

TECHNICAL COOPERATION DOCUMENT

SURINAME

I. BASIC INFORMATION

Country/Region:	Suriname
TC Name:	Revenue and Expenditure Administration Support
TC Number:	SU-T1069
Team Leader/Members:	Leslie Harper (IFD/FMM), Team Leader; Musheer Kamau (CCB/CSU); Mariko Russell (IFD/ICS); Chrystol Thomas (CCB/CSU); Rinia Terborg-Tel (FMP/CSU); Lucas Hoepel (IFD/FMM); Paula Louis-Grant (FMP/CGY); Mónica Lugo (LEG/SGO); and Marina Massini (IFD/FMM).
Taxonomy:	Operational Support
Name of Operations Supported by the TC:	“Revenue Policy and Administration Reform II” and “Public Expenditure Management III”
Number Operations Supported by the TC:	SU-L1040 and SU-L1029
TC Abstract authorization:	IDBdocs# 38972743
Beneficiary:	Suriname
Executing Agency:	Bank Executed
Donors providing funding:	Institutional Capacity Strengthening Thematic Fund
IDB Funding Requested:	US\$450,000
Local counterpart funding:	US\$20,000
Disbursement period	36 months
Required start date:	August 15, 2014
Types of consultants:	Individual
Prepared by Unit:	IFD/FMM
Unit of Disbursement	
Responsibility (UDR):	CCB/CSU
Included in Country Strategy:	Yes
Included in CPD:	Yes
GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. DESCRIPTION OF THE ASSOCIATED LOAN/GUARANTEE

- 2.1 As part of an ambitious reform agenda to improve the country’s economic and social development, the Government of Suriname (GoS) seeks to lay the foundation for modern expenditure and revenue systems. To that effect, the IDB supports these areas with two Policy-Based Loan (PBL) series, “Public Expenditure Management” (2666/OC-SU; 2862/OC-SU; and SU-L1029) and “Revenue Policy and Administration Reform” (3105/OC-SU; SU-L1040 and SU-L1041).
- 2.2 In the area of revenue management, the PBL series focus on:¹ (i) tax policy; (ii) tax administration; and (iii) customs administration.² The first area addresses issues related to broadening and evening the distribution of the tax burden to most

¹ Revenue Policy and Management Reform I, II and III (3105/OC-SU; SU-L1040 and SU-L1041)

² <http://www.iadb.org/en/projects/project-description-title,1303.html?id=SU-L1037>

- citizens and businesses through the revision and update of the legal framework. The second area is considered key to enhance administrative efficiencies through organizational restructuring and simplification of tax compliance. Finally the third area will support efficiency and effectiveness of customs administration to increase revenue from trade while having a positive impact on trade facilitation. Policy conditions have been successfully met for the first operation of this PBL series and a second operation is currently under preparation.
- 2.3 In the area of public expenditure management, the PBL series³ focuses on reforms that combine policy initiatives and government actions, including: (i) public investment management; (ii) public procurement; and (iii) public financial management and audit.⁴ The first area addresses issues related to policies, practices, and mechanisms for improved project cycle management, including better strategic vision in the pre-investment stage. The second and third areas are considered to be key pillars to enhance project implementation. Policy conditions have been successfully met for the first two operations of this PBL series and a third operation is currently under preparation.
- 2.4 Additionally, there will be a substantial number of new processes and systems to be implemented in both reforms. This will produce some natural resistance within the public entities involved, thus special attention is required in the area of change management in order to ensure proper implementation and adoption. The proposed TC will support these two PBL series by providing financing for key activities associated to the government policy reforms where strengthened capacity for project management, implementation and oversight is needed.

