



Country Program Evaluation

Suriname

2011-2015

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2011-2015

Office of Evaluation and Oversight, OVE



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ACRONYMS AND ABBREVIATIONS

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ACRONYMS AND ABBREVIATIONS

CBvS	Central Bank of Suriname
CPD	Country Program Documents
CS	Country Strategy
DLGP	Decentralization and Local Government Strengthening Program
GDP	Gross domestic product
GEF	Global Environment Facility
GOS	Government of Suriname
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
MIS	Management information system
OVE	IDB's Office of Evaluation and Oversight
OVP	Office of the Vice Presidency (Suriname)
PBL	Policy-based Loan
PBP	Programmatic policy-based loan
PEFA	Public Expenditure and Financial Accountability Review
PEU	Project executing unit
TC	Technical cooperation

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Overall, Suriname ranks as a country with a moderately-high standard of living (100 out of 187 countries in the Human Development Index 2014), but it faces significant development challenges.

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Executive Summary

CONTEXT

Suriname is an upper-middle income¹, commodity-based, small coastal state of almost 560,000 persons² that gained political independence from the Netherlands in 1975 and continued to receive important Dutch aid flows until recently. Overall, Suriname ranks as a country with a moderately-high standard of living (100 out of 187 countries in the Human Development Index 2014), but it faces significant development challenges. It has one of the most ethnically diverse populations in the Americas, with a political system that is consensus-based but constrained by the fact that most political parties follow ethnic lines. The country is rich in resources, but the economy is not diversified, making it vulnerable to external economic shocks. It has been one of the faster growing economies in the region for the past decade, though growth has slowed recently in the face of falling commodity prices. Suriname's public sector is large yet lacks strong institutions, and its private sector is small and constrained by a limited pool of human resources. In addition, Suriname's geography makes it highly vulnerable to floods and sea level rise.

The Bank has been present in Suriname for over 30 years, and its support since 1990 has evolved over three phases. Between 1990 and 1999, the Bank focused on non-reimbursable TC and did not lend to Suriname, except for one PBL in 1998. Between 2000 and 2010, the Bank continued with TCs but also started lending, with relatively

small investment loans, approving on average US\$16.9 million per year, and one large loan in 2008 (in transport). In 2011, coinciding with the depletion of the Dutch Development Fund, the IDB became an important external financing source, with large-scale use of policy-based loans as described below.

COUNTRY STRATEGY

The 2011-2015 CS period marked an important change in the Bank's relationship with Suriname, with a greatly increased scale of support, new lending instruments, and deeper country knowledge and dialogue. The CS program focused on "supporting Suriname's transition to modern public governance structures, diversifying the economy, and expanding social benefits." The GOS embarked on an ambitious agenda of structural reforms and capital investment, and it requested the Bank's financial and technical support in many areas. The CS anticipated total sovereign-guaranteed approvals of US\$300 million during 2011-2015, equivalent to 6.8% of the country's GDP in 2011. Actual approvals were higher, as discussed below.

The focus of the CS was relevant to the extent that its strategic objectives addressed priority development challenges and were aligned with the national objectives set out in Suriname's National Development Plan. However, the CS was overly broad and ambitious given the country context. The Bank's risk analysis correctly identified many important issues that could affect the implementation and effective delivery of the CS, though it underestimated their probability of occurrence and its mitigation plan was inadequate. While the intended reforms were robust, the CS lacked an analysis of risks related to the use of new loan instruments and the institutional structure across government agencies. It understated the likely risks associated with the lengthy, complex, consensus-based legislative process and the significant inter-ministerial coordination needed to approve and implement PBL-supported reforms.

PROGRAM IMPLEMENTATION AND RESULTS

The Bank approved a total of US\$417.6 million through 15 new loan operations between January 2011 and December 2015. An investment loan of US\$15 million for the Social Protection Program (SU-L1013) was cancelled after approval and did not disburse. This high volume of lending represented a significant expansion of IDB engagement in Suriname, making the IDB the government's lead development partner and averaging 88% of multilateral financing and 30% of total public external debt per year. Bank financing quadrupled (US\$75 million to US\$417.6 million in approvals) and anticipated net cash flow (US\$224.5 million) represented an *eight-fold* increase over the prior strategy period.

The implemented program was broad, with loan approvals in all seven areas anticipated in the CS plus two “continued dialogue” areas, support for structural reforms in six key areas through programmatic PBLs, implementation of eight ongoing investment loans in six sectors, and an effort to streamline technical cooperation (TCs). Several investment loans under implementation were second phases (education, transport, and housing); while most faced delays, they reflected some degree of “lessons learned” and faster implementation than the first phases. The Bank Group’s private sector windows participated very little in the program.

The Bank has tried a number of strategies to help GOS undertake reforms, but results to date have not met stated objectives. The Bank supported GOS mainly through TCs in the late 1980s and part of the 1990s. In subsequent years the Bank approved a number of investment projects with the aim of catalyzing needed reforms. When this strategy failed to stimulate the hoped-for reforms, the GOS and the Bank turned to policy-based programs (PBP) to provide stronger incentives for reform, but their use has proved insufficient to date due to political and institutional factors and insufficient consensus-building. Significant TC resources and technical support went to strengthen the target institutions but were also not sufficient.

Progress toward attaining most of the strategic objectives proposed by the Bank was limited. In general, the technical design of reforms progressed at a reasonable pace, but bottlenecks arose at the legislative stage, especially when policy measures had to be approved by the Council of Ministers and Parliament. Following recent elections, the country is now trying to resume reforms in a context of macroeconomic instability.

Most conditions in the first operations of PBPs have had low policy depth, with the exception of the financial sector. Even though these conditions have been met, limited observable and sustainable change has occurred. Conditions with higher structural depth (for example, legislative approval of the budget, procurement and revenue administration legislation) are needed earlier-on for PBPs to have results. More complementary funding through investment loans could also help to strengthen the target institutions and to build expertise and align incentives within the Ministries to implement the reforms.

Although none of the PBP series has yet achieved its full expected results, the dialogue between GOS and the Bank has helped to identify obstacles and define strong reform agendas for the medium term in many important areas. In May 2016, the Government of Suriname and the IMF reached an agreement for a US\$478 million stand-by arrangement focused on macroeconomic stabilization and institutional strengthening, with much of the content drawing on IDB-supported programs.

Investment loans have faced implementation delays and cost over-runs, but execution times have generally improved compared with prior periods. Partial results have been achieved in all areas. Lessons learned from first phases benefited project implementation during second phases in the cases of ‘second generation’ projects in housing, education and transport. There was progress in particular on infrastructure portions of energy, transport, housing and education loans, despite procurement challenges.

One NSG loan has been approved in Suriname, by IIC, along with several small MIF operations. The Bank’s use of non-sovereign-guaranteed products in Suriname has been constrained by the mismatch between the Bank’s available products and the private sector’s country profile. The two export-mining multinational companies have been able to meet their funding needs with their export revenue streams. In the non-mining sector, only a handful of firms are able to meet the IIC’s or MIF’s standards. The Bank lacks local currency lending, and its operations have very high transaction costs for Suriname firms. The small size of projects, along with the firms’ informality and the lack of financial statements, has also constrained the Bank’s operations in the country.

The Bank did not foresee any use of Suriname’s national procurement systems during the period, given that the GOS faces many challenges in this area. The use of public financial management systems has been limited to the treasury subsystem, with the establishment and use of the treasury single account for donor-funded projects. Through TC funds, the Bank supported a Public Expenditure and Financial Accountability (PEFA) review in 2014.

On the basis of the findings of this evaluation, OVE has four broad recommendations (with specific sub-recommendations) for the Bank’s continuing engagement in Suriname:

1. Strengthen the strategic focus of the Bank’s support.

- a.** Invest in fewer sectors. Adopt a narrower and more strategic focus on a few sectors where the Bank can truly add value and where there is a consensus to move forward in the country.
- b.** Continue to focus on core public sector reforms and institutional strengthening. One cross-cutting theme that will underpin progress across the entire public sector and for which the Bank is providing very useful support is public financial management.
- c.** Be more realistic in setting program objectives and less ambitious in project design, better taking into account political and capacity constraints in the public sector. Careful up-front institutional analysis

and more and better risk analysis can help in this regard. Programming and design should take into account the consensus-based decision-making process in the country.

2. Adopt a more effective instrument mix that combines policy reforms with implementation support.

- a.** Complete the policy-based programs already in progress, and do fewer PBPs going forward. Once current PBPs are completed, limit the number of programmatic policy-based loans to at most two at any time.
- b.** Pair PBP's with investment loans and TCs. This instrument mix has been successful, for example, in the energy sector, where PBLs provided a financial stimulus to move reforms forward while investment loans helped provide the necessary resources and technical support.
- c.** In PBPs, include fewer conditions and deeper policy content up-front and disburse only on the achievement of meaningful reforms. Focusing on a smaller number of critical conditions will have a higher probability of catalyzing reforms.

3. Enhance fiduciary oversight of investment loans, in particular procurement.

- a.** Consider working with the GOS to set up a centralized PEU for fiduciary matters, with centralized procurement and financial management for multiple projects. This approach could make better use of the small number of procurement and financial management specialists in the country and facilitate training and institution-building;
- b.** Ensure that the country office has sufficient fiduciary resources, with international expert staff available either in the Suriname country office or in a nearby country office.

4. Support GOS in strengthening statistical systems for generating data, planning, evaluating, and monitoring policy, and make the availability and dissemination of census and other statistical data a contractual condition for loan disbursements.

¹ Estimated per capita GDP increased to US\$9,429 in 2014 from US\$8,224 in 2010 (IMF World Economic Outlook, October 2015).

² Suriname General Bureau of Statistics, 2014.



A programmatic policy-based loan has the goal of supporting agriculture as a strategic sector for development. It includes work in five key areas for the sector: statistics, innovation, animal and plant health and food safety, irrigation, and fisheries.

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1 Context

Suriname is an upper-middle income¹, commodity-based, small coastal state of almost 560,000 persons², that gained political independence from the Netherlands in 1975 and continued to receive important Dutch aid flows until recently.

A. STRUCTURAL CHARACTERISTICS

The extractive industry is a key component of GDP and fiscal accounts. Commodities, specifically gold, oil, bauxite, accounts for one third of GDP and two-thirds of exports. Mining plays an important role in driving growth, employment and government revenues as well as generating 90% of foreign exchange earnings and attracting high inflows of foreign direct investment. Such concentration in a few extractive industries can result in “Dutch disease” and a “resource curse”—that is, substantial natural resource wealth that does not result in robust economic development. (Annex I, Figures I.1-I.18)

Government revenues are highly dependent on commodities. Suriname’s dependence on mineral exports affects the stability of its tax revenue. The tax income from mining fell from one-third of total tax revenues in 2012 to around 9% in 2015. Tax collection is hampered by an outdated tax system and legislation. Customs legislation is also outdated (from 1908), ambiguous, and not aligned with international good practices. Suriname’s weak public investment system impairs the efficiency and productivity of public investment and thus affects the country’s growth rate (IMF, 2011 and 2014).

The public sector is large and public spending is rigid. The previous Country Program Evaluation reported that an estimated 60% of the formal sector workforce was employed in the public sector, including in the 120-140 public enterprises. According to an estimate provided by the Bank’s Management, in 2009 nearly 40% of the formal workforce was employed in governmental services. Moreover, current expenditures amount to approximately 80% of total spending, of which wages account for about 40%, and goods/services and subsidies about 30% each. Capital expenditure has remained at around 5% of GDP (IMF, 2011, 2014; IDB, 2013).

Suriname's private sector is underdeveloped. The private sector is also dependent on mining and associated exports, which are driven by two multinational corporations and the state-owned oil company. The export sector has few linkages with the domestic private sector, which is small and mostly dedicated to providing services and importing goods to satisfy domestic demand. Overall, the private sector faces a poor business climate that hampers firm growth and affects productivity and country competitiveness. Although Suriname's labor productivity has been increasing in the last decade, compared with other small economies it is still very low.³ Suriname ranks poorly in the Doing Business Index for 2016, at 156th out of 189 countries, two positions lower than in 2015. Many problems affect productivity and competitiveness: lack of access to finance, poor trade regulations, and human capital, particularly in managerial and technical areas.

