

TC Document

1. Basic Information for TC

▪ Country/Region:	SURINAME
▪ TC Name:	Program to Strengthen Fiscal Sustainability for Economic Development in Suriname
▪ TC Number:	SU-T1140
▪ Team Leader/Members:	Reyes-Tagle, Gerardo (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM); Carmen Montesinos Ibanez (IFD/FMM); Greco, Maria Sofia (LEG/SGO); Hoepel, Lucas A (CCB/CSU); Ospina Garnica, Laura Alejandra (IFD/FMM); Park Kwon, Yery (IFD/FMM); Park, Yaerin (IFD/FMM); Roman Sanchez, Susana (IFD/FMM) Tagle, Gerardo (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM); Greco, Maria Sofia (LEG/SGO); Hoepel, Lucas A (CCB/CSU); Ospina Garnica, Laura Alejandra (IFD/FMM); Park Kwon, Yery (IFD/FMM); Park, Yaerin (IFD/FMM); Roman Sanchez, Susana (IFD/FMM)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	SU-L1065.
▪ Date of TC Abstract authorization:	23 May 2022.
▪ Beneficiary:	Suriname
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months of disbursement and 36 of execution period
▪ Required start date:	N/A
▪ Types of consultants:	Individual
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	CCB/CSU-Country Office Suriname
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Institutional capacity and rule of law; Gender equality; Diversity

2. Description of the Associated Loan/Guarantee

2.1. This TC is associated with the “Fiscal Sustainability Program for Economic Development I” (SU-L1065) loan program. The components of the loan program include four key areas: (i) promoting tax reform and strengthening the tax system through the introduction of the VAT and the reduction of tax distortions; (ii) strengthening fiscal framework and management of State-Owned Enterprises (SOEs); (iii) enhancing budget planning and execution; and (iv) improving the macro-fiscal institutional and policy framework for debt management. The general objective is to support the authorities of the Government of Suriname to achieve sustainable economic growth path in the post-pandemic era.

3. Objectives and Justification of the TC

- 3.1. This TC's main objective is three-fold: (i) to support Suriname's Ministry of Finance and Planning (MOFP) by increasing the capacity and knowledge of the management team in the areas of tax reform, State-Owned Enterprises (SOEs), budget planning and execution, and debt management; (ii) to improve the technical capacity of the Ministry of Finance to aid policy decision-making at the leadership level of the organization; and (iii) to support relevant activities and administrative procedures needed to execute the loan program SU-L1065. To achieve this objective, this TC will finance activities that will put in place effective policymaking conducive to regain fiscal sustainability in the medium and long term.
- 3.2. **Justification.** The Government of Suriname is facing various economic and social challenges in the wake of the outbreak of the global pandemic (COVID-19). For instance, the country's economy contracted by 1 percent in 2021, and the debt-to-GDP ratio increased significantly by the end of 2020, amounting to 145.1 percent of the GDP. Also, macroeconomic conditions such as rising inflation due to devaluation, Russia's invasion of Ukraine, and rising commodity prices thereupon, have constantly imposed obstacles to the Government of Suriname's efforts to overcome numerous challenges. At the same time, the Government of Suriname has increased public spending to provide pandemic subsidies and relief in various areas of healthcare, unemployment, and domestic production (CEPAL, 2021). In this regard, there is a need for Government of Suriname to reduce fiscal deficit and strengthen fiscal sustainability to promote sustainable economic and social growth and support vulnerable population with post-pandemic recovery plans. Hence, there is a need to support for more comprehensive program to equip technical capacity and knowledge in various dimensions of fiscal policy and management.
- 3.3. Against this backdrop, this TC will complement the efforts of the Government of Suriname to strengthen knowledge and technical capacities of the MOFP against fiscal policy and management in the key areas including tax reforms through introducing VAT tax and reducing tax distortions, rationalizing, and strengthening management of SOEs to promote accountability and transparency, enhancing budgeting planning and execution, and strengthening debt management by improving macro-fiscal policy framework. This TC will also support the reforms to be agreed under the loan program Fiscal Sustainability Program for Economic Development I (SU-L1065) that will include activities related to the strengthening capacity of relevant Units (SOE and PPP Units) at the MOFP and the Directorate of Tax and Customs (DoTC).
- 3.4. Suriname has a Gender Inequality Index of 0.436, ranking it 105 out of 162 countries in the 2019 index, and female participation in the labor market is only 38.8 percent compared to 63.7 for men (Human Development Report 2020, UNDP). In 2021, the country scored 0.729 in the gender gap index, which shows a gender gap of approximately 27 percent. Women are 27 percent less likely than men to have equal opportunities. During this period, the gender gap in the political empowerment sector in Suriname amounted to 75 percent. The indigenous community in Suriname has faced severe challenges as well. According to the UNDP, the proportion of vulnerable indigenous households in Suriname in 2020 is between 74.1 % and 84.3% (and between 24.1% and 34.0% for severe vulnerability) (United Nations Development Programme Suriname, 2021). In order to promote alignment with the strategic priority of promoting diversity and gender equality, in the activities conducted for each component of this TC, for instance, pilot programs and training workshops, the Project Team will collaborate with the Government of Suriname to ensure diversity and gender

