IMF Country Reports 21/280

Suriname: Request for an Extended Arrangement under the Extended Fund Facility-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Suriname

INTERNATIONAL MONETARY FUND

IMF Country Report No. 21/280

SURINAME

December 2021

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SURINAME

In the context of the Request for an Extended Arrangement under the Extended Fund Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 22, 2021, following discussions that ended on October 21, 2021, with the officials of Suriname on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on December 9, 2021.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Suriname.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR21/400

IMF Executive Board Approves Extended Arrangement Under the Extended Fund Facility for Suriname

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved a new 36-month arrangement under the Extended Fund Facility for Suriname, in an amount equivalent to SDR472.8 million (about US$688 million or 366.8 percent of quota). The decision enables an immediate disbursement equivalent to SDR 39.4 million (about US$55.1 million).
- The IMF financial arrangement will support Suriname's authorities' homegrown economic plan aiming to restore fiscal sustainability, while protecting the vulnerable by expanding social safety net programs. It will also help bring public debt down to sustainable levels, upgrade the monetary and exchange rate policy framework, stabilize the financial system, and strengthen institutional capacity to tackle corruption and money laundering and improve governance.

Washington, DC – **December 22, 2021:** The Executive Board of the International Monetary Fund (IMF) approved a 36-month arrangement under the Extended Fund Facility (EFF) for Suriname in an amount equivalent to SDR 472.8 million (about US$688 million or 366.8 percent of quota). The Board's decision enables an immediate disbursement equivalent to SDR 39.4 million (about US$55.1 million).

The IMF financial arrangement will support Suriname's authorities' homegrown economic plan aiming to restore fiscal sustainability through a discretionary fiscal consolidation of 10 percent of GDP during 2021-24, while protecting the vulnerable by expanding social safety net programs. The IMF-supported program will also help bring public debt down to sustainable levels, upgrade the monetary and exchange rate policy framework, stabilize the financial system, and strengthen institutional capacity to tackle corruption and money laundering and improve governance.

At the conclusion of the Executive Board's discussion, Ms Kristalina Georgieva, Managing Director and Chair, issued the following statement:

"Suriname faces systemic fiscal and external imbalances as a result of many years of economic mismanagement. These developments, combined with the COVID-19 pandemic, have caused substantial fiscal and external current account deficits, unsustainable public debt, a run-down of reserves, an economic downturn, and high inflation. In recent months, the authorities have embarked on a comprehensive economic reform program to address Suriname's challenges, including by starting to tighten fiscal policy.

"The main objectives of the authorities' program are to restore macroeconomic stability and confidence, and to pave the way to economic recovery, while protecting the most vulnerable during the process of adjustment. Fiscal consolidation is a clear and critical ingredient of the program in order to restore "fiscal and external stability. The fiscal reforms designed by the authorities include eliminating costly and poorly targeted electricity price subsidies and introducing a value added tax, creating an efficient source of non-mineral revenue. To help

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soften the negative impact on the most vulnerable, the authorities' agenda emphasizes the strengthening of the social safety net. To achieve debt sustainability, the authorities are negotiating debt relief from private and official creditors in line with program parameters.

"The program aims to rebuild Suriname's foreign reserves. The authorities' decision to move to a market-determined exchange rate will strengthen the economy's resilience to external shocks. This step, together with the program's catalytic effect on external financing, will address external imbalances and contribute to increasing foreign reserves to prudent levels.

"To reduce inflation, the program includes steps to tighten liquidity conditions. The adoption of a reserve money targeting framework and the roll-out of open market operations will support the goal of returning inflation to single digits. The Central Bank of Suriname also needs to address rising banking sector risks, including because of the shift in the exchange rate.

"Implementing the structural reform agenda is essential to ensure a more prosperous future for Suriname. The reforms will improve the institutional capacity for macroeconomic policies, maintain financial sector stability, tackle corruption, and strengthen AML/CFT and governance. These reforms will be supported by technical assistance from development partners including the IMF, the Inter-American Development Bank, and the World Bank Group."

Suriname: Selected Economic and Social Indicators

	Est.	Proj.	
	2020	2021	2022
(Annual percentage change, unless otherwise indicated)			
Real sector			
Real GDP Growth	-15.9	-3.5	1.8
Nominal GDP Growth	21.8	46.7	38.6
Consumer prices (end of period)	60.7	58.3	25.8
Consumer prices (period average)	34.9	58.6	37.9
Money and credit			
Broad money	65.0	49.6	28.0
Private sector credit	27.1	38.5	26.9
(In percent of GDP, unless otherwise indicated)			
Central government			
Revenue and grants	18.4	24.1	26.6
Of which: Mineral revenue	6.5	11.2	12.6
Total expenditure	31.8	32.0	30.8
Overall Balance (Net lending/borrowing)	-13.4	-7.9	-4.1
Primary Balance	-9.7	-1.3	1.7
Central government debt	147.7	128.9	128.5

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Domestic	53.4	40.6	38.8
External	94.3	88.2	89.7
External sector			
Current account balance	9.0	4.1	-0.9
Capital and financial account	6.6	-1.0	3.1
Memorandum Items			
Gross international reserves (US$ millions)	585	968	1,421
In months of imports	3.5	5.8	7.7
Usable gross international reserves (US$ millions) 1/	118	501	955
In months of imports	0.7	3.0	5.2
Official exchange rate (SRD per US$, (Average)	9.3	…	…

Sources: Suriname authorities; UNDP HD Report, and IMF staff estimates and projections.
1/ Excluding the PBOC swap and ring-fenced banks' FX required reserves.

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SURINAME

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

December 9, 2021

EXECUTIVE SUMMARY

Context. Suriname faces systemic fiscal and external imbalances as a result of many years of economic mismanagement. Usable foreign reserves were depleted and, in the absence of other sources of budget financing, fiscal deficits were monetized. Inflation has, as a result, surged and there has been a significant depreciation of the exchange rate. Public debt, at 148 percent of GDP at end-2020, is unsustainable. In addition, there are important solvency problems embedded in the domestic banking system.

Recent Policies. Since taking office in July 2020, the current government has acted expeditiously and forcefully to tackle these macroeconomic challenges. The Central Bank of Suriname (CBvS) floated the currency in June 2021 and adopted a reserve money target. The fiscal deficit was reined in, despite the challenges posed by the COVID-19 pandemic. The legislature passed a fiscal plan that was aligned with the program and incorporated important policy efforts on both the spending and revenue side of the budget. Finally, the government has taken proactive steps to negotiate a needed restructuring of its official bilateral and privately-held external debt.

Program Strategy. Staff propose a 36-month Arrangement under the Extended Fund Facility with access of 366.8 percent of quota (SDR 472.8 million or USD 688 million). The foundation of the authorities' economic plan is an increase in the central government primary balance of 14 percent of GDP during 2021-24. This will require a discretionary fiscal consolidation of 10 percent of GDP (with the remaining adjustment achieved by the expected recovery of the economy and the impact of real depreciation on the fiscal accounts). The social safety net will be expanded to better protect the vulnerable from the burden of this policy adjustment. Following the floating of the exchange rate in June, the CBvS will rely on reserve money as its nominal anchor while domestic interest rates have moved up significantly in support of achieving the CBvS' quantity targets. Over the course of the Fund-supported program, usable foreign currency reserves are expected to be rebuilt to 175 percent of the ARA reserve adequacy metric with buffers being built to provide insurance against Suriname's vulnerability to terms of trade shocks and potential future FX outflows associated with the post-restructuring debt obligations. The authorities' policy efforts also aim to tackle corruption, strengthen governance, improve the institutional capacity for macroeconomic policies, and restore financial stability.

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Approved By
Nigel Chalk and Wes McGrew

Virtual meetings were held over the past 15 months. A staff level agreement on an Extended Arrangement of SDR 472.8 million (USD 688 million) was reached on April 29, 2021. The team has consisted of A. Alichi and D. Ding (mission chief before and after October 2021), T. Dowling, A. Ho, S. Hove, B. Shukurov (all WHD), V. Balasundharam (FAD), R. van Greuning (FIN), F. Fernando (LEG), M. Gort, C. Lopez-Quiles, S. Mulema (all MCM), and T. Asonuma (SPR). V. Nanda, M. Park, and G. Ramos provided research and editorial assistance for the preparation of this report.

