Memorandum of Economic and Financial Policies

1. This memorandum reports on recent economic developments and outlines the economic and financial program for which the Government of Suriname is requesting IMF support under a 36-month Extended Arrangement under Extended Fund Facility (EFF).

Recent Developments

2. Our administration took office in July 2020 inheriting an extremely challenging economic situation, amid the global health crisis. Significant macroeconomic imbalances have been built up over the last few years. The fiscal deficit widened significantly, leading to a rapid accumulation of debt and undermining the financial position of the government. Without access to market finance, the previous government resorted to significant monetary financing, which resulted in the rise of inflation and depreciation of the exchange rate. The central bank intervened to stem the depreciation, which resulted in a near-exhaustion of international reserves. Weak internal controls both in the Ministry of Finance and in the Central Bank have further undermined public and market confidence in Suriname's economic management. Furthermore, weak institutional capacity and significant governance issues have made correcting the imbalances even more challenging.

3. As the global pandemic hit Suriname, the government had to tighten containment measures to slow the spread of COVID-19 infections. These necessary measures dragged economic activity down further and added to outlays on healthcare and medical supplies. The shortage of basic imported medical goods exacerbates the suffering of our citizens.

4. Economic mismanagement and the COVID-19 pandemic have left Suriname's economy in deep crisis. The most recent data shows economic activity contracting by about 11 percent in the three quarters of 2020. The recession is likely to have deepened in the last quarter and continues into 2021. With no available sources of financing, the government has been unable to pay its obligations and has been accumulating external and domestic arrears (at end-2020, the government was in arrears to multilateral creditors (about US$14 million), bilateral creditors (about US$21 million), private external creditors (about US$32 million), and to domestic debt holders as well as suppliers (SRD 2.9 billion). Public debt has risen to a very high level and we judge it to be entirely unsustainable. Monetary financing of the fiscal deficit under the previous government has put significant pressures on the currency resulting in a 100 percent parallel market premium at peak in the last summer, as foreign currency was rationed at the official exchange rate. Despite such rationing, our usable international reserves have fallen to US$130 million at end-January, constituting less than one month of imports. With a large share of transactions taking place at the more depreciated parallel exchange rate, inflation has spiked, reached 61 percent year-on-year by end-2020. The collapse in domestic demand, the rationing of foreign currency has moved the current account from a deficit of 11 percent of GDP in 2019 to a surplus of 10 percent of GDP in 2020. Finally, the economic contraction and imprudent past lending have left our banking system in a difficult situation with three banks having insufficient capital to meet regulatory requirements.

Furthermore, due to limited availability of cash U.S. dollars and SRDs, banks have instituted withdrawal restrictions on both local and foreign currency deposits.

Our Policy Objectives

5. To counter the significant macroeconomic imbalances facing Suriname the government has embarked on a home-grown program of reforms that will stabilize the economy, protect the poor, restore debt sustainability, rebuild international reserves, and create a strong foundation for future growth and prosperity. The program rests on the following six pillars:

- Restore fiscal sustainability.
- Bring debt back to sustainable levels.
- Strengthen the social safety net to better-protect the most vulnerable.
- Upgrade the monetary policy framework and adopt a flexible, market-determined exchange rate.
- Recapitalize the financial system and improve bank oversight.
- Tackle corruption, strengthen institutional governance, and enhance Suriname's AML/CFT framework.

Returning Public Finances to a Sustainable Path

6. Public debt stood at about 159 percent of GDP at end-2020 and the fiscal deficit in 2020 was 14 percent of GDP. After being sworn in last year, the new administration began urgently prioritizing and cutting spending and was able to lower the primary deficit from 19 percent of GDP in 2019 to 10 percent of GDP in 2020. This required cutting back on capital spending and goods and services outlays. The fiscal position also benefited from the depreciation in the official exchange rate and the feed through to inflation (given that a sizable share of spending was fixed in nominal terms).

7. The government will aim for a primary fiscal balance of -1.8 percent of GDP in 2021 and reach a primary surplus of 4.5 percent of GDP by 2024. The parliament has approved the 2021 budget in line with program parameters (i.e. reaching primary balance of -1.8 percent of GDP in 2021 with measures delivering 2.4 percent of GDP). The program targets an improvement in the primary balance of around 15 percent of GDP over 2021-2024, to reach a primary surplus of 4.5 percent of GDP by end-2024. Out of this adjustment, discretionary measures will account for around 9 percent of GDP, while the rest will be achieved by an increase in mineral exports and the effects of a real exchange rate depreciation expected in 2021. We have also taken important steps to raise revenues, reduce untargeted subsidies, and contain public sector wages (described in more detail below). We anticipate that these efforts should provide some fiscal space to modestly increase capital spending and expand outlays on social assistance to the poor.