Official development assistance to Suriname as a percentage of GDP has historically been among the highest in Latin America and the Caribbean (LAC), but has also been very volatile. The Netherlands used to be the main donor country, particularly through the Dutch Development Fund; there were significant fluctuations in the funding levels due to Dutch foreign policy, and the Fund was almost depleted by 2012 (Annex I, Figures I.19-I.21).⁴ Since 2012, the country has resorted to other sources of (debt) financing. Remittances are also an important source of external development finance, representing in 2014 about US\$515 million, equivalent to 2.8% of GDP and US\$273 per capita (MIF 2016).⁵

There are urban-rural and coastal-interior disparities⁶ but no official national measure of poverty. Based on 2006 surveys⁷ poverty estimates are between 26% and 31%, with people living in the rural interior region of the country facing significantly higher levels of deprivation, including in access to services.⁸ Suriname has a multiethnic and multi-religion population, of which approximately 80-90% lives in the three main coastal, urban districts (Paramaribo, Wanica, and Nickerie). Given the overall low population density and the difficult-to-access interior land and geographically scattered settlements, service provision outside urban districts is uneven and challenging. Coastal-interior disparities are seen in average life expectancies (9 years lower in the interior) and average school attainment (a child in the interior receiving 4 fewer years of education than a child in Paramaribo). Moreover, as a small country geographically isolated on the north coast of South America, Suriname is further challenged by low integration with the rest of the LAC region, by language (Dutch and 16 other languages), and by institutions that reflect the Dutch structure. In 2013 a minimum wage law was introduced and went into effect in 2015 (SR\$4.29/hour), as well as a national health care and pension system. (Annex I, Table I.3; Annex II)

Because of Suriname's historical and cultural ties with the Netherlands, a substantial number of Surinamese have migrated there. According to the Netherlands' Central Bureau of Statistics, in 2015 almost 350,000 Surinamese immigrants were living in the country,⁹ about 39% of whom were born in Suriname. Although data on emigration

by educational level are not available, a study from 2011 found “strong support for the brain drain hypothesis.”¹⁰ This lends support to anecdotal information that brain drain contributes to the difficulty in finding professionals in many specializations in Suriname.

Unlike most small states, Suriname is not culturally homogeneous —a fact that has an important influence on its political system¹¹ (Annex I, Figure I.1). Suriname’s diversity is reflected in its multiparty political system, which is characterized by coalition governments that are formed through multiparty parliamentary alliances. While political parties tend to follow ethnic and religious lines, there is no single dominant group. Coalition-based governance has created fragmentation in the political system, making consensus harder to achieve and resulting in slower decision-making and implementation of programs. Within the executive branch of government, the Council of Ministers is the main formal unit of consensus making, under the guidance of the Vice President.

B. RECENT ECONOMIC PERFORMANCE

In the past decade, economic growth in Suriname has been among the highest in LAC.¹² During the previous Country Strategy period, 2007-2010, the economy grew 4.3% on average per year (in constant prices), mostly because of strong exports and high commodity prices. Since 2004, the number of employed persons has increased by an average of 2.5% per year, and the unemployment rate has fallen from its peak of 12% in 2006 to 8.9% in 2015. Overall, the tertiary sector (trade, hotels, restaurants, communications and transport, financial institutions, and commercial services) was the greatest contributor to GDP during 2007-2013 (37% on average per year). Industry contributed around 40% of GDP on average, and the primary sector (agriculture, mining, forestry, fisheries) accounted for around 17%.

Growth slowed beginning in 2011 and the external sector deteriorated, reflecting structural weaknesses from mining dependency.¹³ With already low rates of productivity growth, combined with falling commodity prices, GDP growth slowed to 1.8% in 2014 and 2.9% in 2015.¹⁴

While government revenues began to slow in 2011-2012, government expenditures continued to rise, and in 2012 the government faced the largest deficit since 2002 (Annex I, Figures I.12 and I.14). The Government increased spending without increasing the tax base, resulting in a further deterioration in the fiscal accounts. Despite efforts early in the administration to maintain a strong fiscal position by reducing some subsidies, adjusting energy prices, and paying debt, Suriname’s tax base remains low¹⁵ and public sector wage hikes have more than offset tax revenues. Subsidies remain at around 8% of GDP,¹⁶ and in 2015 the electoral cycle and still-low commodity prices added pressure to the fiscal accounts, which slipped to a deficit of 9.1% of GDP in that year. Moreover, the reduced inflows from mining activities, together with the pressure on the currency, have led to a drop in international reserves, which fell by half between 2014 and November 2015 (Annex V).

FIGURE 1.1
Suriname's Real GDP growth

Source: WEO, October 2015.

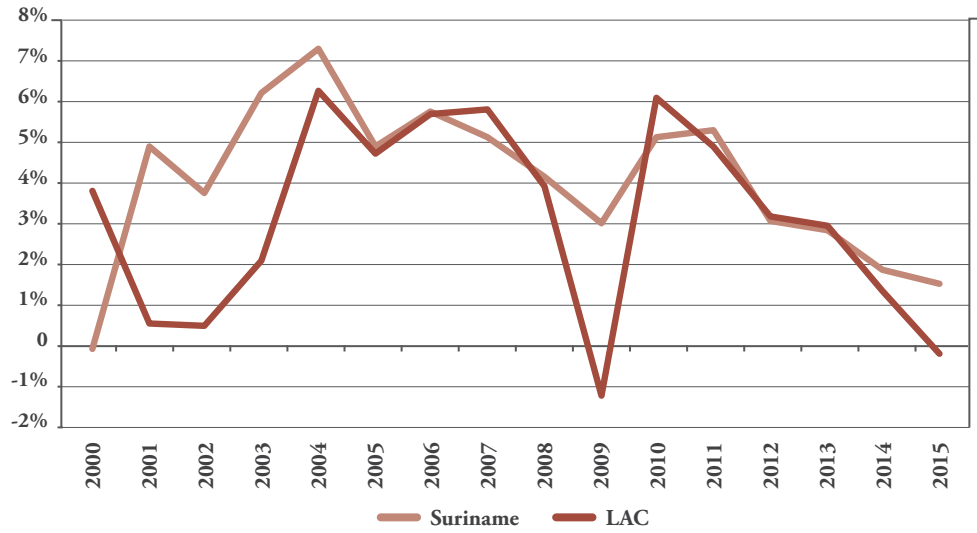


FIGURE 1.2
Suriname's Debt

Source: Central Bank of Suriname

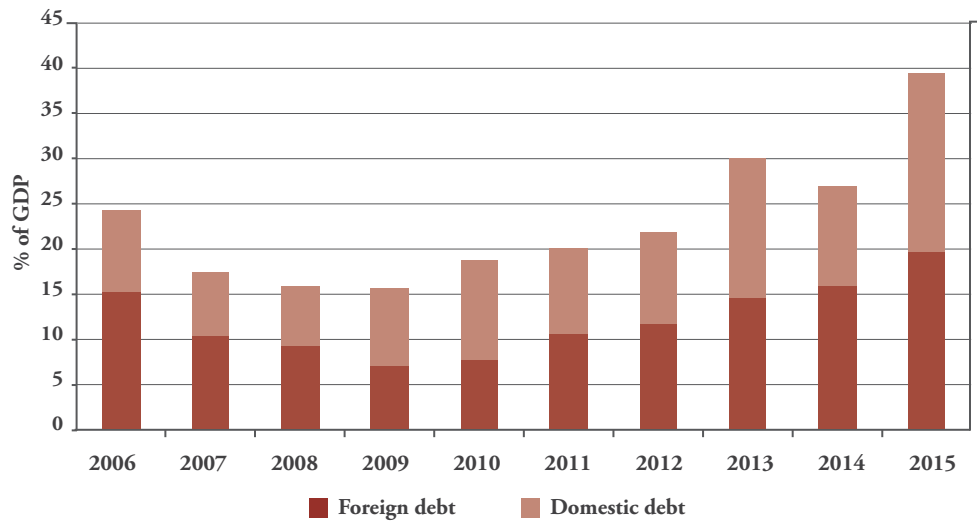
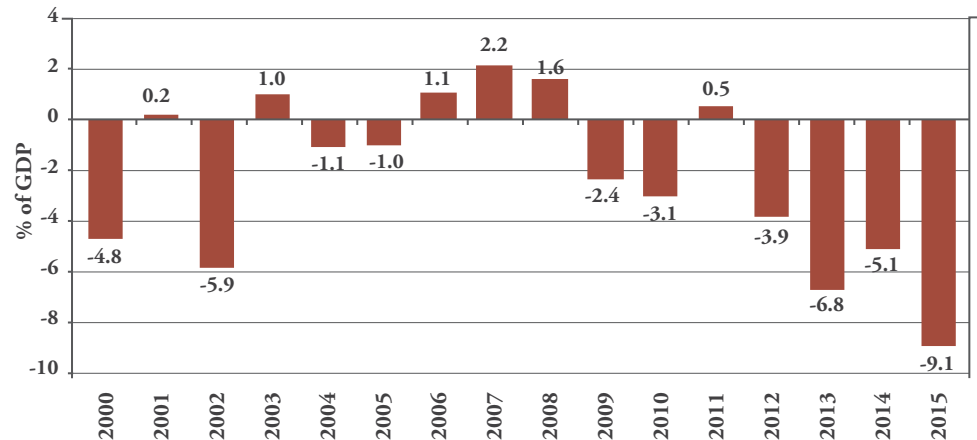


FIGURE 1.3
General government fiscal balance (% of GDP)

Source: IMF WEO, October 2015.



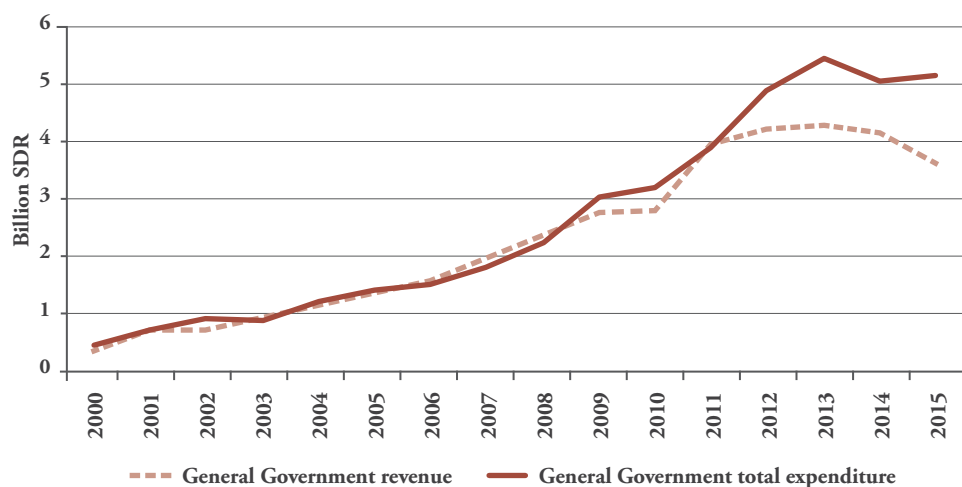


FIGURE 1.4
Government revenue & expenditure

Source: OVE's own calculations based on data from Ministry of Finance.

Limited access to external financing is a constraint to growth. Suriname's below-investment grade foreign sovereign credit rating affects the country's ability to access the international capital market and implies a higher cost of borrowing in the market. Suriname's current credit rating is three notches below investment grade, and it has yet to access the international bond market. Countries with a similar investment grade rating access the capital markets with interest rates of over 11% (CDC 2016). Remittances remain an important and increasing source of development finance, representing about 3% of GDP.

As the fiscal deficit widened and aid from the Dutch Treaty Funds expired (2012), Suriname increased borrowing from other financing sources for government programs, of which China and the Inter-American Development Bank (IDB) are the most important (Table 1.1). Before 2013, China was the largest lender (bilateral or multilateral source) in terms of debt stock, however beginning in 2013 the IDB became the largest source with the approval and disbursement of the US\$100 million Financial Sector PBL, of which US\$50 million was co-financed with resources from the China Fund. The Government also borrows from commercial creditors.