equality among participants of the programs. For example, for the training workshops, the Project Team will include and implement i) training on gender-responsive budgeting (based on the Gender Vision Policy 2021-2035 prepared by the Ministry of Home Affairs in Suriname); ii) training for oversight and evaluation of SOEs' board management on the representation of women (also in accordance with the Gender Vision Policy 2021-2035). Also, the Project Team will work closely with consultants and country specialists to analyze the impact of program interventions on the dimensions of diversity and gender equality in the products and deliverables of this TC (such as technical notes, final reports, etc.). For instance, knowledge dissemination activities such as case studies and seminars will address how fiscal policy and management reform can address gender equality and empowerment of indigenous peoples in Suriname.

- 3.5. **Strategic Alignment.** This TC is (i) consistent with the Second Update of the Institutional Strategy 2020-2023 (AB-3190-2) and is strategically aligned to the cross-sectional area of enhancing institutional capacity and the rule of law, (ii) aligned with the priority area of "Effective, efficient and transparent institutions" of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14), and (iii) and is aligned with the Sectorial Framework for Fiscal Policy and Management (GN 2831-8) through strengthening the knowledge and technical capacities of the MOFP in key areas including tax reforms through introducing VAT tax and reducing tax distortions, rationalizing, and strengthening management of SOEs to promote accountability and transparency, enhancing budgeting planning and execution, and strengthening debt management by improving macro-fiscal policy framework. The operation also contributes to the Corporate Results Framework (CRF) 2020-2023, (GN-2727-12) through the indicator institutional capacity and rule of law by improving the limited capacity of the public sector and civil service to deliver services, fight corruption and enforce the rule of law. Under this framework, the project will contribute to the country to formulate a stronger tax and expenditure policy and management, strengthen agencies to achieve its digital technology and managerial capacities and transparency and integrity practices. In addition, this TC is aligned with Vision 2025, (AB-3266) specifically to its strategic opportunities of gender equality and, diversity and inclusion through the implementation of a training program on gender-responsive budgeting bases on the Gender Vision Policy 2021-2035 prepared by the Ministry of home Affairs in Suriname; and (iii) providing training for oversight and evaluation of SOEs' board management on the representation of women (also in accordance with the Gender Vision Policy 2021-2035). In addition, this TC is also aligned with the priority area of "Effective, efficient and transparent institutions" of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14), which has as expected results: (i) strengthen the quality of institutions and policies as well as the provision of services and implementation of policies, to improve public management and promote the development of the private sector; and (ii) leveraging digital transformation to promote more effective, efficient and transparent governments, better and more equitable opportunities for citizens, and more productive and innovative companies

4. Description of activities/components and budget

- 4.1. **Component 1: Expand the diagnostics of fiscal sustainability programs.** This component will finance a comprehensive diagnostic to map and categorize the whole portfolio of fiscal policy and management priorities of tax, SOEs, budgeting, and debt management reform owned by the Surinamese government and conduct a

macroeconomic and business environment assessment to capture the challenges and identify areas of reform.

4.2. Component II: Support the implementation of fiscal sustainability programs.

This component will finance (i) implementation of a pilot program to be carried out by MOFP for the improvement of the tax system, SOEs management, budget, and debt management system; (ii) the delivery of a training program to strengthen the technical and administrative capacity of the relevant Units of the MOFP to carry out the implementation of fiscal sustainability programs in tax reform, rationalization of SOEs, debt management and budget planning/execution.