8. A series of fiscal measures has been approved by the National Assembly in early 2021 that establishes expenditure limits for 2021 budget and introduces the following policy measures:

- A one-time solidarity tax of 10 percent on household income in excess of SRD 150,000 in the 2021 calendar year has been approved by the National Assembly in January.

- A 2 percentage point increase in the sales tax on goods and services. The National Assembly approved a 2 percentage points increase in the sales tax on imported goods in January and the tax was subsequently unified, and raised further in May, for all for goods and services.

- Replacing the sales tax with a new value-added tax (VAT) on July 1, 2022. To support this change, the government has: (i) appointed a MOF-led Steering Committee to supervise the VAT implementation; (ii) named a full time Implementation Team (including Tax, Customs, and IT officials); (iii) developed a detailed action plan for the transition and a time-bound communications strategy. In the coming months, the government will develop regulations, build necessary IT systems, deploy a Taxpayer Advisory Team, and produce manuals for taxpayers. The government will ensure that all accompanying laws needed to implement the VAT will be passed by December 2021.

- Raising the royalty rate to 7.5 percent for all gold production. We already increased the royalty rate for small-scale gold exporters from 2.75 to 7.5 percent and are planning to also raise the royalty rate for revenues from large-scale (multinational) gold exporters from 6 to 7.5 percent by August (or, we will raise applicable taxes and fees on large-scale gold exporters to a level that would yield additional revenue equivalent to raising the royalty rate to 7.5 percent).

- Limited the increase in government's total wage and benefits bill to 25 percent in 2021. We have reached an agreement with public sector unions on this year's wage increase which is in line with program parameters. Over the course of the program, we are committed to lowering the wage bill from 13 to below 8 percent of GDP by reducing the workforce by [10] percent (through the non-renewal of temporary contracts, eliminating ghost workers, and rationalizing employment) and restraining nominal wage increases in 2022-24 to a level that is below the projected average inflation rate.

- Increase the average electricity tariff by 150 percent in 2021 and 50 percent in 2022 and 2023 (so as to reach cost recovery by end-2023). Suriname's electricity tariffs are one of the lowest in the world (and are set at around 17 percent of cost-recovery) resulting in an untargeted subsidy of 4-5 percent of GDP annually. A low, social tariff will be retained for households that consume less than 288 KWH per month.

- A reduction in untargeted subsidies (which amounted to about 4 percent of GDP in 2020 and will be gradually reduced to 3 percent of GDP by 2024).

9. The government will strengthen the institutional framework for fiscal policy by:

- Adopting a comprehensive medium-term fiscal framework by November to guide the annual budgeting process.

- Passing legislation by October to ensure that the annual budget approved by the National Assembly is both binding and reflective of planned spending levels.

- Beginning timely, accurate and comprehensive reporting and publication of audited fiscal data by November.

- Creating a large taxpayer unit to increase taxpayer compliance by August and undertaking a comprehensive review of work processes and the legal framework for tax administration processes by December.

- Improving the customs administration's approach to risk management, post-clearance audit, and the monitoring and verification of duty concessions, waivers, and exemptions. The government will draw up a time-bound improvement plan by September.

- Increasing the accountability of state enterprises by defining the scope of the Ministry of Finance's financial control over the decisions of public corporations and establishing regular reporting and monitoring of the financial performance and quasi-fiscal activities of state enterprises. This will include publishing the audited financial reports of the 10 largest state-owned enterprises by August and identifying and quantifying the principal fiscal risks created by these state enterprises by September.

- Establishing a modern Treasury department, Cash Management Unit, and a Treasury Single Account (TSA) by August so as to centralize treasury functions, improve governance and increase transparency. We will also improve our capacity for liquidity forecasting, debt management, cash planning, arrear monitoring and commitment control with support from international technical assistance providers.

- Developing a term of reference, with technical assistance from international partners, by August, for hiring specialists to commence the audit on outstanding supplier arrears by September.

- Expanding the legal mandate of the debt management office (SDMO) to include the whole nonfinancial public sector, including all suppliers' arrears, guarantees, and contingent liabilities by August. An accounting of the full scope of public sector obligations will be reported monthly on the SDMO's website, starting in September.

- Creating a public investment and Public-Private Partnership (PPP) unit by September to undertake a full cost-benefit review of all ongoing investment projects, undertake full costing and feasibility studies for all new public investments and PPPs, and publish beneficial ownership information for companies that receive contracts for new government capital projects.