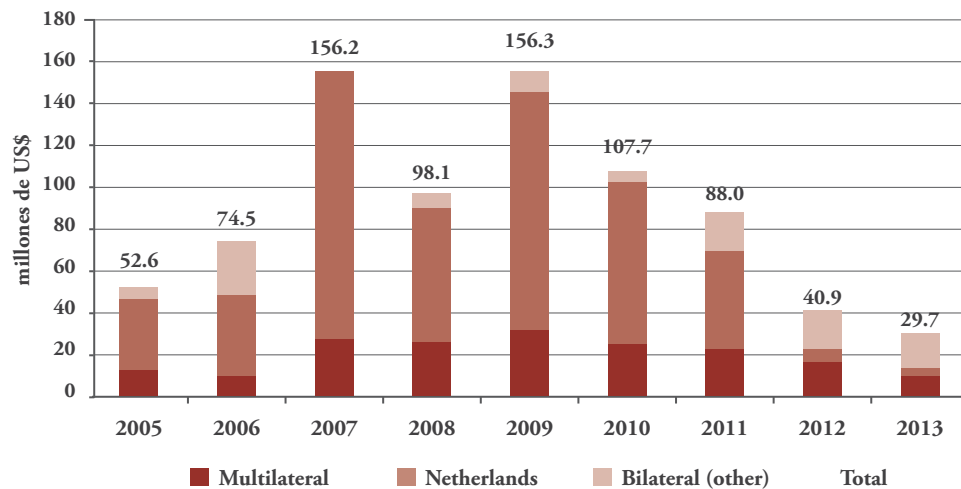
Suriname's debt-to-GDP ratio is governed by the 2002 National Debt Act, which limits the total stock of debt to 60% of GDP and uses definitions that are broader than international ones. For example, the law requires the full approved amounts of financing commitments to be counted as debt rather than just disbursed loan amounts. At the end of 2014, debt (by the international definition) was 26.9% of GDP, 8 percentage points lower than the national definition. Debt increased by 11 percentage points between 2009 and 2014. About 70% of total public debt is denominated in foreign currency. Interest payments as a share of GDP and fiscal revenues are projected to remain low over the medium term (1% and 5%, respectively), which are low compared to the LAC average. (IDB Country Development Challenges 2016) Suriname's fiscal and debt profile is sensitive to commodity price shocks.

TABLE I.1. SURINAME'S EXTERNAL DEBT BY SOURCE, US\$ MILLION						
Description	2010	2011	2012	2013	2014	June 2015*
Multilateral Creditors total:	114.8	201.2	251.2	408.5	455.3	488.6
of which EIB	7.6	6.9	6.5	6.2	4.9	4.4
of which IADB	90.1	168.5	221.6	377.0	419.9	448.2
of which IsDB	17.1	25.8	23.2	22.5	20.4	21.2
of which OFID				2.8	10.1	12.2
of which CDB				1.3	2.6	2.6
Bilateral Creditors total:	219.6	261.7	315.9	328.7	320.4	311.8
of which China	141.5	174.7	244.7	244.2	238.8	235.1
of which France	6.6	18.9	33.5	48.7	44.8	42.0
of which India	35.2	38.2	35.6	34.6	36.3	34.2
of which U.S.A.	36.3	29.9	2.1	1.2	0.5	0.5
Commercial Creditors total:					31.8	84.2
ING Bank N.V.					31.8	34.2
Republic Bank Limited						50.0
Grand Total	334.4	462.9	567.1	738.5	810.0	884.6

Source: Central Bank of Suriname.

FIGURE 1.5
ODA Disbursements
(US\$ million)

Source: OCDE/CAD,
www.aidflows.org



Suriname's growth outlook is likely to remain hampered by fiscal constraints and weak mining prospects. Inflation spiked to 29.5% in January 2016, due to a reduction in the subsidies to electricity and water as well as to a 20% devaluation of the Surinamese dollar in November 2015. The devaluation, which was prompted by a sharp reduction in foreign reserves (47% fall between December 2014 and December 2015), placed the exchange rate at SR\$4.04 per US\$, still below the SR\$4.25 at which it had been trading in the black market, thus preserving the pressure on the international reserves. The Central Bank of Suriname decided to implement a floating exchange rate regime as of March 22, 2016, with frequent foreign exchange auctions during a transition period to close the gap between the auction rate and the parallel rate. As of April 11, 2016, the exchange rate stands at SR\$5.42 per US\$1. Government plans to develop

bauxite deposits have not materialized, and the IMF estimates a growth rate of 0.5% in 2016. Debt remains relatively low, though the rate of debt accumulation since 2012 has been higher than in the past and debt sustainability risks have risen significantly with the deterioration in the fiscal accounts. Gross financing needs will rise to 13% of GDP by 2019 (from 10% of GDP in 2014). Suriname's below-investment-grade rating reflects the country's fiscal and external vulnerabilities. In May 2016, the IMF approved a SBA worth US\$478 million.

C. SECTOR CONTEXT

The overall public sector and institutional framework remain in need of modernization, which constrains the Government's capacity to maximize its resources, diversify the economy, and conduct public policy. In many dimensions, Suriname has a low level of institutional development, similar to other Caribbean countries. For example, Suriname's capital spending and budget policies and practices do not allow for proper budgeting and planning.¹⁷ Likewise, its investment and financial management capacity are only starting to be developed.¹⁸ Public revenues have increased but are impaired by the low tax base and inefficient collection. This situation is further complicated by cumbersome and outdated tax codes resulting in highly discretion in tax administration decisions.

The General Bureau of Statistics faces difficulties in fulfilling its legally mandated functions as the coordinator and facilitator of the national statistical system for the country. Data are limited and not always publicly available or disseminated in a useable way. Most laws (e.g., universal health and pensions) are passed with only very preliminary analysis of their future costs, and they may result in large fiscal commitments.

Despite some improvements in the financial regulatory and oversight framework, the financial sector remains highly concentrated and inefficient. The assets of the three largest commercial banks represent almost 80% of total commercial banking, which may be expected in a small country with difficulties for public or private sector financial institutions given difficulties of reaching scale in such an environment. According to the World Economic Forum's Global Competitiveness Report 2014-2015, access to finance is the third most problematic barrier to doing business in Suriname, after inefficient bureaucracy and corruption. Among 144 countries, Suriname ranks 121 for availability of financial services and 111 for affordability of financial services. Important financial sector reforms have recently started, including regulation of banking and credit system supervision and capital markets, among others.

The government is facing financial and infrastructure constraints in responding to rising energy demand. Electricity service coverage is below the average for the Caribbean region. Approximately 85% of Suriname's population, mostly urban, has access to electricity, in comparison to 96% in the Caribbean region as a whole.

Only 6% of people in the interior have access. The power system suffers from poor reliability due to aging infrastructure and operation near its capacity during peak periods. Unreliable power supply affects even the oil refineries, a main industry. Electricity prices in Suriname are highly subsidized and unsustainable (about 5% of GDP is subsidies to electricity), given increasing demand and a backlog of energy infrastructure investment and maintenance needs. The high costs of providing electricity in rural areas further constrain the Government's financial capacity to respond to unmet needs. Moreover, the governance of the sector is characterized by weak and fragmented institutional structures, and the lack of a regulatory and policy framework hinders long-range planning.

Suriname has been considered a potential "food basket" for CARICOM, since it has over 30% of the region's total arable land. However, the agriculture sector faces important challenges. The value of agricultural production is highly volatile due to variations in price and yield, which makes improvements in productivity more difficult. Consequently, agricultural productivity grew more slowly than in any other IDB member country between 1980 and 2007. Although the sector employs a substantial share of the economically active population (12% in 2011), the share of agriculture in Suriname's GDP has declined from 19% in 1993 to 7% in 2013, primarily as a result of stronger growth in other sectors. The role of state-owned enterprises in the sector is key, since they are among the main clients for farmers' primary production, under a mechanism called farming contracting.

Suriname's transport system depends on a sparse, low-quality road network; rivers that provide conduits for boats traveling both to the interior and to coastal ports; and several airports for national and international transport. The road network serves both national and international traffic, with a high share of roads that are unpaved or in poor condition; it has historically suffered from a lack of sustainable road maintenance and rehabilitation systems. In addition, motorization has grown rapidly while the supply and quality of public transport systems has declined, resulting in increasing levels of congestion, poorly managed parking, and high levels of traffic accidents, particularly in urban areas. The quality of public transportation is low and the availability varies by district, creating barriers to access to jobs, services, education, and other social needs, particularly for low-income and rural populations, and for people in the interior. Transport infrastructure is also adversely affected by climate change and extreme weather-related events. Road safety is a concern.

Although nearly 5% of GDP is invested in education, around 12,000 school-aged Surinamese children are not attending school. While the last decade has seen progress, many young people still do not have access to secondary education. In 2013 only 56% of the students leaving primary school transitioned to secondary school. Repetition rates are high: 16% of primary and 14% of secondary students repeated the school year in 2011. Suriname does not participate in international student performance tests, so there are no learning outcome evaluations. No major reforms

to the system have been made in the last 40 years. Overall access and effectiveness indicators mask deep regional and gender disparities. Disaggregated data show that specific population groups are underserved by the system. The gap across districts is large, and the interior is far behind the urban areas in most indicators. While the average years of schooling were 9.7 in Paramaribo and 9.1 in Wanica, in Sipaliwini and Brokopondo they were 2.9 and 5.4, respectively. Among those who attend school, 93% of urban children complete primary school, compared with 78.8% in rural areas and 61.7% in the interior. Gender gaps are also present: females outperform males in both access and results.

Data on social protection coverage are nonexistent, although the map of services has not changed in 10 years. There is no automated management information system, beneficiaries cannot be monitored, and there is evidence of duplication of programs and coverage gaps. Old-age pension benefits continue to outpace child social protection benefits. Weak or nonexistent targeting practices lead to both exclusion and leakage problems, which in turn lead to inefficiency, waste, and transparency issues. The sector is in need of reform.



2

Interventions for all three education loans included a proposed reform of the basic education cycle (the new basic education cycle consists of 11 years of schooling —2 years of preprimary, 6 years of primary and 3 years of junior secondary—and extends compulsory education to age 14), and curriculum reform. While the program objective aimed to introduce pedagogical reforms in pre-primary through junior secondary, it was able to deliver results for only some of the grades.

2 The Bank's Program – Strategic Intent and Implementation

A. RELEVANCE OF THE COUNTRY STRATEGY

Designed against the backdrop of the country's important transition and a "propitious economic outlook," the 2011-2015 Suriname Country Strategy (CS) was relevant to the extent that its strategic objectives addressed key development challenges. The CS aimed to create a program of actions focused on "supporting Suriname's transition to modern public governance structures, diversifying the economy, and expanding social benefits." The GOS was embarking on an ambitious agenda of structural reforms and capital investment and requested the Bank's financial and technical support many areas.¹⁹ The design of the strategy was based on analytic work and positive country dialogue.

The strategy laid out a wide-ranging, ambitious agenda that defined seven "priority areas for intervention," six "areas identified for strategic dialogue," and two "cross-cutting themes" (Table 2.1). The strategy's results matrix set specific objectives for each of the seven priority areas, and these objectives served as a reference for OVE to analyze program implementation and effectiveness (Chapter III). The Country Office actively monitored its indicators through a CS Tracking Matrix that was updated every 6 months and included in the annual Country Programming Documents (CPDs); OVE considers this to be a good practice that is not routinely done in other countries. (Annex 9. Country Strategy Results Tracking Matrix)

During the preparation of the CS, the Bank strengthened its in-country presence, fostering an improved Bank-country relationship and dialogue that was important for Government ownership of the CS. In 2010-11, the Bank's installation of a new

Representative, Chief of Operations, and Country Economist in the Country Office coincided with an election win for Suriname’s opposition. This combination provided an opportunity to reopen a Bank-GOS dialogue that had been somewhat strained. In addition, as inputs to the CS, Bank specialists prepared economic and sector work, including background notes in 18 areas, providing the Bank with significant and up-to-date country knowledge. The depth, scope, and quality of the notes varied across sectors; while most included a diagnosis of development challenges in the sectors, a handful were limited to justification of specific operations. Data limitations remain an important barrier to evidence-based policymaking in Suriname, but the sector notes prepared by the Bank largely incorporated available data. In many cases Bank diagnostic work guided the dialogue process and served as a basis for setting the Government’s sector policies—for example, in the energy, financial, public expenditure management, agriculture, and water and sanitation sectors (Chapter III).

TABLE 2.1 COUNTRY STRATEGY AREAS

<i>Areas for intervention</i>	<i>Areas for strategic dialogue</i>	<i>Cross-cutting themes</i>
Agriculture	Water and sanitation	Natural disaster and climate change management
Energy	Disaster risk management	Institutional and absorption capacity
Education	Tax administration	
Financial sector development	Health	
Public investment management	Private sector development	
Social protection	Natural resources and environmental management	
Transport		

Source: Suriname 2011-2015 Country Strategy

While the intended reforms were robust, the CS lacked an analysis of risks related to the use of new loan instruments and the institutional structure across government agencies.²⁰ Given the unprecedented size of the projected financial envelope—directly related to the introduction of the significant use of policy-based loans (PBLs) in Suriname (six programs), the Bank understated the likely risks associated with the lengthy, complex, consensus-based legislative process and the significant inter-ministerial coordination needed to approve and implement PBL-supported reforms. Quoting from the CS, “Risks to the reform agenda from entrenched groups and limited implementation capacity will be mitigated by strong Government ownership, its proven political capital, and commitment to the reform process. These risks will be further mollified through intensified knowledge products, consultation with stakeholders, institutional strengthening, and careful timing of the interventions.” While strong Government ownership was and is important, during loan preparation the Bank did not fully engage in dialogue with all important counterparts involved in

Suriname's legislative process. Likewise, while the timing of interventions is important, given the short "effective time" to implement within the 4-year political cycle, various external factors made the timing of interventions difficult. In this regard, the CPDs—which are prepared annually—were somewhat better at predicting risks.