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ANNEXES

APPENDIX

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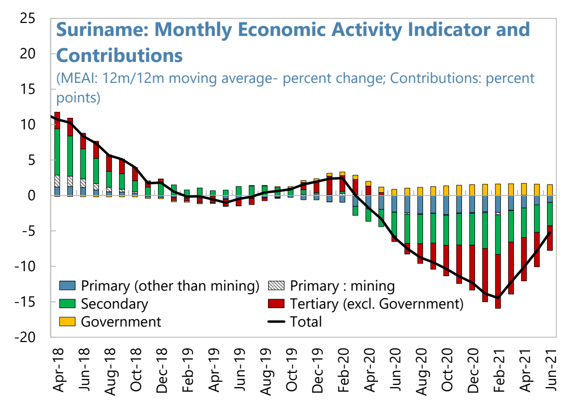
DIAGNOSIS

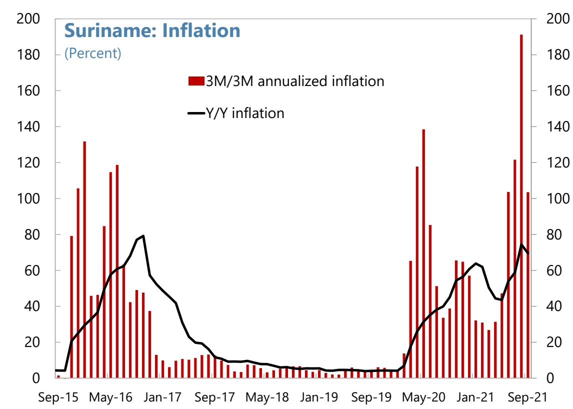
1. President Santokhi took office in July 2020 supported by a coalition of parties that have an almost two-thirds majority in the National Assembly. His government inherited an economy in crisis with significant corruption problems and systemic economic and financial imbalances. The economic situation has been further debilitated by the COVID-19 pandemic.

2. A severe fiscal and balance of payments crisis began to unfold in Suriname in 2020 and continued into 2021.

- Real GDP contracted by 15.9 percent in 2020 and is projected to contract by another 3.5 percent in 2021.

- The overall fiscal deficit was 13.4 percent of GDP in 2020 (a primary deficit of 9.7 percent of GDP).[1] With limited financing options, the Treasury has been unable to fully pay its obligations and has been accumulating arrears. External arrears are estimated to be around USD 90 million to official bilateral creditors and USD 181 million to private external creditors as of end-2021. Arrears to domestic debt holders and suppliers are estimated to be around Surinamese Dollar (SRD) 3.4 billion by end-2021. The year-to-September overall balance and primary balance (both on cash basis) rose to a surplus of 1.1 percent of GDP and 2.6 percent of GDP, respectively.





- Monetary financing of the fiscal deficit in 2019-2020 led to pressures on the currency that were manifested through a rationing of foreign currency and a depreciation in the parallel USD/SRD rate of more than 130 percent in 2020. Inflation reached 61 percent year-on-year at end-2020 and peaked at 74 percent in August 2021, in part due to a 103 percent increase in electricity tariffs in the summer of 2021, before came down to 61 percent in October 2021.

[1] On estimated accrual basis. The rebased GDP series (for 2015–19) released in early 2021 increased nominal GDP by about 14 percent. In addition, the authorities released the actual 2020 nominal GDP in August, which was about 7 percent higher than staff projection in the early phase of the program discussion.

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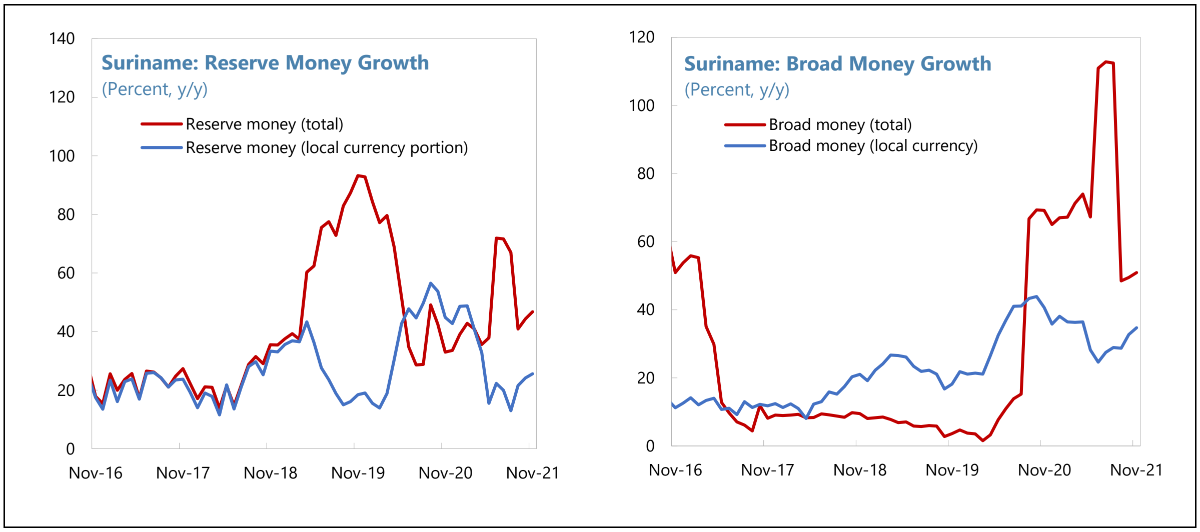
- Usable international reserves have fallen to around two months of imports (even after doubling in August as a result of the SDR allocation of USD 175 million).

- Public health and COVID containment measures remain in place, but a shortage of basic imported medical goods, leaves the domestic health system ill-prepared to manage the pandemic.



3. The prolonged COVID-19 pandemic has caused additional hardship.

- As of end-November, about 50,800 people (8.5 percent of the total population) were infected with the virus and about 1,170 people have died from COVID since early 2020.

- To contain the spread of the virus, the government has repeatedly imposed lockdown measures including curfews, bans on meetings, closing down of non-essential businesses and schools, partial closing of essential businesses, and social distance measures.

- As of end-November, 44 percent of the total population has received at least one dose of the COVID-19 vaccine and 37 percent were fully vaccinated. Vaccines are mainly sourced from the COVAX facility and donations from other countries.

- The government included 1.1 percent of GDP in extra spending in the 2021 budget to pay for COVID-19 pandemic-related expenses. According to available information, about 0.4 percent of GDP was allocated to support the healthcare system and 0.1 percent of GDP went to increased support to the most vulnerable.

4. The economic crisis continues to damage near-term economic prospects. Real GDP is expected to contract by another 3.5 percent in 2021 because of reduced fiscal support and the impact of the pandemic. Growth is expected to remain sluggish in the next couple of years as imbalances are unwound and the macro situation stabilizes. Over the medium-term, growth could reach 3 percent, supported by growing private demand and public investment. Inflation is forecast to decline to 58 percent year-on-year by end-2021 due to the base effect and the CBvS' ongoing

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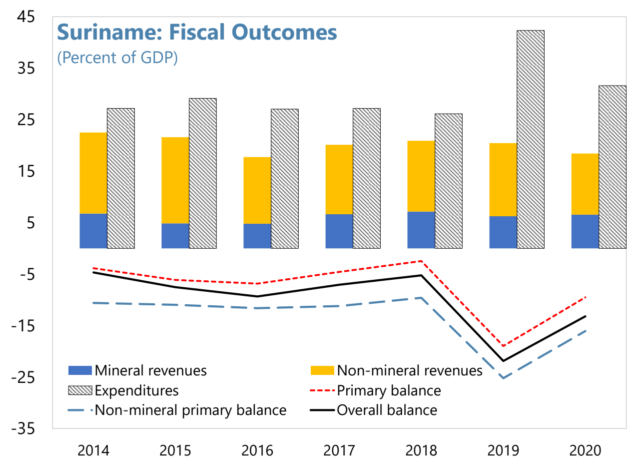
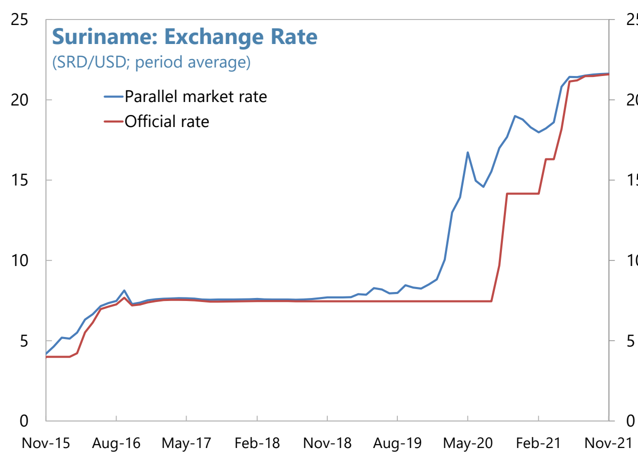
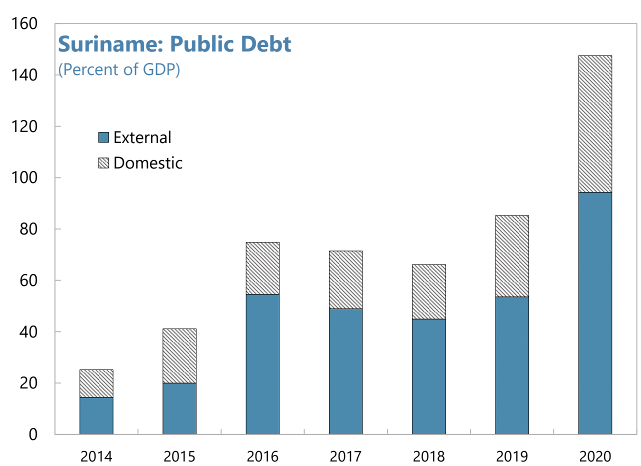
restraint of liquidity in domestic currency. Adherence to the CBvS' reserve money goals should lower inflation to 12 percent by end-2024. On an accrual basis, the primary fiscal deficit is expected to decline to 1.3 percent of GDP in 2021, a result of broad-based cuts to spending and a real decline in public sector wages and benefits. By end-2024, continued fiscal effort should increase the primary balance to a surplus of 4.5 percent of GDP.