Restructuring Public Debt

10. The government is committed to put public debt on a sustainable path as part of the IMF-supported program. This entails debt relief efforts from creditors. In that perspective, the government approached official and commercial creditors to initiate orderly restructuring discussions. The government appointed financial and legal advisors in September 2020 to negotiate a restructuring of the privately-held external debt. Bondholders have consented to postpone payment deadlines starting from October 26th 2020 and expiring at the latest on July 30th 2021, hence providing the government with breathing space to reach an agreement with the IMF and engage into orderly debt restructuring discussions with creditors. We are committed to reducing public debt to 120 percent of GDP by 2024 and to 60 percent of GDP by 2035, and to lower our gross financing needs to an average of 9 percent of GDP in 2022-35 (and below 12 percent of GDP in any one year). We have followed best practices in sovereign debt restructuring, including taking into consideration inter-creditor equity. We have engaged in the design of debt restructuring parameters in line with program requirements. Discussions indicate that Paris-Club, Non-Paris Club and commercial creditors are committed to providing debt relief that is compatible with program requirements. On June [1], bilateral creditors provided specific and credible assurances that they will provide debt relief in line with program parameters. Financing provided through restructuring of external debt would amount to US$222 million in 2021, US$155 million in 2022, US$158 million in 2023, and US$114 million in 2024. Furthermore, the government will not provide guarantees to debt contracted by other parties during the course of the program nor will it contract new external debt that is collateralized by natural resource revenues (or allow the public sector to contract such kind of debt on behalf of the central government). To underscore the government's commitment to transparency, we have already provided Fund staff with the contracts for all public sector borrowing—including that of Staatsolie— from official and private creditors.

Strengthening the Social Safety Net

11. Poverty rates have increased significantly over the past few years with an estimated [2.9] percent of the population living in poverty[1]. To protect our most vulnerable citizens, in July we expanded the existing targeted cash transfer system to ensure that the lowest four deciles of the income distribution are more-than-compensated for the increase in electricity tariffs and reductions in other subsidies. Administrative efforts will be taken to identify eligible recipients that are not receiving benefits as well as to eliminate duplication. We also intend to expand eligibility of the existing food assistance programs. As a sign of our commitment to maintaining social support

[1] According to UN Development Program Human Development Reports 2019.

throughout the course of the arrangement, we will not let social spending fall below 5.3 percent of GDP in any calendar year.

Upgrading Monetary Policy and Exchange Rate Management

12. There is an urgent need to adopt a new monetary policy framework to bring down inflation and restore macroeconomic stability. In 2019, the CBvS announced a new reserve money targeting regime and intends to set the monthly growth in reserve money at a level that is well below the expected growth in nominal GDP. Our reserve money targeting system will aim to lower inflation to 26 percent (y/y) by end-2021 and to continue to reduce inflation to about 10 percent (y/y) by end-2024. To achieve these outcomes, we have established prudent monthly targets for Net International Reserves and Net Domestic Assets that will be monitored during the course of the Fund-supported program. To achieve these targets, the CBvS will actively monitor and drain liquidity through the weekly issuance of certificates of deposit using fixed quantity/variable rate auctions. This will require allowing interest rates to move freely to clear the weekly auction and we recognize that this can entail a significant increase in nominal interest rates in the coming weeks. To lessen the volatility of interest rates, the CBvS will introduce partial reserve averaging for local currency reserve requirements with a one-month reserve averaging period. The CBvS will also begin setting remunerating of local reserve requirements based on market conditions to help smooth the functioning of the interbank system.

13. The CBvS has also put in place a functioning standing facility to provide liquidity to banks that face a temporary shortfall. Banks will have unrestricted access to the facility but the CBvS will initiate supervisory alert and investigations (and, if needed, supervisory actions) for any bank that is a recurrent and sizeable user of the standing facilities. The facility will be priced on the basis of the weighted average price of open-market operations plus a modest spread (to incentivize banks to tap interbank funding markets rather than rely on the standing facility). Any injection of liquidity through the standing facility will be sterilized through the issuance of CBvS certificates of deposits to ensure the supply of reserve money is consistent with the CBvS's reserve money targets.

14. The CBvS is stepping up efforts to improve its liquidity monitoring and forecasting capabilities to ensure smooth functioning of the RMT framework. The CBvS and the MoF have agreed to formalize a regular data exchange arrangement (codified in a Memorandum of Understanding that has been signed by the Governor of the CBvS and the Minister of Finance) in order to improve the CBvS's forecast of government expenditures and revenue inflows.

15. The CBvS has unified the foreign exchange market rates and is committed to a fully flexible exchange rate. The official USD exchange rate was devalued by 90 percent in September 2020 and a further 15 percent in March 2021. The CBvS has now fully stopped the practice of determining an exchange rate and mandating economic agents to use that rate. On June XX, the CBvS unified the official and parallel exchange rates (by depreciating the official rate to the level of the parallel rate) and started calculating the official exchange rate based on the exchange rates used in unrestricted foreign exchange market transactions. Such a unified and market-determined exchange rate will help facilitate Suriname's adjustment to external shocks, underscore the role of reserve money as the nominal anchor, and facilitate the rebuilding of foreign exchange reserves. The CBvS intends to increase commercial banks' role in the foreign exchanges market through establishing an electronic trading platform for interbank foreign exchange trading that will be open to both commercial banks and *cambios*. By end-September, the CBvS will begin publishing the daily official exchange rate fixing based on a weighted average rate of trading in the electronic trading platform.