B. PROGRAM IMPLEMENTATION

The implemented program was broad, with loan approvals in all seven areas anticipated in the CS plus two "continued dialogue" areas, the introduction of programmatic PBLs supporting reforms in six key sectors, implementation of eight ongoing investment loans in six sectors, and an effort to close non-vital technical cooperation operations (TCs).

The CS anticipated an envelope of total sovereign-guaranteed approvals in the amount of US\$300 million during 2011-2015, equivalent to 6.8% of the country's GDP in 2011; however actual approvals totaled US\$366.6 million (Ordinary Capital) plus US\$50 million from the Chinese Fund for LAC. Precise amounts were however anticipated in the annual Country Programming Documents. The Bank approved a total of US\$417.6 million through 16 new loan operations between January 2011 and December 2015. An investment loan in the amount of US\$15 million for the Social Protection Program (SU-L1013) was approved and cancelled without disbursing. This high volume of lending represented a significant expansion of IDB engagement in Suriname, making the IDB the government's lead development partner, averaging 88% of multilateral financing and 30% of total public external debt per year. Bank financing quadrupled (US\$75 million to US\$417.6 million in approvals), and anticipated net cash flow (US\$224.5 million) represented an *eight-fold* increase over the prior strategy period.

The Bank's support for Suriname since 1990 evolved over three phases. Between 1990 and 1999, the Bank focused on non-reimbursable TC and did not lend to Suriname, except for one PBL in 1998. Between 2000 and 2010, the Bank continued with TCs but also started lending with relatively small investment loans, averaging US\$16.9 million per year, and a large transport loan in 2008. In 2011, coinciding with the depletion of the Dutch Development Fund, the IDB became an important external financing source, with large scale use of policy-based lending in Suriname (Figures 2.1 and 2.2).

Annual average loan approvals between 2011-2015 were US\$81.8 million (including investment grants, investment loans, MIF, and PBLs), and TCs totaled US\$7.45 million for the period. Of the total financing, about 62%²¹ was in the form of PBLs (US\$255 million OC + US\$50 million China), distributed across six programmatic PBL series. The first loan of each program by sector was approved in the following years: public capital expenditure management in 2011; financial sector strengthening in 2011; energy in 2012; revenue policy and administration

in 2013; agriculture in 2013; and business climate and innovation in 2014. Total net flows to the country were positive during the period, given the high share of budget support loans that were approved and disbursed. Disbursements through PBLs accounted for 76% of total disbursements for the period. The Bank's non-sovereign-guaranteed operations were mostly small MIF operations plus one US\$10 million IIC loan approved in late 2015.

FIGURE 2.1
Current amounts approved
1990-2015 (US\$ million)

Source: OVE, using IDB data warehouse.

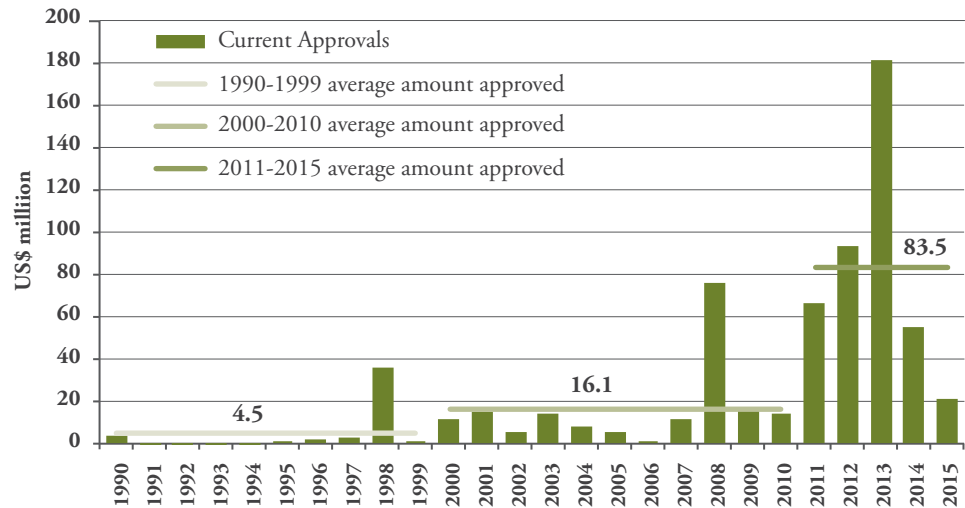
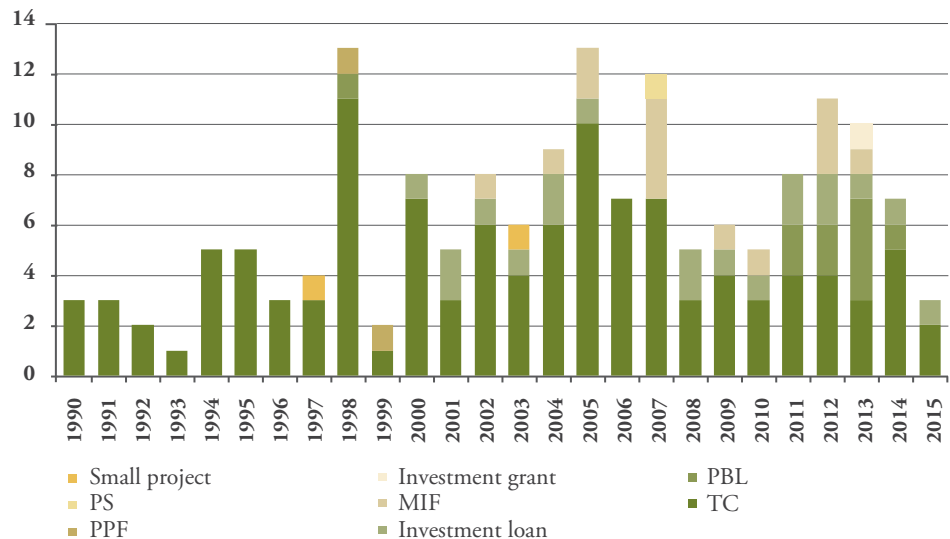


FIGURE 2.2
Number of operations
approved, by instrument,
1990-2015

Source: OVE, using IDB data warehouse.



In addition to the loans approved between 2011 and 2015, the portfolio under evaluation also includes eight inherited investment loan operations that were approved before 2011 and completed or nearly completed at some point during the evaluation period. As of December 2010 this group of loans had an undisbursed balance of US\$78.45 million and disbursed US\$69 million during 2011-2015. (Figure 2.3)

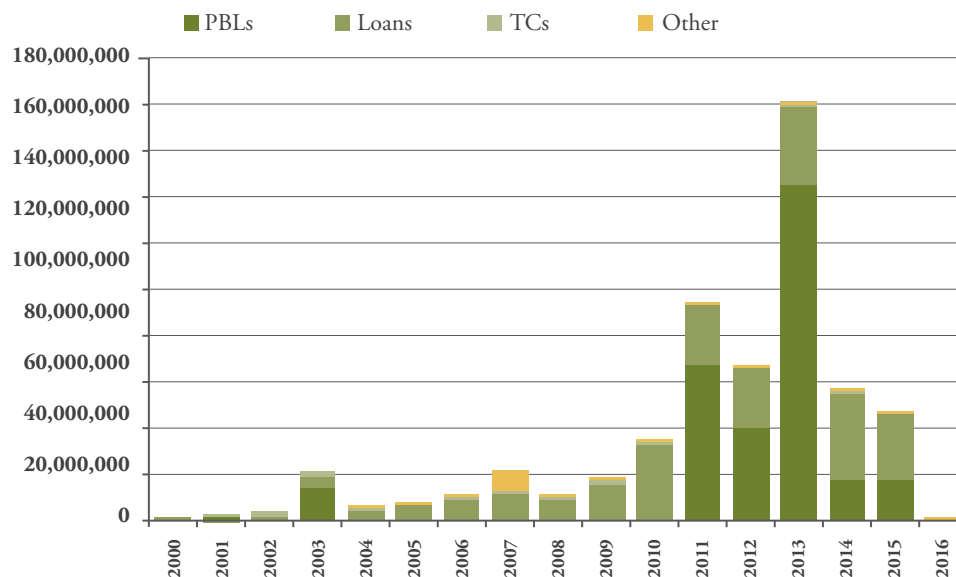


FIGURE 2.3
Disbursements

Source: OVEDA

Since 1990, 70% of the total number of all operations approved in Suriname has been TCs. However, during the 2011-2015 period, while the lending figures skyrocketed compared with previous years, the number of TCs approved annually actually declined compared to 2000-2010 (Figure 2.1). The Country Office made a conscious effort to close underperforming and non-vital TCs, given the high cost of their implementation for a small office. TCs and analytic work were used to define policy options and lines of intervention that the Government subsequently used to set its sector vision and policy in areas such as public sector management, energy, and agriculture. TCs financed activities such as surveys (social protection), monitoring and evaluation systems (housing), and management information systems (public expenditure management), which are essential for ensuring the monitoring of programs and evaluation of the effectiveness of interventions.

The Bank has tried a number of strategies to help GOS undertake reforms, but results to date have not met stated objectives. The Bank supported GOS mainly through TCs in the late 1980s and part of the 1990s. In subsequent years the Bank approved a number of investment projects with the aim of catalyzing needed reforms. When this strategy failed to stimulate the hoped-for reforms, the GOS and the Bank turned to policy-based programs (PBPs) to provide stronger incentives for reform, but their use has proved insufficient to date due to political and institutional factors and insufficient consensus-building (Chapter III). Significant TC resources and technical support went to strengthen the target institutions but were also not sufficient.

All six programmatic PBL series have had a first operation approved, but as of April 2016 second operations have been approved for only three of the series (Table 2.2). In general, the technical design of reforms progressed at a reasonable pace;

however, bottlenecks arose at the legislative stage, especially when policy conditions had to be approved by the Council of Ministers and beyond. The robust reform agenda stalled in all sectors, also partly due to the end of the political mandate. Following the elections, the country is now trying to resume the reform agenda in a context of macroeconomic instability.

TABLE 2.2 – PROGRAMMATIC POLICY BASED LOANS – INTENDED VS. APPROVED TO DATE*

<i>Sector</i>	<i>Program 1</i>	<i>Program 2</i>	<i>Program 3</i>
Financial Sector 3 programs planned	SU-L1023 (2011) US\$40 million	SU-L1034 (2013) \$100 million (\$50m OC; \$50m China)	SU-L1034 (not yet approved) US\$20 million
Public Expenditure 3 programs planned	SU-L1026 (2011) US\$20 million	SU-L1028 (2012) US\$20 million	SU-L1029 (not yet approved) US\$20 million
Energy 3 programs planned	SU-L1022 (2012) US\$15 million	SU-L1035 (2013) US\$70 million	SU-L1036 (not yet approved) US\$30 million
Revenue Policy 3 programs planned	SU-L1037 (2013) US\$20 million	SU-L1040 (not yet approved) US\$10 million	SU-L1041 (not yet approved) US\$20 million
Agriculture 3 programs planned	SU-L1033 (2013) US\$15 million	SU-L1032 (not yet approved) US\$10 million	SU-L1031 (not yet approved) US\$10 million
Business Climate 2 programs planned Hybrid (PBP)	SU-L1043 (2014) US\$15 million	SU-L1045 (not yet approved) US\$10 million	N/A

Source: OVE.

Note: *Shaded area indicates a program was anticipated but not yet approved.

The majority of policy conditions approved in the first operations had low policy depth (76%), while 7% were of high depth (Figures 2.4 and 2.5). Conditions with low policy depth would not by themselves bring about meaningful change, although they are usually stepping-stones for significant reforms (e.g., conducting diagnostic work and drafting legislation). In the second operations of the three PBP series where they were approved, OVE found that approved conditions were weaker than originally planned. This reduction of depth is explained in some cases by additional steps required by the bureaucratic and legislative processes in Suriname. In other cases, the Bank pushed back “full implementation of reforms” to third programs and reduced second programs to “piloting implementation.” (See Annex IV for Depth Methodology)

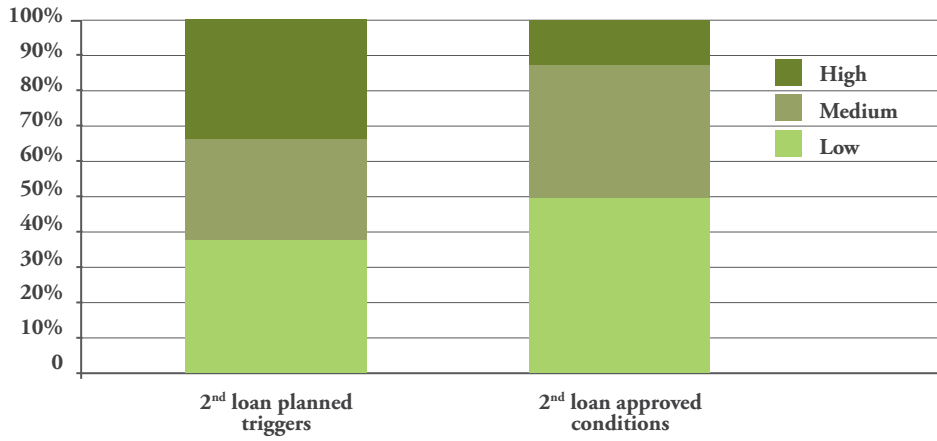


FIGURE 2.4
Structural depth reduced in second loans

Source: OVE analysis.