III. OBJECTIVES AND JUSTIFICATION OF THE TC

- 3.1 **Justification:** Given the lack of economic diversification and heavy reliance on mineral exports, Suriname's fiscal position could rapidly become unsustainable without generating new sources of revenue and implementing effective mechanisms for managing and overseeing these funds.⁵ Using a holistic approach, the GoS has undertaken a series of reforms in different sectors of economic development such as tax policy, tax administration, customs, and public expenditure management.
- 3.2 However, technical assistance for project management, change management and implementation of action plans is needed to further the reforms.⁶ This is particularly the case with regard to the Directorate of Taxes and Customs (DoTC), whose project implementation capabilities are constrained by its tax-type based structure, outdated Information Technology (IT) tools and limited capacity to

³ Public Expenditure Management I, II and III (2666/OC-SU; 2862/OC-SU; and SU-L1029)

⁴ <http://www.iadb.org/en/projects/project-description-title,1303.html?id=SU-L1037>

⁵ International Monetary Fund. Suriname: Article IV Consultation: Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Authorities for Suriname (Suriname, 2012).

⁶ See Annex I Orientation Mission Report SU-L1037 (Suriname, June 2013).

- build awareness and buy-in for the reforms.⁷ In turn, internal and external audit institutions (CLAD and the Rekenkamer respectively)⁸ continue to be constrained by insufficient capacity to carry out their control activities, lack of a human resources strategy and outdated ethnics standards and processes as evidenced by a D+ score in the Public Expenditure and Financial Accountability Report (PEFA).⁹
- 3.3 As the reforms being undertaken are ambitious and far-reaching, the GoS will need to address the challenges posed by: (i) limited capacity for project design, management and implementation; (ii) resistance to the new way of conducting business from key stake-holders (public officials, private sector and civil society); and (iii) insufficient audit and oversight capacity.¹⁰ Some of the tools that the proposed program will provide in order to address these challenges include project management training, risk profiling and support for the procurement of an IT tax solution.
- 3.4 The program is aligned with the Country Strategy 2011-2015 (GN-2637-3), which calls for dialogue in the area of tax administration and improvement in the quality of public expenditure. In addition, the program is consistent with the GCI-9 target "lending to small and vulnerable countries" and the Institutions for growth and social welfare pillar with regard to the result indicator "number of public financial systems implemented or upgraded (budget, treasury, accounting, debt and revenue)."
- 3.5 **Objectives:** The objective of the technical cooperation program is to support the GoS efforts to modernize their revenue and expenditure administration in three areas: (i) project implementation capacity; (ii) change management; and (iii) oversight.
- 3.6 The program will provide the tools and expertise necessary for the Ministry of Finance (MoF) to implement these two reforms; better design and execute projects, strategically use change management, and effectively oversee and carry out project risk analysis.

IV. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 4.1 **Component I: Strengthening of project management and implementation.** This component will provide technical support to enhance project management capabilities within the DoTC specifically to the *units in charge of key projects*

⁷ Caribbean Regional Technical Assistance Centre (CARTAC). Suriname Tax and Customs Administration Diagnostic (Suriname, 2005).

⁸ Internal audit is carried out by the *Centrale Landsaccountantdienst* (CLAD), an autonomous agency that reports to the MOF on the internal auditing of the 17 ministries and about 30 parastatals). The external audit is carried out by the Rekenkamer, the Supreme Audit Institution (SAI) in Suriname, which is in charge of the supervision of the spending of funds under the budget, and the approval of the accounts of revenue and expenditure, as well as of the control of the financial management of the government. The Rekenkamer has a broad scope which includes ministries and parastatals (74 autonomous government agencies and 20 public corporations).

⁹ IDB and MFA Netherlands. Public Expenditure and Financial Accountability Report (PEFA). (Suriname, 2011) See Performance Indicators 20 and 26. <https://www.pefa.org/en/note/sr-feb11-pfmpr-draft-en>

¹⁰ See Annex I Orientation Mission Report SU-L1037 (Suriname, June 2013).