16. To facilitate a steady rebuilding of international reserves, the CBvS intends to refrain from foreign exchange interventions, except in cases of disorderly market conditions. All foreign currency sales and purchases by the CBvS will be undertaken through transparent, pre-announced fixed allotment/variable price auctions (by end-September). Over-the-counter sales/purchases to/from state-owned enterprises or private sector entities will not be undertaken. Foreign currency sales will be permitted only in the event that the SRD-USD exchange rate records an intraday depreciation in excess of 2 percent. In such circumstances, the CBvS would be allowed to sell up to US$2 million during the course of the day (via competitive auction). These sales would not be sterilized and would lead to a one-for-one reduction in reserve money growth for that month. Gross FX sales by the CBvS are capped at US$20 million per quarter.

Bolstering the Banking System

17. There are significant vulnerabilities in the banking system. Several banks are undercapitalized and non-performing loans are both high (10.2 percent of total lending as of end-2020) and likely to continue to rise in the coming months as the impact of the economic contraction crystalizes and stimulus provided in the context of the pandemic is withdrawn. Foreign currency loans are a particular vulnerability given that they make up half of total lending and have been extended to individuals and businesses without a natural FX hedge.

18. The government is committed to ensure a healthy and adequately-capitalized banking system. To this end, the CBvS has already hired an internationally reputable specialist firm to undertake an asset quality review for all banks based on Terms of Reference agreed with staff. An asset quality review for the largest two banks will be completed by March 2022. Further asset quality reviews, covering the remainder of the banking system, will be completed by May 2022. Following the asset quality reviews, the CBvS will – as per the roadmap discussed below – require the submission of timebound recapitalization and restructuring plans for all institutions that breach prudential requirements, review the plans to verify their credibility, and if found credible, oversee their implementation.

19. A roadmap for financial sector restructuring and governance reform of banks will be developed by the authorities. The document, to be finalized by end-December, will set out scenarios developed by the CBvS for dealing with banks depending on the outcome of the asset quality reviews. In line with the roadmap, reviewed banks will be instructed to prepare plans with time-bound actions to address any breaches of prudential requirements and ensure their prospective viability. These plans will include, where appropriate, a business, recapitalization and restructuring plan dealing with the root causes of the difficulties and set out implementation milestones. In parallel, the government in its capacity as shareholder, will affect governance reforms to ensure banks are run at arm's length, on a commercial basis. The CBvS remains vigilant and takes appropriate action with regard to banks experiencing difficulties, including by intensifying supervision and imposing corrective actions. The CBvS has recently increased the intensity of supervision of large banks.

20. To enable CBvS to address problems in the banking sector, the resolution framework will be strengthened. The government will submit the Credit Institutions Resolution Act to the National Assembly for adoption by August to increase CBvS' powers and tools for early intervention, recovery, and resolution of financial institutions. The law will closely follow international best practices and give the CBvS powers directly intervene in a bank. To implement the new mandate, a new Bank Resolution Unit within the CBvS will be established by end-September with appropriate governance arrangements, staffing, funding and clear internal guidelines on how the unit would undertake crisis management and enforcement actions

21. The central bank also intends to enhance bank supervision and its institutional capacity for crisis management including by:

- Operationalizing by August a new Financial Stability Committee—made up of representatives from the MoF and the CBvS—to diagnose risks to financial stability and develop concrete plans to manage and mitigate those risks.

- Adopting the revised Banking and Credit Supervision Act by the National Assembly by July 2022 to facilitate risk-based supervision of banks including assessing banks' business strategies, governance, risk management (including provisioning policies), capital planning, budget forecasting, valuation of collateral, and profit and loss projections (so that supervisors can better determine a bank's compliance with regulatory requirements).

22. The government is prepared to take action to safeguard financial stability in the event support of the balance of payments is necessary. For the foreseeable future, the commercial banks intend to keep in place their existing limits on withdrawal of both foreign currency and domestic deposits they imposed (although payments within the system will be fully permitted). However, if the balance of payments situation worsens, the CBvS is prepared, in consultation with Fund staff, to introduce contingency measures to stabilize it. In the event that such measures give rise to restrictions on current transactions, we will request a waiver for non-observance of the performance criteria on exchange restriction/MCPs, and work with Fund staff to adapt the program to provide for a clear roadmap toward the gradual elimination of such exchange restrictions/MCPs over time.