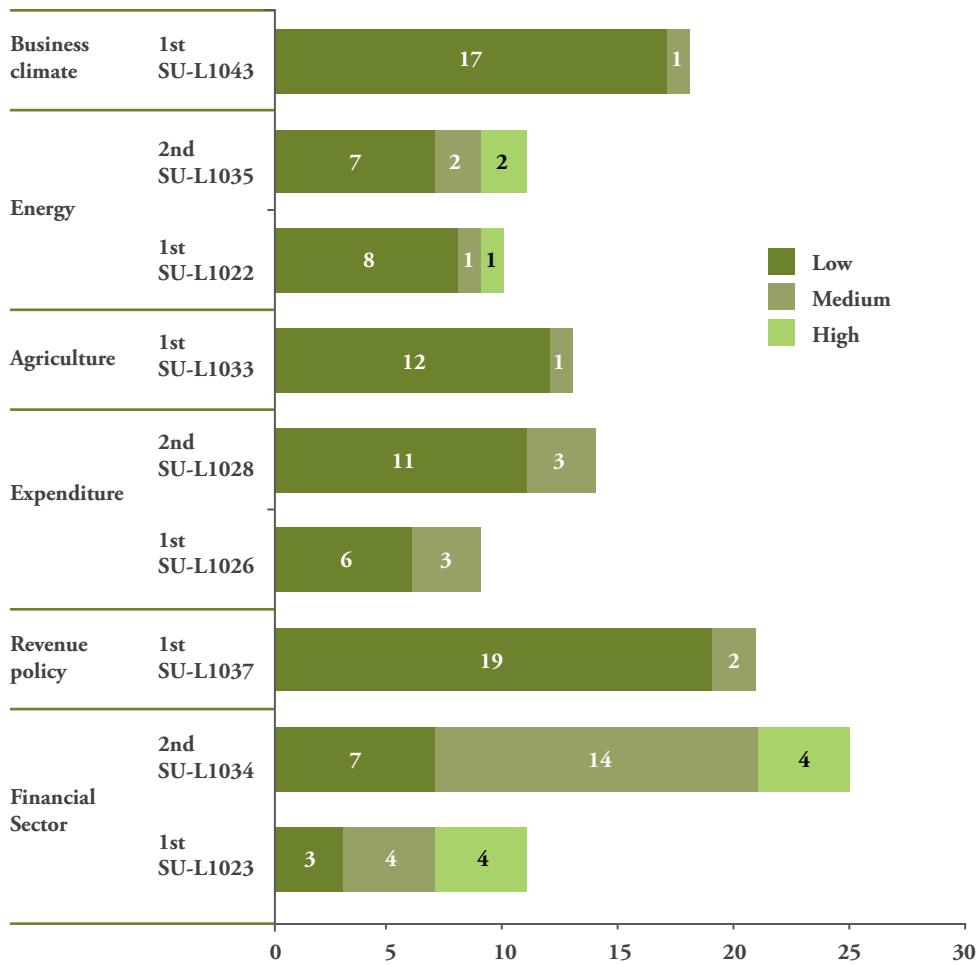


FIGURE 2.5
Structural depth of approved loans in PBP series – Number of policy conditions

Source: OVE.

One of the major factors affecting the pace of reforms has been the GOS's inability to issue the necessary regulations (e.g., budget, tax, customs, decentralization, procurement). The risk analysis prepared during project design in many sectors was not adequate.²² For several operations, bottlenecks arose at the legislative stage, especially when policy measures had to be approved by the Council of Ministers and beyond. This was partly a result of the large number of PBLs (6 series) approved within a short period, rather than spreading them out across time in order not to encumber the Legislative Branch.

Another obstacle was the GOS's limited capacity to implement and coordinate the reforms. The GOS formed a steering committee (Joint Desk) and appointed a Program Coordinator for each of the reform programs to address coordination problems stemming from the wide range of legal and technical issues involved in each area. Also, the Bank and other donors financed technical training for all staff affected by the reforms. However, these efforts proved insufficient. Civil service and organizational and process regulations make it difficult to hire and renew talent and properly organize and incentivize staff and coordinate Government work. There is not a critical mass of civil servants with the technical knowledge to handle the technical and analytical work required to meaningfully interact with each other and external consultants.

Investment loans faced implementation delays and cost over-runs, but execution times have generally improved compared with prior periods (Annex IV, Figures IV.1-IV.2). Lessons learned from first phases benefited project execution during second phases in the cases of 'second generation' projects in housing, education and transport. Infrastructure elements of loans in energy, transport, housing and education progressed most rapidly despite procurement challenges.

The Bank's use of non-sovereign-guaranteed products in Suriname has been constrained by the mismatch between the Bank's available products and the private sector's country profile. The two export-mining multinational companies have been able to meet their funding needs with their export revenue streams. In the non-mining sector, only a handful of firms are able to meet the IIC's or MIF's standards to lend. The Bank lacks local currency lending, and its operations have very high transaction costs for Suriname's clients. The small size of the projects, along with the firms' informality and the lack of financial statements, has constrained the Bank's operations in Suriname.²³ Only one NSG loan (IIC) and several MIF projects have been approved.

The Bank did not foresee any use of Suriname's national procurement systems during the period, given that the GOS faces many challenges in this area. For 2015 the Bank anticipated a dialogue with the Government on conducting a study to assess the quality and effectiveness of procurement systems (OECD Methodology

for Assessing Procurement Systems), but the activity has been pushed back to 2016. The use of public financial management systems has been limited to the treasury subsystem, with the establishment and use of the treasury single account for donor-funded projects (Annex VII for details). Through TC funds, the Bank supported a Public Expenditure and Financial Accountability (PEFA) review in 2014 and is awaiting the Government's comments and acceptance of the final report.



In line with the Country Strategy objectives, the program seeks to upgrade and expand infrastructure for power generation and distribution and increase coverage and access to electricity for rural communities, among others. During the first year, the project execution unit of SU-L1009 focused on starting the procurement processes for most of the critical infrastructure. The Paranam substation has been upgraded, and the substation at Powaka is under construction.

3 Program Effectiveness, Results, and Sustainability

While advances were made in some areas of the country program, overall progress toward targets was limited. The reform agendas in the six areas for PBLs were relevant to the country’s needs and priorities; however, all the PBP designs were overambitious for the expected implementation time, and in all six areas political economy considerations and limited absorptive capacity have delayed the pace of reforms. Financial sector and energy are the two areas that have achieved some policy conditions of high structural depth. Also in investment loans only partial results have been reached.

A. CORE PUBLIC SECTOR REFORM

<i>Area</i>	<i>Strategic objectives</i>	<i>Expected Outcome</i>
Core public sector reform	Improve policymaking and associated use of economic and social data	Updated national data for policymaking, especially for poverty targeting
	Improve national systems to facilitate planning and public investment functions and ensure proper control over public spending	Improved credibility of the budget
		Enhanced procurement management
		Improved effectiveness of internal controls function

The Bank supported its objectives through four lines of intervention: public expenditure management, revenue policy and administration, decentralization, and economic and social statistics. The Bank approved PBP series in two related areas

to improve the quality of Suriname's public investment and revenue collection through economic, institutional, and legal reforms across a range of topics: "Public Expenditure Management" (three programs anticipated, two approved: 2666/OC-SU or SU-L1026 for US\$20 million, approved in 2011, and 2862/OC-SU or SU-L1028 for US\$20 million, approved in 2012), and "Tax Policy and Administration" (three programs anticipated, one approved: 3105/OC-SU or SU-L1037 for US\$20 million, approved in 2013). In addition, a US\$5 million investment loan, "National Population & Housing Census and Household Budget Survey" was approved in 2011 to increase the production and use of basic statistics. The Bank also supported implementation of an ongoing investment loan that was not included in the CS, "Decentralization and Local Government Strengthening Program II" (DLGP-II) (2087/OC-SU or SU-L1011, approved in December 2008 for US\$13.5 million; completed in 2015) to improve local governments' operational expenditure and allocative efficiency.

1. Public expenditure management

While important advances have been made in the preparatory work for reforms, the programmatic series in public expenditure management has been delayed and because of a lack of progress in undertaking those reforms. The program objectives placed particular emphasis on capital expenditure, focusing on three areas: (i) improved credibility of the budget, (ii) enhanced procurement management, and (iii) improved effectiveness of the internal controls function.²⁴ Although the two approved loans met all the disbursement conditions,²⁵ none of the 12 intended program results has been achieved to date. Of the 31 PEFA indicators, 5 have improved, 5 have worsened, and the rest have remained unchanged (Annex V). While the government has put in place some regulations for public procurement and launched a portal to increase transparency, the procurement law has not been passed. In addition, the severe challenges the supreme audit institution (the *Rekenkamer*) identified in its 2012-2016 plan concerning its independence and legal framework, human resources management, information technology, communications, and monitoring and evaluation remain unchanged as of December 2015.

Most of the policy conditions for the two approved public expenditure loans had low policy depth—triggers for 'high depth' or long-lasting policy and institutional changes are still pending in the yet-to-be approved third loan. OVE rated six of the nine conditions for the first PBP (SU-L1026) and 12 of the 15 conditions for the second (SU-L1028) as having low depth. In addition, 4 of the 15 conditions approved for the second operation (SU-L1028) were modified due to the cumbersome legislative process (three related to the procurement component and one to the public investment procedure manual). Approval of draft legislation for a more modern public financial management system was left for the third phase

that is pending. While taking a phased approach is appropriate in a low capacity setting, saving all 'high' depth conditions for the third and final phase puts at risk the reform program if the series is truncated.

Two TCs provided significant funds to help prepare and implement the PBPs; however, completion of the reforms will require more than just funding for technical work. The PRODEV TC "Strengthening Management for Results in Suriname" (SU-T1046 for US\$1.5 million, approved in 2010) focused on planning, budgeting and public financial management, and enhanced results-based management through provision of new methodologies and training. It also helped the preparation and implementation of the public expenditure management PBPs, including by financing the PEFA diagnostic. The "Public Procurement Strengthening in Suriname" TC (US\$250,000, approved 2010) supported the GOS in complying with the policy conditions related to procurement (issuing procurement operating regulations, handbook, and standard bidding documents). While these technical documents are valuable inputs to the reform process, key institutional reforms and legislation for financial management and procurement have yet to be approved.

2. Revenue administration

Like the public expenditure PBPs, some preparatory work has been done on the programmatic series in revenue policy and administration, but the series has not yet been completed because of a lack of progress on reforms. The Bank supported the PBP program to strengthen the country's fiscal position over the medium and long term. The three operations of the program, of which only one has been approved (US\$20 million), are intended to support a comprehensive set of policy interventions in the areas of tax policy, tax administration, and customs administration. The program is expected to set the foundation for a modern tax system that will broaden and even the distribution of the tax burden.²⁶

Although the first PBP met all the disbursement conditions, only one of the nine intended overall objectives has been met: income tax as share of total revenue has exceeded the 35% goal. While the full results are not expected until implementation of the third PBP, progress so far is very limited. The percentages of tax revenue and of indirect taxes as proportion of GDP are lower than the baseline and seem not to be progressing toward the goals of 20% and 10%, respectively. The 2016 Doing Business report shows there has been no change in the ease of, and time spent in, paying taxes since 2013 (Doing Business, 2016). In addition, the policy and institutional depth of the first operation is low: 19 of the 21 conditions for the first PBP were of low depth, and the remaining two were medium. A TC is providing funds to help prepare and implement the PBP; however, as in public expenditure, the completion of the reforms will require more than just funding for technical work. The "Revenue and Expenditure Administration" TC (US\$450,000) aims to support the preparation of

the final two PBP of the series. Another TC (SU-X1001, US\$180,000, approved in prior CS)²⁷ financed consultancies to review key areas of Suriname's governance system and help guide future aid programming.