5. The CBvS floated the currency in June, following step devaluations in September 2020, March 2021, and May 2021. The USD/SRD rate has depreciated a cumulative 180 percent since January 2020.[2] Despite the recession and currency depreciation, real imports are expected to fall only slightly in 2021 given that they were already at very compressed levels in 2020. The current account is expected to register a surplus of around 4 percent of GDP. The external position of 2020 is assessed to be broadly in line with medium-term fundamentals and desirable policies, albeit with significant uncertainty around the assessment given the significant shifts in the external position and real exchange rate over the past couple of years (see Annex I).



6. Public debt is very high. Debt stood at 148 percent of GDP at end-2020. IFIs and official bilateral creditors together make up about one-third of the public debt and 28 percent is owed to private external creditors. The CBvS, domestic commercial banks, and local nonbanks hold the remainder.



7. The banking system is severely undercapitalized. Local banks have significant exposure to government debt and are facing a large rise in non-performing loans (NPLs) due to the ongoing recession and depreciation of the currency. Data provided by the authorities indicate that 55.5

[2] Conceptually, this means a 180 appreciation of the USD relative to the SRD.

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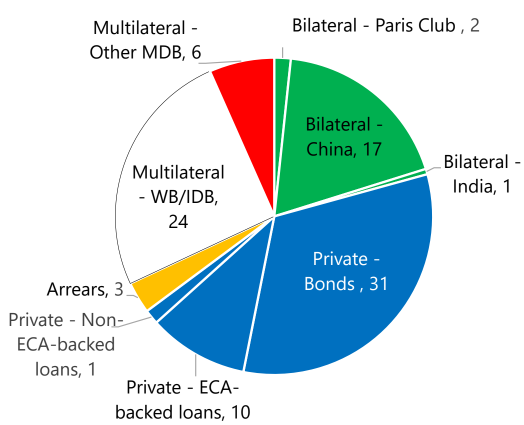
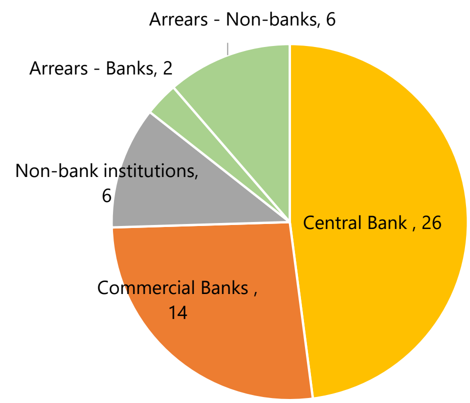
percent of bank lending is in foreign currency and around 50 percent of that amount is to borrowers without a natural hedge. Foreign currency loans reportedly represent 55 percent of non-performing loans. Furthermore, banking sector exposures to the government are mostly non-performing and amount to around 10 percent of total assets. Some banks exceed the large exposure limits, often with the government being the largest counterparty. For example, NPL data available for one bank show that about 47 percent of total NPLs are related to government arrears. The reported aggregate capital adequacy ratio of the banking sector was 12.4 percent in September (the reported Tier 1 capital ratio was 11 percent). Nevertheless, three banks have significant capital shortfalls, while a fourth one has recently slipped slightly below the minimum requirement. Reported capital ratios may be inflated because of under-provisioning and a delay in taking provisions in capital and capital instruments issued in FX when a depreciation of the local currency leads to valuation changes. Prolonged breaches of regulatory requirements for some of the banks suggest that there are issues in the regulatory framework and supervisory practices to be addressed. Profitability of the banking system is low (with an average return on assets of 1.8 percent).

Suriname: External Public Debt, end-2020
(Percent of GDP)



Suriname: Domestic Public Debt, end-2020
(Percent of GDP)



Sources: SDMO

8. Banks appear to be liquid but are exposed to a further depreciation of the currency. Liquid assets represent 55.4 percent of total assets and 109 percent of short-term liabilities. The banking system has a significant Net Open Position (NOP) of 43.7 percent of capital as foreign currency assets exceed liabilities. The currency depreciation that has taken place from early 2020 until June 2021 has resulted in increased volatility in the NOP of the banks and is expected to have a negative impact on the performance of the foreign exchange (FX) loans that are unhedged. To preserve their liquidity, banks have voluntarily introduced and maintained limits on the withdrawal of FX and local currency deposits as well as limits on the conversion of domestic to foreign currency deposits (although electronic payments within the banking system can be freely made).

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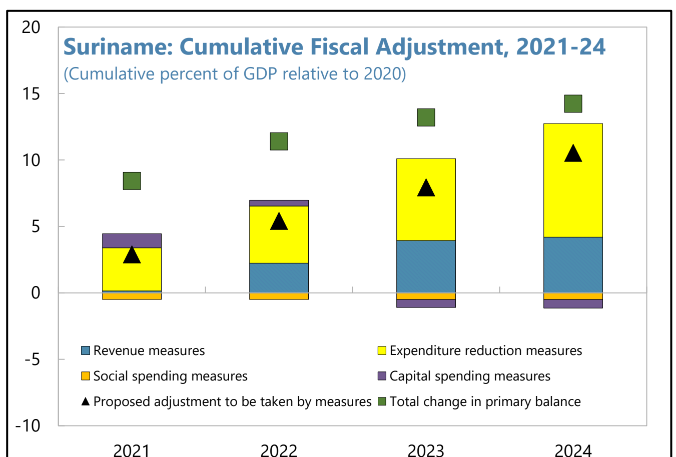
OBJECTIVES OF THE AUTHORITIES' ECONOMIC PLAN

9. **The central objective is to restore stability and eliminate the macroeconomic imbalances that have brought about the current fiscal and balance of payments crisis.** This implies a significant reduction in the fiscal deficit, an end to monetary financing of the budget, a move to a floating exchange rate, rebuilding international reserves, and adopting a clear nominal anchor. If successful, this combination of policies should lead to a steady reduction of inflation and a return to a sustainable fiscal path. The authorities' economic plan prioritizes policies to protect society's most vulnerable from the burden of the needed adjustment. The banks will also be required to meet existing capital and liquidity requirements (or otherwise be restructured or resolved). Finally, corruption and poor governance are systemic problems and the authorities aim to forcefully address these shortcomings.

A. Restoring Fiscal Sustainability

10. **An ambitious reduction in the fiscal deficit is at the center of the government's economic plan.** The fiscal deficit rose to historic levels over the last few years due to ballooning expenditures on civil servant compensation and an expansion of untargeted electricity subsidies. Upon taking office the government reined in spending and lowered the primary deficit from about 19 percent of GDP in 2019 to 9.7 percent of GDP in 2020.[3] Despite these efforts, the fiscal imbalance remains an important destabilizing force that calls for further policy efforts.

11. **The authorities' economic plan, which has been endorsed by the legislature, targets an improvement in the primary balance of around 14 percentage points of GDP over 2021-2024**. Social spending will be prioritized to ensure the most vulnerable groups in society are able to weather the needed adjustment. Discretionary policy measures will generate around 10.5 percent of GDP in deficit reduction with the remainder achieved from an expected increase in mineral exports, the impact the real exchange rate depreciation (50 percent of government revenue is in FX, while only a small share of expenditure is in FX), and a recovery in the real economy. The parliament approved a 2021 budget in line



Source: IMF staff calculations and projections

[3] Primary expenditure in 2019 increased 16 percentage point of GDP in part due to the preparation of the general elections in 2020.

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with program parameters alongside a set of policy measures including:[4]

- *An increase in the sales tax* on imported goods by 2 percentage points (to 12 percent) in January and on domestic goods and services in October by 4 percentage points (to 12 percent).

- *A plan to replace the sales tax with a new value-added tax (VAT).* The government intends to fully replace the sales tax with a VAT on July 1, 2022. The government will ensure that all accompanying laws needed to implement the VAT are passed by March 2022 (structural benchmark). To support the change the government will also: (i) appoint a Ministry of Finance and Planning (MoFP)-led Steering Committee to supervise the VAT implementation; (ii) name a full time Implementation Team (including Tax, Customs, and IT officials); (iii) develop a detailed action plan for the transition and a time-bound communications strategy. The government is also working to develop regulations, build necessary IT systems, deploy a Taxpayer Advisory Team, and produce manuals for taxpayers. As part of the communication strategy, the government has been meeting with business trade groups and consumer protection advocates groups to answer questions and concerns.