- ted to the revenue administration reform.* The component will include the following activities: (i) support to organizational and operational restructuring; (ii) support for the development of a customer service desk and web site; (iii) project management for Value Added Tax (VAT) implementation; (iv) training for DoTC staff; (v) IT solution procurement support with specifications and evaluation;¹¹ and (vi) risk analysis.
- 4.2 **Component II: Change management.** This component will provide the MoF with key technical assistance needed to support the implementation of the reforms underway. The component will finance the following activities: (i) change management support for organizational design and restructuring of the DoTC; (ii) a change management strategy to engage public sector as well as civil society and private sector; and (iii) VAT implementation support (public awareness, PR, campaign, consultations, etc).
- 4.3 **Component III: Implementation of Action Plans.** This component will provide funding to support the ongoing implementation of the action plans of the two audit institutions. The component will finance the following activities: (i) public awareness and public relations campaign; (ii) Human Resource (HR) strategy for the strengthening of overall HR management of the external audit institution (Rekenkamer); (iii) strengthening of ethics standards for the internal audit organization CLAD;¹² and (iv) training and capacity building activities, including areas such as new IT platforms, ethics and auditing standards.

¹¹ As part of the PBL series associated to this TC program, the DoTC is modernizing its organization to shift from a tax-based structure to a function-based structure. The IT implementations that this TC program supports will follow the overarching restructuring plan for the DoTC and will be implemented from a function-based perspective.

¹² *Centrale Lands Accountant Dienst* (CLAD) is the internal audit organization of Suriname.

Table 1: Indicative Results Matrix

Indicators	Unit of measurement	Baseline		Goals		Means of verification
		Value	Year	Value	Year	
Results Indicator						
Indirect taxes as a % of GDP	%	7.6%	2010	10%	2018	DoTC Annual Report
Outcome Indicators						
Ease of paying taxes overall score	Doing Business score	49	2013	45	2018	Doing Business
Transparency of taxpayers' obligations and liabilities	PEFA Score	C	2011	C+	2018	Indicator PI-13
Scope/nature of the audit carried out (including adherence to audit standards)	PEFA Score	C	2011	C+	2018	Sub-indicator PI-26 (i)
Output Indicators						
Consultancy for strengthening of Project Management Capacity	#	0	2014	1	2017	DoTC official report
Technical specifications, RFP and evaluation IT Tax solution	#	0	2014	1	2017	DoTC official report
Training program for Customer Service Department	#	0	2014	1	2017	DoTC official report
Consultancy for call center for the DoTC	#	0	2014	1	2017	DoTC official report
IT service integrator	#	0	2014	1	2017	DoTC official report
Risk profiles report for DoTC	#	0	2014	1	2017	DoTC official report
Organizational design and restructuring of DoTC plan	#	0	2014	1	2017	DoTC official report
Change management strategy for the DoTC	#	0	2014	1	2017	DoTC official report
Public awareness plan for VAT	#	0	2014	1	2017	DoTC official report
PR plan for VAT	#	0	2014	1	2017	DoTC official report
Public awareness plan for the Rekenkamer	#	0	2014	1	2017	Rekenkamer official report
HR strengthening strategy– Rekenkamer	#	0	2014	1	2017	Rekenkamer official report
Ethics manual CLAD	#	0	2014	1	2017	CLAD official report
Training program for the Rekenkamer	#	0	2014	1	2017	Rekenkamer official report
Training program for the CLAD	#	0	2014	1	2017	CLAD official report