Notwithstanding the incomplete results to date, Bank participation has contributed to setting the reform agenda and improving the conditions for future reform. Although neither PBP series has achieved the expected results thus far, the dialogue opened between GOS and the Bank helped to identify obstacles and define a strong reform agenda. With the decentralization loan (DLGP II), the Bank helped unleash important forces in support of local self-rule and community participation and raise a new standard and expectation for the delivery of government services at the local level. Reforms are ongoing, and the government intends to move them forward, especially in light of the SBA with the IMF.

3. Economic and social statistics

The accuracy, timeliness, availability, and safety²⁸ of social statistics have been recurrent challenges in Suriname. Despite efforts to address the challenges and improve evidence-based policymaking through a US\$5 million investment loan that financed the General Bureau of Statistics for the 2012 national population census and the 2014 household expenditure survey, this CS's strategic objectives were not fully met. While both surveys were fielded and data processed, application and use of the data are difficult since results are presented in an aggregate form and cannot be used for independent analysis (partly because of very strict confidentiality rules). There is no evidence that the data are being used by any agency for policymaking. Despite having collected recent national-level data, Suriname still has no income- or expenditure-based definition of poverty; thus it does not have national estimates of poverty, and data are not being used for poverty targeting of government programs as was anticipated in the CS Results Matrix. While some advances have been made with respect to financial and economic data, significant shortcomings still exist (IMF Article IV, 2013). Bank Management recognizes that the availability and dissemination of census and other statistical data should be a contractual condition for subsequent disbursements.

4. Decentralization

The results of the completed decentralization loan (DPLG II, approved in prior CS) are mixed: the program objectives were partially achieved. Ten new districts received the highest-level certification, which allows them to manage their own budget and financial systems. The program also helped to increase transparency, accountability, and citizen participation in the 10 target districts. The project successfully financed 48 local public investment projects and contributed to (i) establishing civil technical and environmental units in each district, and (ii) training districts in methods to select projects; prepare tender documents; contract, report, control, and supervise projects; and rehabilitate and maintain public markets, among other skills. Most importantly,

the project played a crucial role in convincing policymakers and citizens alike that local government was possible and desirable. Nevertheless, the intended new legal framework was not approved. Most importantly, Parliament has not yet approved the two framework laws drafted under DLGP I. Institutional weaknesses and political economy considerations, including ambivalence on the part of the Government and the Ministry of Regional Development in particular, prevented the approval of the intended legislation. According to Bank administration, “the delays in approval of the pending legislative reforms for DLGP II, if prolonged, could seriously undermine the successes of the program.”

B. FINANCIAL SECTOR AND PRIVATE SECTOR DEVELOPMENT

<i>Area</i>	<i>Strategic objectives</i>	<i>Expected Outcome</i>
Financial sector development	Improve access to finance by the private sector and households	Increased access to finance by firms
	Improve financial position and functioning of public banks	Improved financial position and functioning of public banks

1. Financial sector development

The Bank, along with the IMF (Caribbean Regional Technical Assistance Center - CARTAC) and others, supported a Government-led initiative starting in 2010 to pursue a comprehensive financial sector reform aimed at reducing the country’s vulnerability to macroeconomic shocks.²⁹ This collaboration supported the drafting and approval of a banking law to give the Central Bank of Suriname (CBvS) the legal authority to supervise the banking sector in accordance with Basel Core Supervisory Principles and an insurance supervision law. It resulted in the preparation and approval of the first two operations of the PBP, “Financial Sector Strengthening” I (2011; SU-L1023) and II (2013; SU-L1034), along with a TC, “Institutional Strengthening of the Central Bank of Suriname” (US\$650,000; SU-T1058). The PBP is an ambitious, comprehensive program aimed at improving the effectiveness of the financial markets in providing credit and other financial services to firms and households, and reducing the financial sector’s vulnerability to shocks.³⁰ The program was led by a key government stakeholder, and the loan diagnostics were solid.³¹ All PBP conditions for the first and second operations were met without modifications, including some of high policy depth. Progress was made in institutional strengthening, especially with respect to improving the organizational structure of the CBvS and the electronic payments system, which is now functioning. CBvS staff members were trained in regulations, the economic research department was strengthened in the areas of data collection and analysis, and an internal audit and procurement office were established.

Despite this important progress, approval of some legislation has been delayed and implementation of reforms has yet to be completed. The CBvS struggled to meet the Bank's deadlines because of its limited capacity and its dependence on factors beyond its control, including the enactment of some legislation whose approval by Parliament is taking longer than expected. As a result, the full program has been delayed. The development of the interbank and securities markets is lagging, and the establishment of a credit bureau (trigger for third operation) and creation of a registry for non-real-estate property are stalled. A public bank reform that will merge the agriculture bank and credit bank is still pending. The second operation was originally planned for US\$15 million, but the approved amount increased to US\$100 million, of which US\$50 million was cofinanced by the Chinese Fund. A third and final operation is planned.

2. Private sector development

In 2014 a hybrid PBP was approved supporting the “Business Climate and Innovation Program” (SU-L1043); the policy-based portion of the first planned operation (US\$15 million of US\$20 million) was disbursed, but the second PBP operation and the investment portion face significant implementation delays. This operation was the product of a dialogue with the GOS Office of the Vice Presidency (OVP) and the IDB's Compete Caribbean, which resulted in the creation of the Competitiveness Unit of Suriname in 2012 and the generation of important diagnostic work financed by TC.³² The programs were stalled by changes related to the electoral cycle and the installation of a new administration in the OVP. The hybrid PBP has not disbursed any of the US\$5 million reimbursable TC because the triggers (institutional modernization and strengthening of the capacity of small and medium-sized enterprises) have not been reached. The GOS submitted four pieces of legislation to the Council of Ministers and drafted seven others after consultation with stakeholders. There has been progress in the legislative process of 9 reforms and 5 action plans for the sector.³³ The second PBP operation, which is on pipeline for 2017, has triggers that are delayed with no foreseeable approval date: the enactment of at least three laws and the creation of an intellectual property board, an alternate dispute resolution center, a court of appeals, and a competition authority.

Two inherited operations approved during the previous CS— the “Trade Sector Support Program” (SU-L1002) and a “Competitiveness Enhancement Program” TC (SU-T1031)— suffered significant implementation issues, including a partial cancellation of loan funds and changes to components. There was turnover in leadership at the Ministry of Trade and Industry, as well as lack of ownership and limited capacity to implement. The Ministry of Agriculture was also disengaged, so there was only marginal progress on the sanitary and phytosanitary measures supported by the project.³⁴

The Bank's operations for financial and private sector development, while relevant to addressing country challenges, required a more coherent and cross-sector strategy. Although the Bank has coordinated internally to deal with the public financial reform components, the dialogue for the development of the sector as a whole was with two

different government agencies that suffered coordination challenges. It is worth noting, however, that the Bank's diagnostic work seeded the field for future MDBs' operations in the country.

C. ENERGY

<i>Area</i>	<i>Strategic objective</i>	<i>Expected Outcome</i>
Energy	Create a financially sustainable energy sector to facilitate the adequate supply of energy and improve access to electricity	Increased electricity coverage
		Increased financial sustainability of power supply for interior locations
		Improved institutional policy-setting environment for energy in Suriname
		Improved financial sustainability and governance of EBS

The Bank's energy portfolio with Suriname includes a PBP with TC support, two investment loans to complement the PBP, and a Global Environment Facility (GEF) project to encourage renewable energy and energy efficiency and pilot initiatives for electrification in the interior.³⁵ In line with the CS objectives, the program seeks to reform the regulatory and legal framework for the sector, develop more effective and efficient institutions to manage the energy sector, upgrade and expand infrastructure for power generation and distribution, and increase coverage and access to electricity for rural communities. It includes the highly related objective of increasing the uptake of energy-efficient and renewable-energy technologies. The first two of the three PBP operations were approved for US\$15 million and US\$10 million.³⁶ Results include the rollout in October 2015 of the first phase of increments in tariffs on electricity, with a second phase approved in May 2016. The new tariffs are based on cost-recovery models, which should help the sustainability of state-owned enterprises and reduce Government spending. The triggers for the third operation are under way: the policy framework was recently approved by the Parliament, and the electricity act and the creation of the energy authority were approved by Parliament in March 2016. The EBS is making progress; however, the feasibility study has not been conducted.

The investment loan to enhance EBS operations and upgrade critical infrastructure in rural areas (SU-L1009) became eligible in April 2014 and the follow-up loan to finance the expansion of generation capacity, SU-L1039 (US\$33 million) was signed in February 2015. During the first year, the project execution unit (PEU) of SU-L1009 focused on starting the procurement processes for most of the critical infrastructure. The Paranam substation has been upgraded, and the substation at Powaka is under construction. Procurement issues are affecting the implementation of some systems. As a result of several procurement issues during the first two years of execution that led to project delays, the project has not yet reached its projected outcome targets for improved

reliability of and access to electricity in rural areas. SU-L1039 has started disbursing and will support the development of a business plan for EBS, fund additional data collection and IT software, and upgrade two additional power substations.

Implementation of the energy portfolio faced challenges similar to those in other sectors: stakeholder coordination, procurement bottlenecks, political cycles, executing agency staff turnover, and low institutional capacity. Client staff's unfamiliarity with Bank procurement procedures has generated delays across the board. The third PBL is delayed largely because of the long electoral cycle and associated lack of action. Of the 11 conditions in the second PBP operation, the policy depth of 4 conditions was weakened compared to the triggers proposed in SU-L1022. These changes overall represented a slowing of the reform process—for example, the condition requiring adoption of a new tariff policy now requires only a proposed tariff reform, and the condition requiring creation of a new energy authority now requires only the assignment of roles and responsibilities for the energy sector within the current governance structure. This leaves some of the final and higher-impact measures to happen in the third and final PBP of the series, which has yet to be approved. Overall, the triggers for the PBP series,³⁷ if completed in the third operation,³⁸ have potentially high structural depth and impact on the sector, depending on the particular design features.

The IDB helped to support and raise awareness by establishing a plan to advance the reform process in a context where there are multiple players and politically sensitive issues (tariffs and energy liberalization). The Bank has taken the lead in the sector *vis-à-vis* other multilaterals and has also leveraged resources from such other donors as GEF, ADF, and the EU, to support the overall reform strategy for the sector. While substantial progress has been made, the ultimate effectiveness of the policy reforms will depend on the details of the final electricity act; the institutional strength, technical capacity, and financial resources of the energy agency that is established; and the quality of the energy program designs that are developed. Notwithstanding the current important advances, the program could be strengthened through increased attention to end-use energy efficiency and to energy consumption by the transport sector, and stronger social safeguards to buffer the impacts on the rural poor of decreased energy subsidies.

D. AGRICULTURE

<i>Area</i>	<i>Strategic objective</i>	<i>Expected Outcome</i>
Agriculture	Increase and diversify agricultural exports	Increased food security by increasing productivity among agricultural producers

Agriculture is a key sector for Suriname in terms of both employment and the potential diversification of economic activity and trade. The Bank's program in agriculture had the objective of increasing agricultural competitiveness by tackling

market concentration and low productivity.³⁹ To support this objective, the Bank established three types of interventions: sector policy reforms, modernization of public agricultural services, and capital investments in infrastructure for rural areas. Only the first two were used during the current program. In 2013 the Bank approved a three-part PBP, “Modernization of Agricultural Public Services Program,” of which the first operation has been completed, along with one complementary TC in 2012 that finances mostly studies. The PBP has the goal of supporting agriculture as a strategic sector for development. It includes work in five key areas for the sector: statistics, innovation, animal and plant health and food safety, irrigation, and fisheries. The proposed reforms include approval of new legislation, institutional strengthening, and interministerial coordination or coordination among various stakeholders. Other areas of work for the sector that are particularly important in the Surinamese context but are absent from the PBP are forestry and land management. In addition, one small MIF operation was approved in 2012 to support a food safety and income security initiative among small farmers. Seven TC studies were crucial to fill important information gaps in the sector, assess its main challenges, and analyze the economic effects of the proposed reforms. The TC was highly relevant and necessary to support the design of the PBP. In addition, the TC provided support for the preparation of the investment loan for the “Agricultural Competitiveness Program” (SU-L1020, still in pipeline), which will help implement some of the planned policy reforms supported by the PBP. The main outputs achieved during the first operation include the publication of the census report, the approval of a monitoring surveillance system for fisheries, and the establishment of different working groups for food safety, animal and plant health, irrigation and drainage, and innovation.