- *An increase in the royalty rate to 7.5 percent for all gold production.* A decree to raise the royalty rate for small-scale gold exporters from 2.75 percent to 7.5 percent was issued in January. However, implementation has been delayed due to problems in administering the higher tax rate. The government is actively considering measures to expedite the implementation (including through a phased increase to 4.5 percent at the beginning of 2022 before reaching 7.5 percent by July 2022). The government also plans to raise the royalty on large-scale (multinational) gold exporters from 6.0 percent to 7.5 percent. If the latter is precluded by contractual agreements with these multinational exporters, the government will seek technical assistance from the Fund and other development partners with a view to developing feasible options for raising applicable taxes and fees on large-scale gold exporters so that additional revenue equivalent to that from a 1.5-percentage point increase in the royalty rate can be achieved (structural benchmark, March 2022). Meanwhile, the government has stepped up efforts to improve tax compliance and revenue collection, especially in the mining sector. As a first step, a multi-departmental government task force has been commissioned in November to review the process of revenue collection from small-scale gold exporters. The task force will publish their recommendations to improve the process by April 2022.

- *A one-time solidarity tax* of 10 percent on household and business income in excess of SRD 150,000 in the 2021 calendar year.

- *Limiting the nominal increase in the wage bill.* Personnel costs rose to about 10.5 percent of GDP in 2020 (from a historical average of 8.3 percent of GDP), above the average for Latin American

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[4] The revised 2021 budget that was approved by the National Assembly in June envisioned a primary deficit of 1.8 percent of GDP. Recent development and data releases, including the rebased GDP series, led staff to revise the primary deficit target to 1.3 percent of GDP, largely reflecting the impact from higher nominal GDP on revenues.

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and Caribbean countries.[5] The government is committed to limiting the nominal increase of wages and benefits to 25 percent in 2021 and to lowering the wage bill to below 7 percent of GDP by 2024. This reduction will be achieved through capping the nominal growth of an individual's compensation at below the projected inflation rate and by workforce reduction (including not renewing temporary contracts and eliminating ghost workers to partially reverse the 14 percent increase in the size of the public workforce in 2020).

- *An increase in the average electricity tariff to achieve full cost recovery by 2024*. Suriname's electricity tariffs average USD 0.04 per KWH (around 30 percent of cost-recovery) and are one of the lowest in the world. The parliament approved a plan to phase out subsidies to the electricity company *Energie Bedrijven Suriname* (EBS) by 2024. The average tariffs were increased by 103 percent in July. The government has committed to an additional 25 percent average tariff increase by May 2022. Average tariffs will continue to be periodically increased to achieve full cost recovery by end-2024 and then adjusted on a quarterly basis by the Suriname Energy Authority to reflect the evolution of energy generation costs.[6] The government is providing a universal lump-sum subsidy to households (SRD 260) and businesses (SRD 150) as part of their monthly electricity bill to mitigate the impact of the tariff increases. This amounts to an average 50 percent subsidy for the smallest consumers, who are generally the most economically vulnerable. The government is committed to gradually improving the targeting of these lump-sum subsidies and to retaining a low social tariff for vulnerable households, by first improving information sharing between the EBS and the Ministry of Social Affairs.

- *Reducing untargeted and poorly targeted transfers and subsidies.* Transfers and subsidies rose from around 4 percent of GDP in the early 2010s to 14 percent of GDP in 2019, mostly due to a 3.5 percent of GDP increase in electricity subsidies, and a 4 percent of GDP increase in transfers to ministries overseeing health, education and social affair programs. Subsidies outside of electricity averaged about 4 percent of GDP per year in the last four years. To support the consolidation efforts, in addition to phasing out untargeted electricity subsidies, the government will review non-electricity transfers and subsidies with a view to reducing the budget allocation to around 3 percent of GDP by 2024 by improving spending efficiency of public agencies and better targeting the programs.

- *A modest increase in capital spending.* Capital spending was cut to 2.2 percent of GDP in 2020 and further to 1.1 percent of GDP 2021. The economic plan envisages an increase in capital spending by around 1.6 percent of GDP in 2022-23.

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[5] According to the World-wide Bureaucracy Indicators.

[6] Staff estimates average tariffs would be increased by around 50 percent annually from 2022 to 2024 percent to achieve full-cost recovery. These estimates are based on the current projections of inflation, exchange rate and oil prices, and assumes no restructuring of the EBS and other cost savings measures such as lower distribution system losses. In 2021-22, the impact of increase in average tariffs on electricity subsidies is projected to be outweighed by the exchange rate depreciation, higher oil prices and inflation, resulting in negative contribution of phased electricity subsidy elimination to the fiscal adjustment.

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12. The draft 2022 budget, currently under debate in the National Assembly, envisages a further consolidation of the primary balance to a surplus of 1.6 percent of GDP.[7] The budget includes a 2.4 percentage point of GDP consolidation in primary expenditure mostly through the wage bill and poorly-targeted transfers and subsidies, while revenues are expected to improve by 0.5 percentage point of GDP. Capital expenditure is expected to increase by 1.2 percent of GDP. The authorities plan to submit a supplemental budget by March 2022 to fully align the budget with the program. To curb tax base erosion, the government plans to levy withholding taxes on interest payments, royalty and services fee. The government is currently holding public consultation to determine the scope of the withholding tax. The required legislation is expected to be approved by the National Assembly by June 2022.

Text Table Suriname: Contributions to Fiscal Adjustment
(Percent of GDP)

	2021	2022	2023	2024	Total
Annual change of Primary Balance	**8.4**	**3.0**	**1.8**	**1.0**	**14.2**
Adjustment from Policy Changes	**2.9**	**2.5**	**2.5**	**2.6**	**10.5**
Revenue measures	**0.2**	**2.1**	**1.7**	**0.3**	**4.2**
VAT implementation	0.0	0.4	1.0	0.0	1.4
Sales tax increase on G&S	0.2	0.4	0.0	0.0	0.5
Royalties increase for gold miners	0.0	1.1	0.4	0.0	1.5
Income tax administration improvements	0.0	0.1	0.1	0.1	0.3
Corporate tax administration improvements	0.0	0.1	0.1	0.1	0.3
Customs duties administration improvements	0.0	0.0	0.0	0.1	0.1
Expenditure measures	**2.8**	**0.4**	**0.8**	**2.3**	**6.3**
Wage bill restraint	1.6	1.3	0.6	0.3	3.8
Other transfer and subsidies restraint	0.7	0.2	0.0	0.4	1.3
Phased electricity subsidy elimination	-1.1	-0.2	1.3	1.7	1.8
Goods and services expenditure restraint	1.0	-0.3	0.0	0.0	0.7
Social programs spending	-0.5	0.0	0.0	0.0	-0.5
Capital spending	1.1	-0.6	-1.0	0.0	-0.6
Adjustment Contributed by Non-Policy Factors Affecting	**5.5**	**0.5**	**-0.7**	**-1.6**	**3.7**
Revenue	**5.5**	**0.5**	**-0.7**	**-1.6**	**3.7**
Expenditure	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memo					
Primary Balance	-1.3	1.7	3.5	4.5	

Sources: Authorities and IMF staff calculations.

13. The authorities' recovery program includes steps to strengthen the institutional framework for fiscal policy:

- *Better data reporting and monitoring.* The government is committed to improving the frequency, timeliness, and quality of fiscal data reporting. To this end, they will resume monthly publication of the central government's liabilities on the website of the debt management office within four weeks after the end of the month. By June 2022, the authorities will pass legislations to expand

[7] The primary balance targeted in the 2022 draft budget was consistent with the program macroeconomic framework at the time of the budget preparation. The program macroeconomic framework has been revised since then to reflect economic and policy development.

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the legal mandate of the debt management office to include the monitoring and reporting of all liabilities of the nonfinancial public sector (including suppliers' arrears, guarantees provided by public sector entities, and contingent liabilities, structural benchmark). They are also committed to beginning monthly publication of the full scope of public sector obligations by December 2022. The MoFP has resumed the publication on its website of monthly central government outturns and will also publish the audited annual central government financial statements for FY2017-FY2021 by June 2022. In addition, the government is preparing the terms of reference for hiring external experts (structural benchmark, January 2022) to conduct an audit of domestic supplier arrears to ensure the accuracy of the claims (commencement of the audit is a structural benchmark for April 2022). The government is seeking technical assistance to review the expenditure control process to improve the capacity to track the accumulation and repayment of supplier arrears and, ultimately, avoid the accumulation of supplier arrears.

- *Strengthening the budget framework and process.* The government is developing a medium-term fiscal strategy (with technical assistance from IFIs) that establishes clear expenditure and debt targets consistent with the program. The strategy will define binding spending envelopes for line ministries and agencies and the mechanism to ensure these envelopes are observed. The strategy will be published on the website of the MoFP after receiving approval from the Council of Ministers, the State Council and the National Assembly.

