000

- IV.5 This TC will be supervised by the Team Leader with support from the Bank Office in Suriname.

V. Executing agency and execution structure

- V.1 The executing agency will be the IDB. The activities to be executed under this operation have been included in the Procurement Plan and will be executed in accordance with the Bank's established procurement methods, namely:

² All knowledge products (KPs) produced by this TC will be subject to AM-331, 2.1 regulations. Copyrights belongs to the Bank and are considered Bank property or for which the Bank has secured rights for use and distribution.

(a) recruitment of individual consultants, as established in AM-650 standards; (b) recruitment of consulting firms for services of an intellectual nature according to GN-2765-1 and its associated operational guides (OP-1155-4); and (c) recruitment of logistic services and other services other than consulting, of according to policy GN-2303-20.

- V.2 The Bank and the specific personnel involved, have experience in the three components of this TC, which qualifies for the selection and contracting of consulting services that, where appropriate, are required. The Bank as the executing agency of this OS-TC may also guarantee that the products meet the appropriate quality standards and their applicability to other countries in the region and provide them with technical and operational advice.
- V.3 The Bank will execute the TC, as requested in the TC request letter received from the Minister of Finance. The Bank, through FMM specialists and prior to the start of activities in Suriname, will obtain a letter of no objection from the beneficiary entity with which the activities and studies will be coordinated.
- V.4 The Bank has prior experience with executing TCs to support fiscal reforms in Suriname and other CCB countries. This TC was prepared to support the necessary technical, operational or institutional capacity to duly and timely execute the activities provided in the respective project taking into account the current challenges the Ministry of Finance and the Directorate of Tax and Customs of Suriname face in terms of personnel training at the leadership level and lack of communication strategies that facilitate an efficient execution and implementation of the outcomes and outputs proposed in the loan operation. It will not require any legislative approval nor be exposed to external procedural factors. The beneficiary agency and the Bank mutually agree that contracting by the Bank would enhance independence.

VI. Major issues

- VI.1 Major risks to project execution include (i) political will to carry out the advice provided by the experts, with national elections to be held in 2020; (ii) identification and selection of adequate human resources within the various beneficiary institutions being assigned with sufficient time to strengthening capacity; (iii) slow execution of the SU-L1050 may also impact the pace of execution of the TC. Some mitigation efforts could include (a) ensuring a bottom-up and top-down approach to implementing the communication and change management plans within the executing agency, which would not be dependent on the political cycle; (b) recruit new local human talent and retain within the beneficiary institutions by providing adequate incentives and capacity building to fill gaps within the executing agency over the life of the project could mitigate against the current unavailability of human resources; (c) start knowledge building efforts within the executing agency in the second half of 2019 into 2020 to positively impact the execution of SU-L1050 and mitigate the risk of the loan program slowing the execution pace of the TC.
- VI.2 **Sustainability.** To contribute to the sustainability of the products financed by this TC among the beneficiary public institutions, all activities will be conducted with career public servants in Public Investment Unit, State-owned Enterprises Unit and Tax Administration officials. It will substantially support in the training of human resources to increase the competitiveness and efficiency of the Management of these units.

VII. Exceptions to Bank policy

VII.1 This TC does not involve exceptions related to Bank's policies.

VIII. Environmental and Social Strategy

VIII.1 The ESG classification for this operation is "C". The project is classified as low disaster risk because the occurrence of the hazard event does not impact in the achievement of project outcomes.

Required Annexes:

[Request from the Client - SU-T1125](#)

[Results Matrix - SU-T1125](#)

[Terms of Reference - SU-T1125](#)

[Procurement Plan - SU-T1125](#)