4.3. Component III: Production of knowledge products and dissemination of results.

This component aims to manage the knowledge and tools developed in Component 1 and 2 to enhance the lessons learned and socialize the results of the project. This component will finance knowledge dissemination events carried out virtually (or hybrid) and through the channels currently used by the Bank and coordination of policy dialogues with the Suriname government and relevant policy makers.

4.4. The budget of the operation is US\$150,000 which will be financed by the Bank through Window 2, Priority Area 3: Effective, Efficient and Transparent Institutions (W2C) of the Strategic Program for Development financed with Ordinary Capital (OC-SDP).

Indicative Budget

Activity/Component	Description	IDB/Fund Funding (US\$)	Total Funding (US\$)
Expand the diagnostics of fiscal sustainability programs.	Diagnostics and mapping of the portfolio of MOFP, and assess strengths and weaknesses on carrying out reform in four areas: i) tax reform; ii) budget planning and execution; iii) debt management; iv) SOE management	60,000	60,000
Support the implementation of fiscal sustainability programs.	Institutional development plan designed that includes pilot programs and training sessions to be carried out by MOFP for the improvement of the tax system, SOEs management, budget, and debt management system	60,000	60,000
Production of knowledge products and dissemination of results.	Dissemination events carried out virtually (or hybrid) and through the channels currently used by the Bank for dissemination of knowledge and coordination of policy dialogues with the Suriname government and relevant policy makers.	30,000	30,000
Total		150,000	150,000

5. Executing agency and execution structure

- 5.1. At the request of the Government of Suriname, this TC will be executed by the IDB. At present, the country does not have the technical capacity for proper execution, so the Bank's intervention is crucial to achieve the objectives sought in the planned time. In line with the criteria set out in Annex II of the Procedures for the Processing of TC Operations (OP-619-4), the Bank's execution will allow greater efficiency in the processes of hiring consultants.
- 5.2. The IDB's Fiscal Management Division (IFD/FMM) in close collaboration with the Country Office in Suriname (CCB/CSU) will have technical responsibility for the execution of the TC. The designated focal point with responsibility for executing this TC will be the Lead Sector Specialist in IFD/FMM. The IDB team will lead implementation, oversight of TC activities and coordination of results with authorities in Suriname. IFD/FMM will be responsible for procurement of required services.
- 5.3. **Procurement.** The activities to be executed under this operation will be included in the procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods for the hiring of individual consultants, as established in the AM-650 standards; and the contracting of logistics services and other services other than consulting, in accordance with the GN-2303-2 policy. In addition, as stipulated in Annex II of OP6194, we confirm that individual consultants will not (i) perform functions like those of Bank staff or the Beneficiary; and (ii) will not be engaged to act as a counterparty to the Bank on behalf of the Beneficiary. If the need arises, the hiring of consulting firms for services of an intellectual nature must be carried out according to the updated version of the policies (GN-2765-4) and its associated operational guides (OP-1155-4).
- 5.4. **Supervision.** The Project Team Leader will be responsible for the supervision of the TC with the support of the alternate project team leader and the project team members.
- 5.5. **Monitoring and evaluation.** The TC Monitoring and Reporting System (TCM) (OP-1385-4) will indicate the degree of achievement of the objectives and financial execution of the project. The products and results achieved with TC will be communicated and disseminated in a timely manner with all stakeholders.

6. Major issues

- 6.1. Risks for this project are low due to the direct request by the Government of Suriname for this operational support Technical Cooperation. Nonetheless major risks to project execution include (i) identification and selection of adequate human resources within the various beneficiary institutions assigned with sufficient time to strengthening capacity; (ii) limited capacity for data collection and communication risks due to continuous travel restrictions and social distancing measures caused by the ongoing pandemic. Some mitigation efforts could include (a) 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, mitigating the current unavailability of human resources; (b) actively utilize virtual or hybrid meeting platforms and communication channels until travel restrictions are lifted to conduct field visits and in-person dialogue with the MOFP, DoTC and local stakeholders.

7. Exceptions to Bank policy

- 7.1. This TC does not involve exceptions related to the Bank's policies.

8. Environmental and Social Strategy

- 8.1. This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Banks's Environmental and Social Policy Framework (GN-2965-23).

Required Annexes:

[Request from the Client - SU-T1140](#)

[Results Matrix - SU-T1140](#)

[Terms of Reference - SU-T1140](#)

[Procurement Plan - SU-T1140](#)