- *Strengthening cash and liquidity management.* Treasury functions are currently being carried out by various departments of the MoFP and the CBvS. The MoFP intends to adopt the recommendations provided by recent Caribbean Reginal Technical Assistance Centre (CARTAC) technical assistance to streamline all treasury functions through a Treasury Single Account (TSA), and will publish a time-bound action plan to monitor the implementation progress (structural benchmark, January 2022). The IMF and other IFIs are supporting the authorities in their efforts to strengthen capacity for liquidity forecasting, debt management, cash planning, and commitment control.

- *Improving revenue administration.* Increasing taxpayer compliance is an important objective of the authorities. The establishment of a large taxpayer unit is a key step in this regard (structural benchmark, June 2022). The government intends to undertake a comprehensive review of the existing work processes and the legal framework for tax administration to identify areas of improvement and will publish a time-bound plan to help monitor the implementation of identified reform priorities. The government plans a similar review of the customs administration that focuses on risk management, post-clearance audit, and the monitoring and verification of duty concessions, waivers, and exemptions.

- *Strengthening the management and accountability framework for state-owned enterprises*. By December 2022, the government will publish audited financial reports for FY2017-FY2021 for the ten largest state-owned enterprises by total assets, as well as a report that identifies the main fiscal risks from these enterprises and steps to be taken to mitigate such risks (structural benchmark).

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- *Improving the management of public investment*. The government will create a public investment and Public-Private Partnership (PPP) unit by June 2023 to undertake a full cost-benefit review of all ongoing government investment projects and cost and feasibility studies for all new public investments and PPPs. To strengthen governance and mitigate fiscal risks, the government will introduce a gateway process for PPPs, establish limits on PPP stocks and flows, properly monitor the guarantees associated with PPP projects, and publish beneficial ownership information for all companies that receive contracts for new government capital projects and PPPs.

B. Protecting the Vulnerable

14. Suriname is burdened with significant social and income inequality. The poverty rate was estimated at 26 percent in 2017, with the rate significantly higher (at 48 percent) in the country's interior.[8] Although government expenditure on health and education is comparable to countries in the high Human Development Indicator group, education and health indicators in Suriname are below most countries in that same group.[9] There is a clear need to improve the quality and efficiency of social spending. Additionally, data and information gaps hinder analysis and limit the government's ability to make informed policy recommendations.

15. The existing social safety net programs need to be expanded. Suriname already has in place a system of targeted cash transfers to protect vulnerable groups (including children, elderly, persons with disabilities, and poor households). However, the overall size of these targeted transfers is very small compared to the scale of the poverty facing the country (only 1.4 percent of GDP in 2020).[10] Social assistance spending through cash transfer programs has been increased by 0.5 percent of GDP in 2021, primarily by increasing the size of transfers to eligible recipients, to ensure that the economically vulnerable are at least partially compensated for the ongoing increases in the cost of living. The authorities are in the process of digitalizing records to better identify eligible recipients that are not receiving benefits and to eliminate duplication. Going forward, the authorities intend to review the income thresholds for means-tested social assistance programs and take other steps to improve the targeting of social benefits. The authorities' program proposes, as an indicative target, a spending floor for cash transfers to ensure they are fully protected over the next three years.

C. Bringing Debt Down to Sustainable Levels

16. Public debt is unsustainable. The high levels of central government debt—a product of a long history of fiscal imbalances and the large depreciation of the real exchange rate—makes

[8] Based on estimates from the 2017 Survey of Living Conditions for Suriname.

[9] Suriname ranks 97th on the 2019 HDI, below Dominican Republic, Fiji, Maldives, Trinidad and Tobago but above Jamaica and Tonga. The high HDI group includes countries ranked between 67 and 119 out of 189 countries.

[10] Apart from the cash transfer programs, Suriname has other social assistance programs including food assistance programs, low-income shelter programs, health insurance subsidies, and school transport subsidies. The total social spending budget for these programs is around 3.5 percent of GDP in 2021.

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achieving a primary balance that would be needed to stabilize the debt neither economically, socially, or politically feasible (Annex II).

17. The authorities are committed to restoring debt sustainability under the Fund-supported program. Their objectives are to: (i) reduce public debt to under 120 percent of GDP by 2024 and to below 60 percent of GDP by 2035, (ii) lower gross financing needs to an average of 9 percent of GDP in 2023-35 (and no more than 12 percent of GDP in any one year), and (iii) ensure the fiscal position is fully financed during 2022-2024.

18. Achieving debt sustainability will require important debt relief from Suriname's private and official creditors. To that end, the government appointed financial and legal advisors in September 2020 and engaged its creditors in an early and constructive dialogue to secure a reasonably timely and orderly agreement to restructure the country's external debt. Since July, Suriname has been in arrears with its private external bondholders and commercial loan holders. However, the government has shared relevant, non-confidential information with all of its creditors on a timely basis. Suriname also provided its private sector and official creditors with opportunities to give input on the design of restructuring strategies. With respect to private creditors, staff consider the authorities' actions to have met the good-faith requirement of the Lending Into Arrears (LIA) policy.

19. Official bilateral creditors are expected to provide debt relief that is compatible with the parameters of the authorities' Fund-supported program. The Surinamese authorities are committed to continuing working with all creditors to achieve a debt treatment consistent with program parameters. Recognizing that servicing debt on the original terms would not be consistent with debt sustainability, they are committed to resolving debt to all official bilateral creditors on comparable terms. Paris Club creditors have provided specific and credible financing assurances indicating that they will provide debt relief in line with program parameters. Once the restructuring agreement with official creditors is reached, the authorities would repay part of the arrears accumulated as of end-2021 during the program period. Suriname owes arrears to China and India, which have provided assurances, although less specific than those provided by the Paris Club creditors, that they intend to work with Suriname towards a debt restructuring that will restore sustainability. China has consented to Fund financing notwithstanding these arrears. India has requested more time to consider consenting to Fund financing notwithstanding these arrears. An fupdate will be circulated to the Executive Board not later than one week prior to the scheduled Board consideration. On the basis of the Surinamese authorities' commitment noted above, staff expect that debt to China and India will be treated on comparable terms with other bilateral creditors. The arrears constitute a form of financing contribution to the program. China and India have acknowledged that Suriname will continue to run arrears on their official debt until a debt treatment can be agreed.

20. There would be little to gain from restructuring Suriname's domestic debt. About 26 percent of GDP of debt is in the form of obligations to the CBvS and the program provides a progressive repayment of some of these obligations by June 2024. 22 percent of GDP in debt is held on the balance sheet of local commercial banks and non-bank financial institutions. However, some

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of the banks are already undercapitalized, and any write down of this debt would likely need to be offset by an increase in public resources to recapitalize these institutions.[11] Furthermore, efforts to restructure domestic debt could well create further instability in the domestic financial system, increasing the incentive for deposit runs, or creating solvency problems in non-financial institutions (which hold 6 percent of GDP in domestic debt). As of September 2021, the authorities have cleared SRD 58 million of domestic debt arrears to commercial banks and SRD 127 million of the supplier arrears. However, based on the authorities' preliminary data, there still remains a large amount of outstanding domestic arrears, including an accumulation of about SRD 527 million, or 1 percent of GDP, of supplier arrears over the last 11 months.

21. The government is committed not to provide guarantees to debt contracted by other parties during the course of the program. It intends not to contract new public debt that is collateralized by natural resource revenues (or allow the public sector to contract such debt on behalf of the central government). The CBvS will not issue new FX-linked or FX-denominated debt. In addition, to underscore their commitment to transparency, the authorities have provided Fund staff with all existing central government foreign and foreign currency domestic debt contracts and have confirmed that Staatsolie's debt does not include guarantees from the central government and/or collateral. The authorities have agreed to provide to Fund staff all future contracts for public sector borrowing.

Box 1. Selected Domestic Borrowing Arrangements in Foreign Currency

Suriname has very few domestic debt contracts in foreign currency that legally could be considered as collateralized. Staff so far have identified one arrangement where there was a fiduciary transfer of property rights to current and future, largely unspecified, moveable goods of the government authorities.

Several of the domestic debt contracts in foreign currency contain non-standard borrowing arrangements, mostly in the form of tax exemptions provided to private contractors. Four contracts contain exemptions such as set-off rights for future tax liabilities, exemptions on import and excise duties for goods purchased abroad, or sales and consumption tax exemptions. These exemptions tend to be broadly formulated and are presumably tied to the expenses of contractors that were incurred while carrying out their obligations under the contract.

A variety of other non-standard borrowing arrangements have been provided to commercial banks. Two contracts contain guarantees either securing priority of repayment of the lender from new financing facilities entered into by the government or guaranteeing compensation to the lender for exchange rate risk. One contract contains a letter of comfort that the government will repay the lender through the CBvS. One contract contains a power of attorney that authorizes the CBvS to make monthly payments from government accounts. Finally, one contract contains the assignation to the lender of funds in bank accounts used for central government tax collections.

[11] Staff's debt sustainability assessment already incorporates 10 percent of GDP in new debt to recapitalize the CBvS and commercial banks (although the exact size of this recapitalization need will be determined by a comprehensive audit of the CBvS and by asset quality reviews of the commercial banks).