23. We are also determined to implement other important reforms to modernize the management of the broader financial sector. The government is committed to improve the supervision on the insurance sector and the pension and provident funds and establish credit reporting, deposit insurance, electronic transactions going forward. Draft laws in these areas are under preparation. Ongoing efforts to strengthen the AML/CFT framework will also support the financial sector. Given limited resources, we will prepare a comprehensive plan to coordinate and integrate the various reform initiatives to ensure timely implementation, supported by technical assistance by the IMF as needed.

Improving Fiscal and Monetary Governance

24. To bolster the transparency of the CBvS, we have conducted special audits of program monetary data to verify the opening stocks of data used as performance criteria. In addition, the CBvS has engaged a consultant to co-source the internal audit function to a qualified expert firm to commence internal auditing and advance its development. Finally, the CBvS is planning to publish on its external website the FY 2015-2019 audited financial statements in October, and will publish the audited FY 2020 financial statements by end-March 2022.

25. The government is committed to strengthen the CBvS' mandate, governance, and financial autonomy. To this end, we have established and signed a new Memorandum of Understanding between the Governor of the CBvS and the Minister of Finance to preclude all new direct or indirect gross central bank financing. In addition, the Board of the CBvS has adopted a Governance Reform Implementation Plan to strengthen the governance and control environment including in: (i) legal amendments; (ii) strengthening collegiality in decision making and implementation of the Handbook of Sound Governance; (iii) establishing critical functions, such as compliance, risk management, internal audit; and (iv) introducing a reporting mechanism to the Board and its committees. This roadmap was published in June and its implementation will be monitored by the Supervisory Board. We are also committed to implement the safeguards recommendations. By end-December the National Assembly will pass amendments to the Central Bank Act to permanently prohibit monetary financing of the government, and to improve the governance structure of the CBvS by:

- Clarifying and strengthening the mandate of the CBvS.
- Bringing CBvS' institutional, financial, and personal autonomy into line with international best practice.
- Increasing transparency, accountability and oversight.
- Defining clear requirements on accounting, profit distribution, reserves and eventual recapitalization of the CBvS.

26. The MoF and the CBvS will develop jointly a recapitalization plan that includes a clear target level of capital, a trigger point for recapitalization, and a binding time frame to complete the recapitalization. This will be done by end-April 2022 following the completion of the FY 2020 audit of the CBvS financial statements that are expected to be prepared based on international standards.

Tackling Corruption, Improving Governance, and Enhancing the AML/CFT Framework

27. The lack of an effective anticorruption framework hinders the government's efforts to tackle corruption. Key vulnerabilities include risks related to institutional weaknesses, lack of capacity, implementation gaps and lack of overall transparency and awareness. While Suriname is a signatory to the Inter-American Convention against Corruption, Suriname has not yet ratified the United Nations Convention Against Corruption ('UNCAC'). An Anti-Corruption Act was enacted in 2017 but there have been implementation delays. The government has requested the National Assembly's approval of the ratification of the United Nations Convention Against Corruption, UNCAC with a view to finalizing the ratification by end-September. The government also intends to:

- Following ratification of the UNCAC, issue an Implementation Act, by February 2022, to amend the Anti-Corruption legal framework to ensure criminalization of all corruption acts (in line the with the requirements of the UNCAC) and to strengthen the income and asset declaration provisions in the Anti-Corruption law to support routine verification of income and asset declarations for high-level and high-risk public officials, ensure this information will be provided to the public and establish proportionate sanctions for non-compliance.

- Establish the Anti-Corruption Commission by September (as required by the 2017 Anti-Corruption Act) and adopt an operational framework for its implementation, in line with the UNCAC.

28. The government is committed to improve the transparency of public sector procurement by:

- Enacting by August the new procurement law to centralize the publication of all tenders and contract awards and to expand the Integrated Financial Management Information System to cover procurement, audits, and controls.

- By August, mandating the publication, on a government website, of all public procurement contracts, the names of the awarded entities and their beneficial owner(s), the names of the public officials awarding the contracts, and an ex-post validation of delivery of the contracted services.

29. The AML/CFT framework needs to be improved. Suriname's AML/CFT framework is scheduled to be assessed by the Caribbean Financial Action Task Force (CFATF) in 2022. The government carried out a National Risk Assessment (NRA) in 2019, which has been finalized with technical support from the IDB. The NRA report has identified that important gaps remain in Suriname's AML/CFT framework, including technical compliance deficiencies and challenges related to effective implementation. To address this, the government has adopted a comprehensive national AML/CFT strategy to mitigate key AML/CFT risks, based on the findings of the final NRA report; and will also:

- Amend the AML/CFT legislation and other relevant laws and regulations by end-December 2021 to bring them into line with the FATF international AML/CFT standards (including with respect to the treatment of politically-exposed persons and beneficial ownership requirements).