The second operation, originally planned for approval in 2014, faces important delays, mostly related to the approval of Water Boards. The conditions that have proven most difficult to achieve are in the irrigation and drainage component: the organization and definition of the administrative structure of users’ water boards has proved to be challenging, considering the farmers’ resistance to organize and form new groups that imply the payment of fees for water usage. The second and third operations are very ambitious programs with conditions of high structural depth that could make substantial changes in the way the Ministry of Agriculture functions and the services it provides to the public by itself and in conjunction with other ministries.

E. TRANSPORT

<i>Area</i>	<i>Strategic objective</i>	<i>Expected Outcome</i>
Transport	Support internal and regional integration through the rehabilitation and enhancement of the sustainability of the transport infrastructure	Reduction in travel time on the primary network
		Improved sustainability of transport infrastructure

The Bank's program focused on sustainable road infrastructure for trade and regional integration. The road between Paramaribo and French Guiana is an important one for the country for both local and international road transport, carrying around 22% of the vehicle kilometers traveled. Before the project, the extremely poor condition of the corridor created large costs in terms of travel time and wear and tear on vehicles using the road. The strategy achieved a reduction in travel times between Meerzorg (Paramaribo) and Albina (French Guiana border) from 4 hours to 2.5 hours and decrease the percentage of the primary road network under routine or periodic maintenance, from 50% to 40%.

The portfolio includes one investment loan for supplemental financing to complete the "Meerzorg–Albina Corridor Rehabilitation Program" (SU-L1021) and one TC (2013) to support the preparation of the air transport modernization program. The corridor rehabilitation program was approved with a 52% counterpart contribution from agreements with the EC and the French Development Agency. The road rehabilitation project incurred several delays and large cost overruns. The project experienced coordination issues because of the involvement of multiple actors, including four different ministries headed by different parties. Changes in the PEU and client unfamiliarity with the IDB procurement process also delayed the execution of the project. Cost overruns were due to significant changes in design, unforeseen relocation of utilities, additional lengths of road to be reconstructed rather than rehabilitated, and the falling value of the Euro against the US dollar (contracts for 80% of the works are in US dollars).

Despite delays and cost overruns, the rehabilitation of the road is nearly completed and has resulted in significant reductions in travel times on the road, from 4-5 hours to 2 hours. A bridge and 10 km of roadway that were to be financed by the EU are still pending. Also, the cost overruns and delays resulted in a neglect of the institutional components (including important road safety measures, institutional strengthening, and social and environmental programs). While there have been significant achievements in terms of improved road quality and travel time savings, a lack of attention to land use planning around the road poses a threat to the road's level of service in the future if uncoordinated growth continues and in turn induces increased travel demand along the corridor. Long-term maintenance of the road is a concern for sustainability; the current funding levels of the road authority are insufficient to cover future maintenance needs.

F. EDUCATION

<i>Area</i>	<i>Strategic objectives</i>	<i>Expected Outcome</i>
Education	Improve the quality of primary-level education	Improved efficiency and performance of the education system
	Improve the quality of curricula and teaching at the primary level	Increased share of trained teachers implementing the revised curriculum in accordance with the new pedagogical standards

The Bank's program supported the improvement of basic education through the approval of two multiphase investment loans (SU-L1019 - US\$13.7 million and SU-L1038 - US\$20.0 million) and the extension of an ongoing education operation, which was approved in 2003 and completed in 2012 (SU0023 - US\$12.5 million); however, results were incomplete. Interventions for all 3 loans included a proposed reform of the basic education cycle (the new basic education cycle consists of 11 years of schooling—2 years of preprimary, 6 years of primary and 3 years of junior secondary—and extends compulsory education to age 14), and curriculum reform. The loans also financed the renovation and expansion of school infrastructure to improve the efficiency and performance of the education system, as measured by reduced repetition and dropout rates. While the program objective aimed to introduce pedagogical reforms in pre-primary through junior secondary, it was able to deliver results for only some of the grades. For example, the first loan (2003-2012) delivered new curriculum for 2 grades of preschool and first grade of primary (grades 1-3), the second loan (Phase 1, 2012-2015) of the multiphase program was designed to improve student learning outcomes in Grades 4-8; however, the revised curriculum and pedagogical standards were introduced only in Grades 3-6. Development of the remaining curriculum (Grades 7-8) and a strategy to reform junior secondary was postponed to the third loan (Phase 2 of the multiphase program), which was approved in December 2015 and is expected to start disbursing in June 2016.

At the time the first original loan was approved, consensus had not been reached within the Government or among stakeholders on the proposed changes. Consequently, over the course of implementation, the GOS adjusted the focus of the program twice. The design of the original Basic Education Program loan was significantly over-dimensioned. This design flaw, combined with the Bank's overestimation of the technical capacity of the ministry to implement a sweeping curriculum reform, and political support for it, crippled the execution of the original loan. As a consequence, the reform of Suriname's basic education cycle, which was originally designed as a five-year US\$12.5 million project required a three-year extension (to April 2012) and the approval of two additional loans (multiphase 1 and 2, US\$33.7 million) to complete. If the second multiphase loan, which was approved in 2015, is completed by 2021 as planned, the total time and cost of the reform program will come to 18 years, and US\$46.2 million, of which US\$25.4 million are directly linked to the curriculum redesign, teacher training and learning materials. Not only does this call into question the relevance and ownership of the original reform program, but also the relevance of the final product – which at best will be delivered 18 years after the initial approval, and will still fall short of the original objective of reforming the primary and junior secondary curriculum. The redesign of the curriculum for each school year sequentially follows a cohort of students. It is expected by design that the redesign of the full school cycle will be completed in 11 years. The ongoing curriculum redesign remains relevant given that it incorporates current learning standards.

G. SOCIAL PROTECTION

<i>Area</i>	<i>Strategic objective</i>	<i>Expected Outcome</i>
Social protection	Improve the efficiency of social spending for protecting the poor and vulnerable	Improved efficiency and effectiveness of social spending for enhancing human capital

The Bank approved an investment loan (US\$15 million) and TC to rationalize the social protection sector and introduce a conditional cash transfer program, which was cancelled in 2012 before implementation began, because of an overly ambitious design and significant political economy issues surrounding the reforms. Capacity and technical issues were all identified as high risks to implementation; however, the risk matrix did not identify recurrent governance and political environment issues that were evident during preparation and, in the end, were among the issues that became problematic and provoked the operation's cancellation. There are no results for the cancelled loan; however the related TC produced an important output – the Proxy Means Test (PMT). The PMT was piloted in several regions of the country and could be used to select beneficiaries in other social programs, including the Housing program (see Section I). The Ministry of Social Affairs remains a very weak institution. Resource flows have decreased recently, forcing the Ministry to reduce payments to some of its beneficiaries.

Project design in social protection was weak. The social protection operation had all the elements of the Bank's preferred technical thinking on conditional cash transfers instead of more practical thinking about what was possible in Suriname given the political economy issues surrounding the tough reforms, as well as the scale and institutional capacity issues.

H. WATER AND SANITATION

Water and sanitation was included as an “area for strategic dialogue” in the CS; the Bank's engagement in the sector is recent, given significant past support from the Dutch Treaty Funds and many other actors. The Bank's contribution to the sector has been primarily the financing of highly relevant diagnostic and strategic planning documents. In 2008 the Bank financed the “Water Supply Master Plan” (SU-T1045), an important planning document that laid the informational basis for most of the work in the sector. That operation also financed a regulatory and institutional framework for the water sector, including a tariff policy. In 2010 the Bank financed two important diagnostic and planning documents: the “Sanitation Sector Strategic Plan,” and the “2020 Vision on Solid Waste: Strategic Solid Waste Management Plan 2010-2020.” In addition, the investment loan (SU-L1018) also financed a “Non-Revenue Water

Reduction Strategy,” which is highly relevant, given the large proportion of water that is lost in the system or not paid for by users. As a whole, this investment operation in the water subsector is a small but relevant contribution to water provision in the metropolitan area of Paramaribo. Finally, operation SU-T1070 is currently financing an assessment of Suriname’s aquifer potential and groundwater level.

The studies produced with the Bank’s financing are detailed, comprehensive, and technically solid; however, they have not been used for policymaking purposes. The documents produced for the water sector have been used for the water supply company’s investment plans. The tariffs proposed in the 2010 “Water Supply Master Plan” (SU-T1045), however, are much higher than those approved in October 2015 and those likely to be approved by October 2016. It is too early to assess the effectiveness of operations SU-L1018 and SU-T1070.

I. HOUSING

The IDB program in the housing sector consists of one completed operation with mixed results.⁴⁰ The first component—home subsidies—supported and surpassed its target for construction of new homes in the interior, and surpassed its target for home improvement or expansion in the coastal and urban areas. The number of beneficiaries of new homes in the urban area—118—was well below the target of 1,000. The targeting outcome of assigning 40% of the housing solutions to the first and second income deciles was not achieved. The second component—promoting housing supply—involved the collaboration of three developers in the design of core houses and of two financial institutions providing mortgages to low-income clients. However, involvement of the private sector in providing low-income housing remains a challenge. Additionally, only one pilot (houses in the hinterland) of the two originally planned was scaled up. Regarding component 3 (institutional strengthening), the MIS software application was designed, installed, and audited. Compared to its predecessor, this operation shows some improvements such as the implementation of the MIS, a beneficiary maximum household income (~US\$400), and the use of a Proxy Means Test.



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4 Summary and Recommendations

The CS was prepared against the backdrop of declining development assistance from the Netherlands, while the GOS was embarking on an ambitious agenda of structural reforms and capital investment and requested the Bank's financial and technical support many areas. The 2011-2015 CS period marked an important change in the Bank's relationship with Suriname for several reasons—a greatly increased scale of support compared to previous periods, the introduction of new lending instruments, and improved country knowledge and dialogue. As Suriname made the transition away from dependence on high aid flows from the Netherlands, the IDB significantly expanded its engagement in the country, accounting for an average of 88% of Suriname's multilateral financing and 30% of its total public external debt per year. Bank financing more than quintupled (from US\$75 million to US\$417.6 million in approvals), and anticipated net cash flow (US\$224.5 million) represented an eightfold increase over the previous strategy period, a direct result of the first large-scale use of the policy-based loan instrument in Suriname.

The focus of the CS was relevant to the extent that the strategic objectives the Bank set for itself addressed priority development challenges and were aligned with the national objectives set out in Suriname's National Development Plan; however, the CS was overly ambitious in the country context. The program as implemented supported the introduction of structural reforms in six key areas using programmatic approaches, with a conscious choice of the PBL instrument. Several investment loans that were under implementation were second phases (education, transport, and housing); while most faced delays, they reflected some degree of "lessons learned" and faster execution than the first phases. The Bank Group's private sector windows participated very little in the program.

The program provided a substantial infusion of financial resources through the use of the PBLs, with the aim of responding swiftly to finance the country's deficit. In addition to the countercyclical role the funds played, the Bank and GOS used the PBP modality in the belief that the instrument would create the necessary incentives to advance important, medium-term structural reform programs and support development in Suriname. With hindsight, however, use of the instrument proved insufficient for several reasons. The incentives in PBPs did not overcome political economy factors and institutional weaknesses. Significant TC resources and technical support went to strengthen the target institutions but were not sufficient. While the reform programs were relevant for Suriname's development challenges, the loan designs and expected timelines for legislative processes were unrealistic in Suriname's context. The implementation of reforms that accompanied the budget support was delayed in all six areas, but some important advances were made.

Although there were advances in a number of sectors, progress toward fully attaining most of the strategic objectives proposed by the Bank was limited. In addition, in some areas of early progress, the reforms have not progressed—largely because of delays in the implementation of the reforms that accompanied the budget support as well as delays in the implementation of investment loans.

PBPs could be more effective with fewer total conditions and front-loading of stronger policy depth. The weakness (low policy depth) of most of the conditions associated with PBP first operations in all sectors with the exception of financial sector meant that the programs have been ineffective to date. Even though all conditions were met, limited observable and sustainable change has been induced. Given that PBP resources went to general budget support, more investment funds could have been useful to strengthen target institutions and align incentives to the reforms. In many cases there is not sufficient expertise within the Ministries to implement the reforms, and the delays in approving legislation supported by the PBPs pose important risks to the sustainability of reforms.

Nonetheless, Bank participation has contributed to identifying a robust reform agenda and improving the conditions for future reform. Although none of the PBP series has yet to achieve its expected results, the dialogue between GOS and the Bank has helped to identify obstacles and define strong reform agendas for the medium term in many important areas. The country has just concluded an agreement for a stand-by arrangement with the IMF, with much of the content drawing on IDB-supported programs.

On the basis of the findings of this evaluation, OVE has four broad recommendations (with specific sub-recommendations) for the Bank's continuing engagement in Suriname:

1. Strengthen the strategic focus of the Bank's support.

- a. Invest in fewer sectors. Adopt a narrower and more strategic focus on a few sectors where the Bank can truly add value and where there is a consensus to move forward in the country.