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D. Upgrading the Framework for Monetary Policy

22. Since July 2021, the CBvS has been operating monetary policy based on a reserve money anchor. The reserve money targeting regime (RMT) aims to achieve a steady decline of inflation to 12 percent by the end of the program. Near-term reserve money growth is intended to be maintained at a level well below the expected growth in nominal GDP. The framework has been operationalized in the Fund-supported program through a proposed NIR floor and NDA ceiling (with monthly indicative targets and quarterly performance criteria). The CBvS has made substantial progress in implementing the RMT. It has drained liquidity through weekly, fixed quantity/variable rate, auctions of certificates of deposit and/or term deposits. Between end-July and early December, around SRD 2.3 billion (26 percent of SRD reserve money) has been drained from the system. Interest rates on weekly and monthly notes have gradually risen (from 12 percent in July to 68 percent in early December). In the initial months of the RMT implementation, full adherence to the RMT framework was delayed—the CBvS did not meet its reserve money goals in September-November—by commercial banks' strong demand for precautionary reserves, the high growth of currency in circulation, and delays in the market becoming accustomed to the new framework. Nonetheless, the monetary operations have shown an important effort to tighten policy and helped to push inflation downwards from its August peak. To further help implement the framework, the CBvS has introduced reserve averaging for local currency reserve requirements and will begin to remunerate these reserve requirements by mid-2022.

23. The CBvS has put in place a standing lending facility and is working towards developing an emergency liquidity assistance (ELA) framework. Restrictions on access to the standing lending facility have been removed. The CBvS does, though, intend to initiate supervisory investigations (and, if needed, supervisory actions) for banks that are recurrent users of the facility. The facility is priced on the basis of the weighted average interest rate of open-market operations plus a modest spread (to incentivize banks to seek market funding first). Net injections of liquidity through the standing facility will be fully sterilized—primarily through the auction of certificates of deposit and/or term deposits—so as to ensure reserve money remains aligned with program targets. An ELA framework is being developed to provide emergency liquidity to banks, should conditions warrant.

24. CBvS liquidity monitoring and forecasting is being improved. Stronger coordination with the MoFP is critical to understanding the future path for government expenditures and revenues as a means to improve forecasting of future open market operations. A Memorandum of Understanding (MoU) has been signed between the Governor of the CBvS and the Minister of Finance to formalize a regular exchange of data and improve the CBvS forecasting of government expenditure and revenues flows.

E. Adopting a Flexible Exchange Rate

25. On June 7, the CBvS unified the official and parallel exchange rates and allowed the exchange rate to be fully market-determined. The CBvS is calculating and publishing (three times

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a day) the official exchange rate based on a weighted average rate from actual executed trades in the FX market. Banks and *cambios* are allowed to set exchange rates without any restrictions. From June 7 to mid-November, the CBvS bought around USD 73 million through FX surrender requirements (USD 64 million) and direct purchases from the FX market. The CBvS, in collaboration with the MoFP, also sold about USD 5 million directly to market participants during this period (in addition to the MoFP sale of USD 22 million to oil importers). Between June and mid-November, the nominal exchange rate has traded in the range of SRD 20.96 to 21.6 to the USD and the parallel premium has remained at less than 1 percent. This has led to an appreciation of the real effective exchange rate (estimated at 4 percent by end-2021). The unified, market-determined exchange rate is expected to help facilitate Suriname's adjustment to external shocks and help rebuild international reserves.

26. The CBvS is committed to increasing commercial banks' role in the foreign exchange market. The unification of the official and parallel market rates was an important step in this direction and is expected to help increase liquidity of the interbank market. The CBvS intends to establish an electronic trading platform for interbank foreign exchange trading that will be open to both commercial banks and *cambios* (structural benchmark, June 2022). The authorities will amend the FX surrender regulations to redirect these FX inflows from exporters to the interbank market (instead of to the CBvS) and remove the FX surrender requirements for banks and *cambios*.[12] It is expected that this will help deepen liquidity in the interbank market and remove the CBvS as an intermediary that is both buying and selling in the market.

Suriname: FX Cash Flow Projections (Restructuring Scenario)
(Millions of USD)

	2021	2022	2023	2024	Total
Inflow of FX	**587**	**566**	**538**	**492**	**2,182**
Public sector	506	566	538	492	2,101
Govt mineral revenues	211	171	141	152	675
SDR allocation	176	0	0	0	176
IFI financing (budget support)	0	168	166	166	500
IMF financing	56	228	230	174	688
Other	62	0	0	0	62
Private sector	81	0	0	0	81
FX purchases by CBvS	81	0	0	0	81
Use of FX by CBvS/CG	**204**	**112**	**172**	**140**	**629**
Public sector	142	112	172	140	567
Debt service	101	71	130	97	399
Transfers to CG units	41	41	42	43	167
Private sector	62	0	0	0	62
FX sales by CBvS/CG	62	0	0	0	62
Change in Foreign Reserves of CBvS (+: Increase)	**383**	**454**	**365**	**352**	**1,553**
Private sector	19	0	0	0	19
Public sector	364	453	365	352	1,534

27. The authorities intend to use FX intervention sparingly and only to counter episodes of disorderly market conditions. The buying/selling of FX by the CBvS will only be undertaken with

[12] The FX surrender requirements are being assessed by staff as to whether it constitutes a capital flow management (CFM) measure according to the Fund's the Institutional View (IV).

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banks and *cambios* through transparent fixed allotment/variable price auctions (structural benchmark, December 2021). FX sales will only be undertaken insofar as the intraday depreciation in the bilateral exchange rate versus the U.S. dollar exceeds 2 percent. In such circumstances, the CBvS reserves the option, but not the requirement, to sell up to USD 2 million per day to counter disorderly market conditions. These sales would be unsterilized and gross sales will be capped at USD 20 million per quarter. The CBvS' intervention rule is operationalized through an adjustor to lower the NIR floor by up to USD 20 million per quarter (insofar as the CBvS sales are consistent with the intervention rule described above). All SOEs and private sector importers will be required to buy/sell FX directly from/to commercial banks (i.e., not bilaterally from/to the CBvS or the government).

28. The shift to a flexible exchange rate, limited CBvS FX sales, and financing inflows from IFIs will allow foreign reserves to be rebuilt over the course of the program. The government will sell all net FX receipts (i.e., from IFI budget support net of payments of FX obligations of the government) to the CBvS at the prevailing market exchange rate. In return, the government will receive a counterpart deposit in domestic currency. This will help build the CBvS' FX reserves. The CBvS has the option, but not the requirement, to intervene to purchase foreign currency to build its international reserves. However, these purchases would need to be through transparent, market-based auctions and fully sterilized (with an adjustor that lowers the NDA ceiling by the amount of FX purchases from the market by the CBvS). Under the program baseline, the level of usable international reserves is expected to rise steadily to 175 percent of the ARA reserve adequacy metric (equivalent to around 9 months of imports) by end-2024, with buffers being built to provide insurance against Suriname's vulnerability to terms of trade shocks and potential future FX outflows associated with the post-restructuring debt obligations; however, reserves would fall back gradually to 138 percent of the ARA reserve adequacy metric by 2034 as the restructured external debt service payments come due.

29. The monetary framework and intervention limits will be reassessed at each program review. Once there has been some experience with the working of the reserve money targets and the flexible exchange rate regime, staff and the authorities will assess the relative benefits of the reserve money framework in the context of achieving the authorities' economic objectives. If needed, adjustments will be proposed to the framework for Board consideration.

F. Stabilizing the Financial System

30. Vulnerabilities in the banking system have the potential to exacerbate the fiscal and balance of payments pressures facing the country. Suriname's banking sector is composed of nine banks. As of September, their size in total assets stood at 93 percent of GDP. With respect to bank concentration, the assets of the three largest banks represent 69 percent of GDP and 74 percent of total bank assets. The government owns or partially owns three banks, representing 32 percent of total assets. Currently, four banks fall below the minimum capital requirement of 10 percent, three of which have significant capital shortfalls. The asset size of these three banks is around 7 percent of GDP and 8 percent of total bank assets. Non-performing loans (NPL) are

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elevated and likely to deteriorate going forward. There are indications that there may be an issue with loan classifications, preventing NPLs from being recognized and delaying provisioning. Banks have significant exposure to the public sector through holding of government securities and direct lending, with most of these exposures now non-performing. The current NPL framework does not require banks to classify these exposures as non-performing and provision for them. However, this will change with the transition of all banks to IFRS9, thus increasing the size of shortfalls in regulatory capital. Based on data provided by authorities, even without IFRS9 adjustments, almost half of the banks do not meet minimum capital requirements. There are also important questions regarding the consistency and quality of regulatory data.