- Adopt AML/CFT regulations in line with the amended AML/CT law by end-March 2022.

30. The government is committed to improving transparency of beneficial ownership information available in Suriname. Some of this will be addressed in the context of revisions to the AML/CFT legislation, including by putting in place a centralized system for collecting beneficial ownership information, requiring all legal entities to submit updates of their beneficial owners on a timely basis, ensuring that there are measures for verification of this information and proportionate and dissuasive sanctions for non-compliance.

31. In addition, the government is committed to improving governance and transparency of the extractive sector. Suriname joined the Extractive Industry Transparency Initiative (EITI) in 2017 and has published reports for fiscal years 2016 and 2017. The government intends to step up efforts to address the EITI recommendations including: (i) reforming the mining law to reduce room for discretion in investor incentives and strengthen the framework for mining titles; (ii) legally compel companies in the extractive industry to disclose their beneficial owners.

32. Going forward, the government will work closely with donors and providers including the IMF, United Nations Office on Drugs and Crime ('UNODC') and the World Bank to strengthen Suriname's anti-corruption and AML/CFT framework.

Statistics

33. The government is committed to improving the quality and dissemination of economic data, supported by IMF technical assistance. We have made important improvements to the quality and timeliness of monetary, financial, and balance of payments statistics. The government recognizes that timeliness of data availability (such as the long lag of publication of annual GDP and the lack of quarterly GDP statistics) remains an issue. There is also a need to improve data quality improvements, especially for the fiscal sector statistics and public debt data. The government is committed to accurate reporting of all domestic arrears on a monthly basis. In addition, we will work towards broadening the institutional coverage of fiscal statistics to the public sector so as to better assess fiscal risks.

Program Monitoring

34. Our economic plan will be monitored through prior actions, reviews, quantitative and continuous performance criteria, indicative targets, and structural benchmarks. These are detailed in Tables 1 and 2, with definitions provided in the attached TMU. Quantitative performance criteria have been established for end-September and end-December 2021, and end-March and end-June 2022, as well as indicative monthly targets for end-October and end-November 2021, and end-January, end-February, end-April, and end-May 2022. Reviews are scheduled to be completed on a quarterly basis.

Table 1. Suriname: Quantitative Performance Criteria and Indicative Targets under the EFF 1/

(Millions of Suriname dollars, unless otherwise indicated)

	2020	2021						2022					
	end-Dec.	end-Jul.	end-Aug.	end-Sep.	end-Oct.	end-Nov.	end Dec.	end-Jan.	end-Feb.	end Mar.	end-Apr.	end-May.	end Jun.
	Act.	IT	IT	PC	IT	IT	PC	IT	IT	PC	IT	IT	PC
Quantitative Performance Criteria													
Fiscal/debt targets													
1. Primary cash balance of central government (floor) 2/	-2,886	-521	-596	-670	-744	-819	-893	87	174	262	349	436	523
2. Social Spending (floor) 2/	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
3. Gross credit to the central government by the central bank (ceiling) 2/3/	9,978	0	0	0	0	0	0	0	0	0	0	0	0
4. New natural resource revenue-collateralized external debt contracted by or on behalf of the central government and/or SOEs (continuous ceiling) (U.S. dollars)		0	0	0	0	0	0	0	0	0	0	0	0
5. Net increase in central government guaranteed debt (ceiling) 2/		0	0	0	0	0	0	0	0	0	0	0	0
6. Non-accumulation of external arrears (continuous ceiling)		0	0	0	0	0	0	0	0	0	0	0	0
Monetary targets													
7. Net international reserves of the central bank (floor) (millions of U.S. dollar) 2/3/	94	52	37	23	8	-7	96	15	29	45	52	58	66
8. Net domestic assets of the central bank (ceiling) 2/3/	8,712	86	10	-50	-115	-204	-1,194	51	109	616	706	745	921
Memorandum items													
Reserve money	12,817	15,891	15,708	15,542	15,361	15,153	15,625	15,977	16,443	17,278	17,566	17,796	18,193
Reserve money (local currency portion only)	7,342	8,072	7,828	7,599	7,355	7,084	7,783	8,048	8,110	8,844	9,028	9,154	9,445
Reserve money (constant exchange rates)	12,870	13,685	13,407	13,145	12,869	12,565	13,037	13,296	13,558	14,292	14,476	14,602	14,893
NFA (constant exchange rates)	4,158	4,887	4,685	4,484	4,271	4,056	5,518	5,726	5,930	6,158	6,251	6,339	6,453
Gross international reserves (millions of U.S. dollar)	585	672	658	643	628	613	772	787	801	873	880	886	949
Usable international reserves (millions of U.S. dollar) 4/	120	208	193	179	164	149	308	322	337	409	415	421	485
Program exchange rate	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154	14.154

Source: Authorities and IMF staff calculations and projections.