4.4 The total amount of funding need to achieve the expected outputs is \$470,000 including counterpart funding.

Table 2: Indicative Budget

Activities	IDB/Total Funding	Suriname ¹³
Component I: Strengthening Project Management and Implementation		
Strengthening of Project Management Capacity	\$ 60,000	
Support for technical specifications, RFP and evaluation IT Tax solution	\$ 10,000	\$ 5,000
Training for Customer Service Department	\$ 30,000	\$ 5,000
Strengthening of call center	\$ 40,000	
IT service integrator	\$ 20,000	
Risk profiling for DoTC	\$ 20,000	
Sub-total	\$ 180,000	\$ 10,000
Component II: Change Management		
Support for organizational design and restructuring of DoTC	\$ 20,000	
Change management strategy for the DoTC	\$ 15,000	
VAT implementation support (public awareness, PR campaign, consultations, etc)	\$ 50,000	\$ 5,000
Sub-total	\$ 85,000	\$ 5,000
Component III: Implementation of Action Plans for Audit Institutions		
Public awareness, PR Campaign	\$ 50,000	
HR strengthening for the Rekenkamer	\$ 50,000	
Strengthening of ethics standards for the CLAD	\$ 20,000	
Training and capacity for the Rekenkamer and CLAD	\$ 40,000	\$ 5,000
Sub-total	\$ 160,000	\$ 5,000
Evaluation	\$ 10,000	
Contingencies	\$ 10,000	
Results dissemination	\$ 5,000	
Sub-total	\$ 25,000	\$ 0
Total	\$ 450,000	\$ 20,000

- 4.5 The implementation of the reform program will be monitored by the GoS through the MoF with technical support from the project team. The TC will be Bank-executed. The specialist responsible for execution will be Ms. Leslie Harper (IFD/FMM).

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The GoS has requested for the Bank to be the executing agency of this program in order to avoid complications during execution, given that there are several beneficiary institutions administratively autonomous, organizationally

¹³ In-kind resources will be provided by the GoS, including staff time dedicated to the program and facilities.

independent and functionally not related amongst themselves.¹⁴ In addition, Bank execution of this TC is justified given that the DoTC is undergoing a significant restructuring and the two audit institutions involved are implementing several projects as part of their action plans. This situation will limit their capacity to execute new projects and handle the administrative burden of a TC program.

- 5.2 The Bank will consult with the beneficiary entities prior to contracting any consultants.¹⁵ This executing arrangement has proven successful with a previous similar program that supported the MoF in the area of public procurement (SU-T1060).
- 5.3 All consulting contracts will be carried out in accordance with IDB procurement procedures, as stated in policy GN-2350-9.

VI. MAJOR ISSUES

- 6.1 There is a risk that the activities could be delayed or limited in scope given the 2015 elections. This risk will be mitigated by continuing public awareness efforts currently underway such as: (i) media and public relations campaigns; as well as (ii) meetings with key stakeholders including public officials and policy makers.¹⁶ Finally, there is the risk of resistance to change, particularly of certain private sector and civil society groups; as well as public officials affected by the reform. This risk will be mitigated by implementing training plans and communication activities emphasizing the need for reform and the long-term benefits it will bring to citizens and the country.
- 6.2 There are no integrity clauses or special intellectual property agreements that need to be included in TC agreement.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 No negative environmental impact is anticipated from this technical cooperation. Based on the Safeguard Policy Filter Report, the project does not require a classification or further environmental or social actions. Based on the [Safeguard Screening Form](#) this technical cooperation has been classified as category “C”.

REQUIRED ANNEXES:

- Annex I: [Requisition Letter](#)
- Annex II: [Terms of Reference](#)
- Annex III: [Procurement Plan](#)

¹⁴ See June 2014 [Orientation Aide Memoire](#).

¹⁵ While the beneficiary entities will be consulted prior to contracting the consultants, the Bank will not be limited in its discretion and authority as Executing Agency to select, hire, evaluate and pay consultants.

¹⁶ Private sector associations, civil society and political stakeholders such as political parties and Parliament.

REVENUE AND EXPENDITURE ADMINISTRATION SUPPORT

SU-T1069

CERTIFICATION

I hereby certify that this operation was approved for financing under Institutional Capacity Strengthening Thematic Fund (ICS) through a communication dated February 25, 2014 and signed by Goro Mutsuura, ORP/GCM. Also, I certify that resources from said fund are available for up to US\$450,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of six (6) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original signed

08/20/2014

Sonia M. Rivera
Chief
Grants and Co-financing Management Unit
ORP/GCM

Date

APPROVAL

Approved:

Original signed

08/21/2014

Vicente Fretes
Division Chief
Fiscal and Municipal Management Division
IFD/FMM

Date