31. Bringing the system back to compliance with the regulatory framework is essential to safeguard financial stability. The authorities' macroeconomic framework assumes an injection of public resources into the banking system of 5 percent of GDP (in line with preliminary staff estimates of the capital needs).[13] More precise estimates will be arrived at when asset quality reviews are completed. To this end, the CBvS has hired an internationally reputable specialist firm to undertake these reviews for all banks. The asset quality review for the largest two banks will be completed on an expedited basis (structural benchmark, September 2022) and for the remainder of the banking system shortly afterwards (structural benchmark, December 2022). Following the asset quality reviews, the CBvS will require banks to submit time-bound recapitalization and restructuring plans for all institutions that are not in full compliance with regulatory requirements. The plans will be reviewed to verify their credibility and the CBvS will oversee their implementation. While this broader strategy is being prepared, the CBvS will intensify its supervision activities and stands ready to take appropriate action, including imposing prompt corrective actions, for banks experiencing difficulties. To this end, the CBvS has increased the intensity of its supervision activities for all banks aided by templates agreed with staff.

32. A roadmap for the restructuring and governance reform of commercial banks will be developed. The roadmap will set out the CBvS' plans to triage banks based on the outcome of the asset quality reviews, determine conditions for the use of public funds, and outline the steps to unwind regulatory forbearance that is currently in place (structural benchmark, May 2022). Governance reforms will be put in place at the government-owned banks to ensure they are run on a fully commercial basis.

33. There is an urgent need to strengthen the CBvS' crisis management capabilities. Key steps include:

- Submitting the Credit Institutions Resolution Act to the State Council (structural benchmark, January 2022) with a view to adoption by the National Assembly by September 2022, to increase the CBvS' powers and tools for early intervention, recovery, and resolution of financial institutions.

[13] This is an initial estimate based on a correction of observed under-provisioning based on local regulation followed by a scenario increasing the expected levels of NPLs.

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- Operationalizing a Bank Resolution Unit within the CBvS with appropriate governance arrangements, staffing, funding, and clear internal guidelines on how crisis management and enforcement actions would be undertaken (structural benchmark, February 2022).

- Establishing and operationalizing a new Financial Stability Committee (composed of representatives from MoFP and the CBvS) to both diagnose risks to financial stability and develop concrete plans to manage and mitigate those risks (structural benchmark, January 2022).

- Revising the Banking and Credit Supervision Act to facilitate the risk-based supervision of banks and submitting it to the State Council (structural benchmark, January 2022) with a view to adoption by the National Assembly by July 2022.

34. The authorities are determined to implement other important reforms to modernize the management of the financial sector. Draft laws are being prepared to improve the supervision of the insurance sector and pension and provident funds, to establish centralized reporting of creditors' obligations, and to introduce a deposit insurance scheme once the financial sector has been stabilized. The authorities will work together with the banking sector to increase financial inclusion through electronic banking. The authorities will prepare a comprehensive plan to coordinate and integrate these various initiatives to ensure timely implementation and to organize capacity development investments by a range of providers.

G. Contingency Planning

35. There is a risk that program projections prove optimistic or that the economic environment worsens, requiring additional steps to keep the program on track. The largest risks to program objectives arise from lower growth, an inability to achieve the program's primary balance goals (including due to a worsening of the terms of trade), or a more depreciated real exchange rate (see Box 1, Annex II). In the event that some or all of these risks materialize, the authorities have identified immediate steps that could be taken including foregoing capital spending, raising royalties on natural resource producers, and accelerating the phase out of electricity subsidies (alongside an augmentation of the social safety net).

36. There is a risk that the banking system comes under greater pressure in the months ahead. Self-imposed restrictions by banks on cash withdrawals and the conversion of domestic to foreign currency deposits are currently in place. Nonetheless, if there were to be a burgeoning outflow of deposits, the CBvS is prepared, in consultation with Fund staff, to consider introducing further measures. In the event that such measures give rise to exchange restrictions or multiple currency practices (MCPs), staff would assess whether a modification of program conditionality or a waiver of non-observance of program performance criteria is warranted. A roadmap would then be developed to gradually eliminate such restrictions.

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H. Improving Central Bank Governance

37. The 2021 update of the safeguards assessment concluded that the CBvS' institutional framework is weak and governance failures in recent years have led to financial and reputational loss for the CBvS. The control environment has not been tested because, until May 2021, the CBvS lacked an internal audit function. In addition, annual external audits have been disrupted over the last five years, and the CBvS has extended significant monetary financing to the government, undermining its operational autonomy.[14] To address these shortcomings, the following critical reforms have been put in place:

- To protect the CBvS' financial autonomy, the MoFP and the CBvS have signed a MoU in July to prohibit any new direct or indirect monetary financing of the budget.
- To ensure the adequacy of controls in operations and build internal audit capacity, the CBvS appointed a Chief Audit Executive and contracted a consultant to co-source the internal audit function.
- To reinforce the governance and control environment, the CBvS Supervisory Board adopted and published a bank-wide Governance Reform Implementation Plan in June. The first quarterly review by the Supervisory Board was conducted in September, after which a report and an updated Plan were published on the CBvS website.
- To reduce the risk of misreporting, a special audit of program monetary data (i.e., Net International Reserves and Net Domestic Assets) was completed in July to verify the opening stocks of data. Similar audits will be completed at each test date to confirm the data underlying the measurement of the performance criteria.
- To restore transparency and accountability, the CBvS will publish its FY 2016–18 external audit results (structural benchmark, December 2021).

38. To strengthen the CBvS' mandate, autonomy, and decision-making structures, the National Assembly will pass amendments to the CBvS Act (structural benchmark, January 2022). These amendments will eliminate Government influence over the CBvS, introduce collective decision-making for the executive management and policy decisions of the CBvS, provide for adequate internal oversight, revise the CBvS' mandate, and prohibit monetary financing. These amendments are currently being prepared in close cooperation with Fund staff. The CBvS plans to publish the FY 2019 audit results by February 2022 and the FY 2020–21 audited financial statements will be published by June 2022 based on International Financial Reporting Standards (structural benchmark).

[14] The bulk of monetary financing during this period was undertaken by the previous government. The current government has largely refrained from monetary financing, except for SRD 250mn in June 2021 to finance additional spending on COVID-19 measures to deal with a renewed surge of the pandemic.

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39. The MoFP and the CBvS will jointly develop a plan to recapitalize the CBvS. The authorities will undertake a full financial audit of the CBvS by an internationally reputable firm to establish the size of the capital shortfall (structural benchmark, June 2022). Following the results of this audit, the authorities will prepare a plan to recapitalize the CBvS (structural benchmark, September 2022). This plan will include a clear target level of capital, a trigger point for recapitalization, and a binding time frame to complete the recapitalization. The macroeconomic framework assumes an injection of government bonds of 5 percent of GDP to bring the CBvS to a reasonable level of capital (although the actual size of the recapitalization needs may be larger).

I. Tackling Corruption, Improving Governance, and Strengthening the AML/CFT Framework

40. Suriname faces widespread corruption across many aspects of government. These vulnerabilities include gaps in legal frameworks, institutional weaknesses, implementation challenges, capacity constraints and an overall lack of accountability, transparency and awareness in systems and processes. Suriname is a signatory to the Inter-American Convention against Corruption and enacted an Anti-Corruption Act in 2017. However, implementation of this Act has been delayed due to capacity and resource constraints.

41. The authorities intend to take steps to strengthen the anti-corruption framework. The government has received 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-January 2022 (structural benchmark). They also intend to amend the 2017 Anti-Corruption Act to ensure criminalization of all relevant corruption acts, to bring it into line with the requirements of the UNCAC (structural benchmark, June 2022). The anti-corruption legal framework should be amended to allow for the routine verification of income and asset declarations by high-level and high-risk public officials. This information will be provided to the public and proportionate sanctions will be established for non-compliance. Finally, the government will soon operationalize an Anti-Corruption Commission to oversee its efforts in this area (structural benchmark, March 2022).

42. The program aims to upgrade the institutional framework and enhance the transparency of public procurement. There is no single agency with a mandate for formulation of procurement policy, for planning or for monitoring compliance. The procurement process is currently administered by the Ministry of Public Works and the MoFP but is still largely paper-based with a low level of digitalization, limited transparency, and weak contract and project management. There is no central procurement database and public access to information on procurement is limited. To mitigate corruption risks, the authorities will enhance transparency and accountability in the procurement processes. A draft procurement law has been prepared and submitted to the National Assembly for its approval by end-June 2022 (structural benchmark) to:

- expand the existing Integrated Financial Management Information System to cover procurement, audits, and controls; and

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- In addition, authorities will enact a state decree to require the mandatory publication on a government website of all public procurement tenders and contracts, including the names of the awarded entities and their beneficial owners, the names of the public officials awarding the contracts, and an ex-post validation of delivery of the contracted services (structural benchmark, August 2022).

43. Significant shortcomings in the AML/CFT framework need to be urgently addressed. The authorities recently completed their National Risk Assessment which started in 2019 and identified several technical compliance gaps in the legal framework and effective implementation challenges. Immediate efforts are required to mitigate key money laundering/terrorism financing risks to Suriname and to ensure Suriname's AML/CFT framework meets international standards. Suriname is currently being assessed by the Caribbean Financial Action Task Force.[15] To address AML/CFT technical compliance gaps, steps will need to be taken (and will be supported by technical assistance from Fund staff) to enact amendments to the AML/CFT law (and other relevant laws and regulations), to bring them in line with the FATF international AML/CFT standard, particularly on the treatment of politically exposed persons and beneficial ownership requirements (structural benchmark, August 2022).