1/ Targets as defined in the Technical Memorandum of Understanding.

2/ Cumulative flows from begining of the year.

3/ The end-2020 figure is a stock.

4/ Official reserve assets excluding the PBOC swap and ring-fenced reserves.

Table 2. Suriname: Prior Actions and Structural Benchmarks under an EFF

Measure	Target date	Objective
Prior Actions		
Fiscal		
Enactment by the National Assembly (i) a 2021 budget that is consistent with the parameters of the program, and (ii) key fiscal measures (raising the sales tax to 12 percent; putting in place a VAT in mid-2022; replacing the sales tax with the VAT starting July 1, 2022; raising the royalty rate on small gold miners to 7.5 percent; agreeing with public sector unions a nominal wage and benefit increase in 2021; and a timeline to phase out electricity subsidies).		Ensure fiscal adjustment in line with program parameters.
Exchange rate/monetary/safeguards		
The CBvS to unify the official and parallel exchange rates and ensure that the official exchange rate is calculated based on the rates used in unrestricted FX market transactions.		Eliminate distortion and quasi-fiscal costs.
Conclude a MoU between the CBvS and Ministry of Finance to end new, gross central bank financing of the government.		Stop further monetary financing and protect the CBvS's financial autonomy.
Conduct special audits of program monetary data (net international reserves and net domestic assets of the CBvS) to verify the opening stocks of data used as performance criteria.		Reduce the risk of misreporting.
The CBvS to co-source the internal audit function to a qualified expert firm based on Terms of Reference prepared in consultation with IMF staff (to commence internal auditing and advance its development).		Ensure the adequacy of controls in CBvS operations.
The CBvS Board to adopt a timebound Governance Reform Implementation Plan, in consultation with the IMF, to strengthen the governance and control environment.		Reduce vulnerabilities to corruption and promote investment and growth.
Financial		
The CBvS to engage an internationally reputable specialist firm and develop the terms of reference to undertake an asset quality review for all banks.		Diagnoze the largest banks and potential recap needs.
Governance		
The government to request the National Assembly's approval of the ratification of the United Nations Convention Against Corruption.		Reduce vulnerabilities to corruption and promote investment and growth.

Measure	Target date	Objective
Structural benchmarks		
Exchange rate/monetary/safeguards		
Establish an electronic trading platform for inter-bank/cambio FX trading and publish daily official exchange rates based on average rate derived from trading in the trading platform.	September 2021	Create a consolidated FX market and use market-driven rate for official exchange rate.
Establish competitive FX auctions for the CBvS to undertake buying/selling of FX during periods of disorderly market conditions (defined as when the intraday change in the exchange rate versus the U.S. dollar is more than 2 percent) under the agreed rule.	September 2021	Ensure the CBvS has a mechanism to intervene in the FX market.
Publish on the CBvS's external website the FY 2016 - 2019 audited financial statements.	October 2021	Strengthen accountability and transparency, and reduce risk of misreporting.
National Assembly to pass amendments that are in line with IMF staff recommendations, to inter alia, (i) clarify and strengthen the mandate; (ii) Bringing CBvS' institutional, financial, and personal autonomy into line with international best practice; (iii) Increasing transparency, accountability and oversight; (iv) Defining clear requirements on accounting, profit distribution, reserves and eventual recapitalization of the CBvS and (v) introduce strict limits on monetary financing (with transitional rules).	December 2021	Strengthen the CBvS's mandate, autonomy, governance, and accountability and transparency.
Publish on the CBvS's external website the FY 2020 audited IFRS financial statements.	March 2022	Strengthen accountability and transparency, and reduce risk of misreporting.
Develop a time-bound plan for the CBvS's recapitalization agreed between the CBvS and the government.	April 2022	Protect the CBvS's financial autonomy.
Financial/crisis preparedness		
Submit to the National Assembly the Credit Institutions Resolution Act for adoption that increase CBvS' powers and tools for early intervention, recovery, and resolution of financial institutions.	August 2021	Strengthen the CBvS's role in crisis management.
Operationalize the Financial Stability Committee, composed of representatives from the MoF and CBvS.	August 2021	Strengthen oversight over the financial sector.
Operationalize a Bank Resolution Unit within the CBvS with appropriate governance arrangements, staffing, funding and clear internal guidelines on how the unit would undertake crisis management and enforcement actions.	September 2021	Strengthen the CBvS's role in crisis management.
Finalize the roadmap for financial sector restructuring and governance reform of banks.	December 2021	Strengthen the financial sector.
Undertake full asset quality review for the two largest (by assets size) banks (drawing on the expertise of an internationally reputable specialist firm).	March 2022	Diagnose the largest banks and potential recapitalization needs.
Undertake full asset quality review for the remaining banks (drawing on the expertise of an internationally reputable specialist firm).	May 2022	Diagnose the financial sector and potential recapitalization needs.
Adopting the revised Banking and Credit Supervision Act by the National Assembly.	July 2022	Strengthen oversight over the financial sector.
Fiscal		
Raise the royalty on multinational gold mining corporations to 7.5 percent (or raise applicable taxes and fees to a level that would yield additional revenue equivalent to raising the royalty rate to 7.5 percent).	August 2021	Ensure fiscal adjustment in line with program parameters.
Expand the legal mandate of the debt management office (SDMO) to include the whole nonfinancial public sector, including all suppliers' arrears, guarantees, and contingent liabilities.	August 2021	Improve debt data reporting.
Create a large taxpayer unit to increase taxpayer compliance.	August 2021	Improve tax administration.
Establish a modern Treasury department, Cash Management Unit, and a Treasury Single Account (TSA) to centralize treasury functions, improve governance and increase transparency.	August 2021	Improve governance and increase transparency.
Develop a term of reference, with techncial assistance from international partners, for hiring specialists to audit outstanding supplier arrears.	August 2021	Improve governance and increase transparency; improve fiscal data reporting.
Publish the audited financial reports of the 10 largest state-owned enterprises.	August 2021	Contain fiscal risks.
Identify and quantify the principal fiscal risks created by the 10 largest state-owned enterprises.	September 2021	Contain fiscal risks.

