

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	SURINAME/CCB - Caribbean Group
▪ 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; HOEPEL, LUCAS A (CCB/CSU); PARK KWON, YERY (IFD/FMM); ROMAN SANCHEZ, SUSANA (IFD/FMM); GRECO, MARIA SOFIA (LEG/SGO); ASTUDILLO, KAREN (IFD/FMM); OSPINA GARNICA, LAURA ALEJANDRA (IFD/FMM); PARK, YAERIN (IFD/FMM)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Fiscal Sustainability Program for Economic Development I - SU-L1065
▪ Date of TC Abstract:	23 May 2022
▪ Beneficiary:	Suriname
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$150,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM - Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD/FMM - Fiscal Management Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 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 executing agency 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.
- 2.2 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, mounting 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 GoS's efforts to overcome numerous challenges. At the same time, the GoS 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 GoS 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.

- 2.3 Against this backdrop, this TC will complement the efforts of the GoS 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).

III. Description of Activities and Outputs

- 3.1 **Component I: 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.
- 3.2 **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.
- 3.3 **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 in order 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.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Expand the diagnostics of fiscal sustainability programs.	US\$60,000.00	US\$0.00	US\$60,000.00
Support the implementation of fiscal sustainability programs.	US\$60,000.00	US\$0.00	US\$60,000.00
Production of knowledge products and dissemination of results.	US\$30,000.00	US\$0.00	US\$30,000.00
Total	US\$150,000.00	US\$0.00	US\$150,000.00

V. Executing Agency and Execution Structure

- 5.1 At the request of the Government of Suriname, this TC will be executed by the IDB. The IDB's Country Office in Suriname (CCB/CSU) in close collaboration with the Fiscal Management Division (IFD/FMM) 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.
- 5.2 All activities will be executed in accordance with the Bank's established procurement policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and (c) GN-2303-20 for logistics and other related services.
- 5.3 The IDB is best-placed to coordinate information and activities with relevant public and private sector stakeholders during the COVID-19 pandemic, which is drawing heavily on public sector personnel and financial resources. Furthermore, the IDB will be able to leverage its extensive network of internal and external subject-matter experts and well-established relationships with stakeholders in order to facilitate timely execution. Furthermore, in accordance with Annex 10 of GN-2629, the Government of Suriname and the IDB agree that contracting by the IDB would guarantee that the products meet the appropriate quality standards and enhance the independence of the studies.

VI. Project Risks and Issues

- 6.1 Risks for this project are low due to the direct request by the Government of Suriname for this client 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.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".