- b. Continue to focus on core public sector reforms and institutional strengthening. One cross-cutting theme that will underpin progress across the entire public sector and for which the Bank is providing very useful support is public financial management.
- c. Be more realistic in setting program objectives and less ambitious in project design, better taking into account political and capacity constraints in the public sector. Careful up-front institutional analysis and more and better risk analysis can help in this regard. Programming and design should take into account the consensus-based decision-making process in the country.

2. Adopt a more effective instrument mix that combines policy reforms with implementation support.

- a. Complete the policy-based programs already in progress, and do fewer PBP's going forward. Once current PBP's are completed, limit the number of programmatic policy-based loans to at most two at any time.
- b. Pair PBP's with investment loans and TCs. This instrument mix has been successful, for example, in the energy sector, where PBLs provided a financial stimulus to move reforms forward while investment loans helped provide the necessary resources and technical support.
- c. In PBP's, include fewer conditions and deeper policy content up-front and disburse only on the achievement of meaningful reforms. Focusing on a smaller number of critical conditions will have a higher probability of catalyzing reforms.

3. Enhance fiduciary oversight of investment loans, in particular procurement.

- a. Consider working with the GOS to set up a centralized PEU for fiduciary matters, with centralized procurement and financial management for multiple projects. This approach could make better use of the small number of procurement and financial management specialists in the country and facilitate training and institution-building;
- b. Ensure that the country office has sufficient fiduciary resources, with international expert staff available either in the Suriname country office or in a nearby country office.

4. Support GOS in strengthening statistical systems for generating data, planning, evaluating, and monitoring policy, and make the availability and dissemination of census and other statistical data a contractual condition for loan disbursements.

- ¹ Estimated per capita GDP increased to US\$9,429 in 2014 from US\$8,224 in 2010 (IMF World Economic Outlook, October 2015). See Annex 1 Table 1.
- ² Suriname General Bureau of Statistics, 2014.
- ³ Inter-American Development Bank/Compete Caribbean, “Private Sector Assessment of Suriname,” 2014.
- ⁴ As part of independence negotiations, the Netherlands donated 3.5 billion Dutch guilders to Suriname (the so-called Treaty Funds) to be disbursed over 10 years. The approval of the Amnesty Law in 2012, which rendered invalid a trial over the killing of 15 members of the opposition in December 1982, prompted the Dutch government to suspend the disbursement of the US\$20 million remaining in the Treaty Funds.
- ⁵ “Remittances to LAC Set a New Record High in 2014,” Maldonado R., MIF 2016.
- ⁶ World Bank Country Partnership Strategy for Suriname for FY15-19, April 2015.
- ⁷ The few attempts to collect household income and expenditure data through surveys and censuses have been affected by low response rates and frequent underreporting of income as well as sampling issues. For progress on the Millennium Development Goals see *MDG Progress Report 2014* or link: http://interwp.cepal.org/perfil_ODM/perfil_pais.asp?pais=SUR&cid_idioma=2
- ⁸ UNICEF Multiple Indicator Cluster Survey, Suriname, 2006.
- ⁹ The agency reports 179,236 first-generation and 169,426 second-generation Surinamese immigrants living in the country. Other estimates place the diaspora at 500,000.
- ¹⁰ Dulam, Tina, and Ph. H. B. F. Franses, 2015. “Emigration, Wage Differentials and Brain Drain: The Case of Suriname,” *Applied Economics* 41(23). “The EU15 is the main source of human capital flight from Suriname, Mozambique, Angola, São Tomé and Príncipe, Republic of Congo, Guinea-Bissau, Togo or Comoros,” from Docquier, Frédéric, 2006. “Brain Drain and Inequality across Nations,” IZA Discussion Papers No. 2440.
- ¹¹ Most of Suriname’s population is descended from African slaves and Indian and Indonesian indentured servants who arrived as agricultural workers. The 2012 Census reports 10 groups: East Indian, Maroon, Creole, Javanese, Mixed, Indigenous, Chinese, Others, Afro-Surinamese, Caucasian.
- ¹² Kamau (2014).
- ¹³ IMF WEO, October 2015.
- ¹⁴ Figures from IMF WEO, October 2015.
- ¹⁵ See Table: PEFA score on effectiveness of tax collection (D+) and on the clarity and comprehensiveness of the tax system (C).
- ¹⁶ Electricity subsidies alone amounted to around 5% of GDP in 2014 (Caribbean Regional Bulletin, Vol. 4, Issue 3. October 2015).
- ¹⁷ Spending is highly discretionary; the budget is not credible, comprehensive, or transparent.
- ¹⁸ There is no central authority to coordinate, guide, and oversee the public investment process, no objective criteria and standardized methodologies for prioritizing public investment decisions, and no systems for monitoring and evaluating investment projects. There is a Joint Desk, however, that supports project execution and management of the MDB portfolios.
- ¹⁹ Suriname’s National Development Plan for 2012–2016, approved by Parliament in December 2011, includes the following main goals: (i) good governance, institutional strengthening, and regulatory frameworks; (ii) economic growth and diversification, employment, improvements in the business climate and public-private partnerships (PPPs), reforms in the tax and banking systems, and food security; (iii) strengthening the Ministry of Education, professionalization of teachers, improvements in education quality; (iv) social development—poverty, access to public services, health care, and social security; (v) security and international policy; and (vi) urban planning and natural resources and the environment. The Plan includes specific tasks for each priority area as well as for infrastructure, energy, mining, agriculture, and tourism. See Annex 3 for a table showing the alignment between the National Development Plan and IDB’s strategic areas.

- ²⁰ The CS mentions these risks: “Both Government and opposition comprise complex coalitions and rely on consensus building. This means that virtually all policy decisions require extensive negotiations among various groups. As a result, the delivery of this CS, which includes important structural reforms and strategic investments, may be delayed and its effectiveness affected.”
- ²¹ This amount includes US\$50 million in additional co-financing through the China Co-Financing Fund for Latin America and the Caribbean for the PBL loan “Financial Sector Strengthening Program II” (SU-L1034). In 2015, the private sector development loan (SU-L1043) comprised a PBL of US\$15 million and a reimbursable TC of US\$5 million.
- ²² For example, in Public Expenditure Management, the project document acknowledges the need for political support as key for program success and argued that potential risks were duly internalized because the program was designed around the GOS’s reform agenda and included realistic solutions applicable to Suriname’s reality. Invalid source specified. The 2012, 2013, and 2014 CPDs argued that the existence of the Joint Desk was the best tool to ensure program delivery (IDB, 2012, 2013b, and 2014b). With hindsight, however, it is clear that the probability of occurrence of the risk was higher than expected and the mitigating factors were insufficient.
- ²³ The Bank approved one private sector loan in December 2015: IIC approved a long-term loan of up to US\$10 million to Fernandes Bakkerij N. V. (FGV), which has 60% of the market share of the country’s bakery sector, to increase its production capacity and modernize its lines of baked goods. The project aims to modernize and expand the company facilities and ultimately help it export to other countries in the Caribbean. This operation was preceded by another IIC operation of US\$1 million with Cooperatieve Spaar en Kredietbank Godo G.A. (GODO), the largest credit union in Suriname, to support its lending activities (SU33300A-01, approved in 2008).
- ²⁴ In particular, it was expected to (i) ensure that all public investment projects were appraised before approval; (ii) increase the rate of execution of capital expenditures from 55% to 70%; (iii) publish 100% of implementation reports; (iv) increase the transparency and comprehensiveness of public procurement (from a PEFA indicator #19 (i) score of D to a C); (v) improve the competition in public procurement (from a PEFA indicator #19 (ii) score of D to a C); (vi) ensure that all 17 ministries use standard procurement documents; (vii) reduce the variance in expenditure composition (from a PEFA P#2 indicator score of D to a C); (viii) enhance public access to key fiscal information (from a PEFA #10 indicator score of D to a C); and (ix) ensure all public institutions follow up audit recommendations (from a PEFA indicator #26 (iii) score of D to a D+). The program also intended to pass new and modern legislation for budgeting and procurement, and to modernize the internal and external audit functions.
- ²⁵ Memoranda PO-SU-L1026 on December 19, 2011, and PO-SU-L1028 on December 7, 2012.
- ²⁶ The specific objectives were to (i) increase tax revenue by 1.1% of GDP and the share of income tax as % of total revenue by 8 percentage points; (ii) improve the ease of paying taxes overall score from position 49 to 45 (in the Doing Business Survey); (iii) reduce the hours spent in complying with tax obligations (using the DBS rank, from 199 to 155); (iv) improve the transparency of taxpayers’ obligations (PEFA indicator #13 score from C to C+); (v) improve the effectiveness of taxpayer registration and tax assessment (PEFA indicator #14 score from C to C+); and (vi) improve the effectiveness of tax collection (PEFA indicator #15 score from D+ to C).
- ²⁷ This operation was financed by the Government of the Netherlands through a COFAB financing procedure.
- ²⁸ The 2003 census data were lost in an arson fire. A contractual amendment to the IDB 2002 loan allowed a retake of the census in 2004.

- ²⁹ The CS objectives were to address the financial sector deficiencies by (i) establishing and implementing an updated and more effective legal and regulatory framework for the operation and supervision of all regulated financial institutions, including anti-money laundering and counter-terrorism financing; (ii) strengthening the supervisory capacities of the CBvS; (iii) enhancing CBvS policies and procedures for human resources and business operations, including interbank payment systems, data management, and dissemination; (iv) implementing public bank reforms to ensure that they have clear social or economic policy goals, use financing mechanisms that address market failures, and inculcate corporate governance and business strategies that assure financial sustainability; (v) incorporating measures that will accelerate the development of the interbank and securities markets; and (vi) setting up a credit bureau and a property registry for non-real-estate assets.
- ³⁰ The specific objectives are to enhance the enabling environment for financial markets and institutions, both public and private, and to strengthen the capabilities of the CBvS to conduct its core responsibilities. This loan is the first in a series of three PBP's estimated at US\$70 million. The program will include policy measures in seven areas: (i) the macroeconomic policy framework; (ii) the legal and regulatory framework; (iii) enhancement of financial sector supervision; (iv) institutional strengthening of the CBvS; (v) interbank and securities market development; (vi) complementary institutions for greater access to finance; and (vii) public bank. Legislation was outdated, supervision limited, Suriname did not have an electronic payments system, CBvS had limited technical capabilities.
- ³¹ The sequencing of the operations had a clear logic: the first operation helped produce the basic policy and regulatory framework, while the second one included conditions for implementation. Technical assistance was provided across all components of the program. While the Supervision of the Banking Credit System Act was approved before the loan entered the pipeline (this was one of the conditions for the first operation), the CBvS subsequently developed all regulations.
- ³² A regional TC (SU-CC2020) supported the creation of the Competitiveness Unit of Suriname in 2012 and produced other relevant diagnostics. One TC supports the PBP: SU-T1076, "Institutional Strengthening for the Implementation of Business Climate Reforms." In addition, three regional TCs that support private sector development including in Suriname (RG-X1074, RG-1075, and RG-X1044), were approved in 2010.
- ³³ These legislation drafts and action plans are well designed and consistent with the country's challenges. The program has the potential to complement other reforms in the country through the creation of a secured transactions registry (which is part of the conditionality of a third-not-yet-approved operation for Financial Sector Strengthening Program) and through the promotion of more transparency in micro-purchases with the e-Transactions Act (which is one of the third-not-yet-approved operation conditionality) of the Program for Public Expenditure Management.
- ³⁴ IDB, L1002 "Trade Sector Support Program Project Completion Report, 2013.
- ³⁵ The two complementary investment loans total US\$63 million, and two supporting TCs (SU-T1055 for US\$700,000; SU-T1077 for US\$410,000), plus a GEF grant for US\$4.4 million.
- ³⁶ The program objectives were to (i) increase the percentage of population with access to electricity from 85% (in 2010) to 90%, (ii) increase the cost recovery for supply to interior locations from 0 to 40% (currently electricity is free in the interior), (iii) establish an Independent Energy Authority to regulate the sector, (iv) decrease EBS's operational costs by 45%, and (v) increase EBS's Cash Recovery Index from 75 to 85.
- ³⁷ Triggers include the approval of a power sector policy, enactment of an Electricity Act, creation of an Energy Authority, and implementation of a new tariff structure.
- ³⁸ The third operation (SU-L1036) is scheduled to go to the Board in July 2016.
- ³⁹ Country Strategy; paragraph 3.4.
- ⁴⁰ One investment loan (SU-L1015: "Second Low Income Shelter Program" (LISP II)) approved in 2009 for US\$15 million; and one supporting TC (SU-T1049: "Support to the LISP II") approved in 2008 (US\$200,000).