Table 2. Suriname: Prior Actions and Structural Benchmarks under an EFF (Con't)

Measure	Target date	Objective
Structural benchmarks		
Prepare a time-bound plan to improve the customs administration's approach to risk management, post-clearance audit, and the monitoring and verification of duty concessions, waivers, and exemptions.	September 2021	Improve customs administration.
Commence an audit on outstanding supplier arrears.	September 2021	Improve governance and increase transparency; improve fiscal data reporting.
Commence monthly publication of the accounting of the full scope of public sector obligations on the SDMO's website.	September 2021	Improve debt data reporting.
Creating a public investment and Public-Private Partnership (PPP) unit to undertake a full cost-benefit review of all ongoing investment projects, undertake full costing and feasibility studies for all new public investments and PPPs, and publish beneficial ownership information for companies that receive contracts for new government capital projects.	September 2021	Strengthen public investment management.
Pass legislation to ensure that the annual budget approved by the National Assembly is both binding and reflective of planned spending levels.	October 2021	Strengthen the medium-term fiscal framework.
Adopt a comprehensive medium-term fiscal framework to guide the annual budgeting process.	November 2021	Strengthen the medium-term fiscal framework.
Begin timely, comprehensive, audited reporting and publication of of audited fiscal data.	November 2021	Improve fiscal data reporting.
Undertake a comprehensive review of work processes and the legal framework for tax administration	December 2021	Improve tax administration.
Passage of laws needed to implement the VAT by the National Assembly.	December 2021	Ensure fiscal adjustment in line with program parameters.
Governance (anti-corruption)		
Ratify the United Nations Convention Against Corruption (UNCAC) by the National Assembly.	September 2021	Reduce vulnerabilities to corruption and promote investment and growth.
Establish the Anti-Corruption Commission (as required by the 2017 Anti-Corruption Act) and adopt an operational framework for its implementation, in line with the UNCAC.	September 2021	Reduce vulnerabilities to corruption and promote investment and growth.
Issue an Implementation Act to amend the Anti-Corruption legal framework to ensure criminalization of all corruption acts (in line the with the requirements of the UNCAC) and to strengthen the income and asset declaration provisions in the Anti-Corruption law to support routine verification of income and asset declarations for high-level and high-risk public officials, provide this information to the public and establish proportionate sanctions for non-compliance.	February 2022	Reduce vulnerabilities to corruption and promote investment and growth.
Governance (procurement)		
Enact the new procurement law to centralize the publication of all tenders and contract awards and to expand the Integrated Financial Management Information System to cover procurement, audits, and controls.	August 2021	Strengthen procurement efficiency.
Mandate the publication, on a government website, of all public procurement contracts, the names of the awarded entities and their beneficial owner(s), the names of the public officials awarding the contracts, and an ex-post validation of delivery of the contracted services.	August 2021	Strengthen procurement efficiency.
Governance (AML/CFT)		
Amend the AML/CFT law legislation and other relevant laws and regulations to bring them into line with the FATF international AML/CFT standards (including with respect to the treatment of politically-exposed persons and beneficial ownership requirements).	December 2021	Mitigate the adverse effects of criminal economic activity and promote integrity in financial markets.
Adopt AML/CFT regulations in line with the amended AML/CFT law.	March 2022	Mitigate the adverse effects of criminal economic activity and promote integrity in financial markets.

Source: IMF staff.