44. Suriname joined the Extractive Industry Transparency Initiative (EITI) in 2017 and has published reports for fiscal years 2016 and 2017. Noting the importance of the extractive industries sector to Suriname (gold, bauxite, newly discovered oil fields) the authorities are committed to ensuring there are strong safeguards in place to protect these sectors and guard against corruption risks. In addition to ongoing improvements to the anti-corruption framework, the authorities intend to address EITI's recommendations with respect to improvements to the mining law to reduce room for discretion in investor incentives, strengthen the framework for mining titles, and ensure the publication of beneficial ownership information.

45. Suriname should adopt a uniform approach to beneficial ownership. The disclosure of beneficial ownership information is relevant for a number of structural benchmarks, including with respect to improving the management of public investment, public procurement contracts, and as part of the EITI requirements. Accordingly, the authorities should adopt a consistent understanding of beneficial ownership for all these measures, by defining this clearly in the AML/CFT law and in line with the FATF international standards that relate to the transparency of beneficial ownership information.

PROGRAM MODALITIES

46. Type of Arrangement. The proposed program is a 3-year Extended Arrangement under the EFF that will support the government's efforts to tackle the structural underpinnings of fiscal and

[15] An on-site visit for Suriname will take place in Q1 2022 and the AML/CFT assessment report is expected to be discussed by the CFATF Plenary in Q4 2022.

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balance of payments imbalances and to undertake institutional reforms to support fiscal consolidation and promote growth.

47. Access. Proposed access of SDR 472.8 million (366.8 percent of quota or USD 688 million) is justified by Suriname's large balance of payments needs, the vulnerabilities it will face in the course of the program, and the strength of the program. The expectation is that Fund support will play an important catalytic role in attracting external financing. The share of Fund financing in total financing, including the exceptional financing contribution from external arrears accumulation and the expected debt restructuring, would be 38 percent. Fund access is proposed to be used to rebuild international reserves and to meet fiscal financing needs (USD 56.4 million or SDR 39.4 million would be for budget support in 2021, USD 83.6 million or SDR 57.9 million in 2022, and USD 60 million or SDR 41.1 million in 2023).

Text Table Suriname: Proposed Program Financing (Restructuring Scenario)
In millions of US$

	2021	2022	2023	2024	**Total**
Financing gap	239	572	511	449	1,770
Official financing	36	395	396	340	1,167
O/w: IMF	36	228	230	174	667
Purchases	56	228	230	174	688
O/w: for budget support	56	84	60	0	200
Repurchases	21	0	0	0	21
O/w: IFIs	0	168	166	166	500
Financing from external arrears accumulation (net)	203	176	-39	0	340
Financing from external debt restructuring 1/	0	0	154	109	263

Source: IMF staff calculations
1/ Calculated as a difference between the debt restructuring scenario and a scenario without debt restructuring.

48. Phasing. Access will be phased equally over the life of the arrangement. The proposed schedule of reviews and the corresponding disbursements are shown in Table 10.

49. Capacity to Repay. Capacity to repay is assessed to be adequate under the program scenario, but is subject to significant risks. Suriname has recently repaid its outstanding debt to the Fund. The proposed access of 366.8 percent of quota would mean that Fund credit outstanding would reach a maximum of around 26 percent of exports of goods and services, 42 percent of usable reserves, and 22 percent of GDP (despite the large revision of historical GDP numbers) in 2024, reaching unprecedented levels among EFF programs (Table 11). Obligations to the Fund would average 2.5 percent of exports of goods and services or about 6 percent of usable reserves during 2025-2034 (peaking at about 4 percent of exports of goods and services in 2029 and about 10 percent of usable reserves in 2031).

50. SDR Allocation. The global SDR allocation has led to a SDR123.5 million allocation for Suriname. The allocation is being used to increase international reserves.

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51. Prior Actions. To partially mitigate the significant risks posed by the program, the authorities have completed a significant set of prior actions including:

(i) enactment by the National Assembly of: (i) a 2021 budget that is consistent with the parameters of the program, and (ii) key fiscal measures (raising the sales tax, 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[16], limiting the nominal wage and benefit increase in 2021, and instituting a timeline to phase out electricity subsidies;

(ii) unifying the official and parallel exchange rates and ensuring that the official exchange rate is calculated based on unrestricted market transactions;

(iii) concluding a MoU between the CBvS and MoFP to end new, gross CBvS financing of the government;

(iv) conducting special audits of program monetary data to verify the opening stocks of data used as performance criteria;

(v) co-sourcing 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);

(vi) adopting a bank-wide Governance Reform Implementation Plan to advance reforms in key areas at the CBvS;

(vii) engaging an internationally reputable firm and finalizing clear terms of reference to undertake an asset quality review for all banks; and

(viii) requesting the National Assembly to ratify the United Nations Convention Against Corruption.

52. Structural benchmarks. The program incorporates a comprehensive set of structural benchmarks to strengthen monetary policy operations; improve financial sector resilience; strengthen fiscal frameworks; address governance deficiencies and tackle corruption (see Table 2 of the Memorandum of Economic and Financial Policies for full details).

53. Program Monitoring. The program sets quarterly PCs on net international reserves (floor), net domestic assets (ceiling), and the primary fiscal balance (cash basis) of the central government (floor). Continuous PCs are on no new gross credit to the government from the CBvS; no new central government guaranteed debt; no new debt contracted by government and/or SOEs that is collateralized by natural resource revenues; the non-accumulation of external debt payment arrears

[16] While the decree of raising the royalty rate on small gold miners was issued (satisfying the prior action), it has not been implemented. The authorities aim to implement the measure promptly, as explained in paragraph 11.

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by the central government; and no direct purchases/sales of FX by the CBvS and/or central government from/to SOEs and the private sector (transparent purchases/sales to the market through competitive auctions would, however, be permitted under certain conditions described above). An indicative target is set on the level of spending on specific social programs, including targeted cash transfers (floor).

54. Arrears to external creditors.

- The stock of external arrears is estimated to be at 11 percent of GDP by end-2021, including arrears of USD 61 million to China; USD 7 million to India, and USD 22 million to Paris Club creditors (France, Israel, Italy, The Netherlands, Sweden). Notwithstanding these arrears, consistent with the Fund's Lending Into Official Arrears policy, Paris Club creditors and China have provided their consent to proceeding with Fund financing. India has requested more time to consider consenting to Fund financing notwithstanding these arrears.

- Suriname is expected to owe arrears of USD 181 million to private external creditors (commercial loans and bonds) by end-2021. As described above, staff judge that the authorities have made good faith efforts in their debt restructuring discussions and meet the requirements of the Fund's Lending Into Arrears policy.

- The authorities have settled all multilateral arrears.

55. Financing assurances. The IDB has confirmed that it would provide USD 168 million during the first 12 months of the program and USD 500 million in total over the course of the program. Financing assurances have been received from the Paris Club in anticipation of an Agreed Minute. China and India have also provided assurances, although less specific than those provided by the Paris Club creditors, that they intend to work with Suriname towards a debt restructuring that will restore sustainability. On the basis of these assurances, together with the Surinamese authorities' commitment to continuing working with all creditors to achieve a debt treatment consistent with program parameters, staff expect that Suriname's debt to China and India will be treated on comparable terms with other bilateral creditors. Fund support is considered essential for the successful implementation of the member's adjustment program and the Surinamese authorities are pursuing appropriate policies and are making a good faith effort to reach a collaborative agreement with their private creditors which is expected to establish debt sustainability (based on the authorities' ongoing consultation with creditors). Arrears to private creditors are a form of financing for the program. Staff, therefore, assess that Suriname's program is fully financed, with firm commitments of financing for the first 12 months and good prospects for adequate financing for the remaining program period. In addition, based on the financing assurances and considering the expected implementation of debt treatments on both official and private debt staff assess the debt to be sustainable on a forward-looking basis. Staff will continue to assess progress in restructuring as part of the regular financing assurances reviews at each program review.

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PROGRAM RISKS

56. Risks to the program are large and include:

- *Commitment to key fiscal policy measures*. There is a risk that key reforms to restore fiscal sustainability are not completed nor fully implemented during the course of the program due to political pressure. In the near-term, fully aligning fiscal policy with programed fiscal measures require a passage of a supplementary 2022 budget, which would require continued broad-based political support to achieve. In addition, there are risks to the implementation of the budget as well as further delays in implementing gold royalty increases on small miners and raising rates on large miners, in part, due to capacity constraint. The expressed commitment of the authorities to the program's objectives and policy reforms provides comfort. Also, the legislature's passage of the revised 2021 budget and other laws needed to support the fiscal policies underpinning the program during the program discussion phase demonstrates broad societal support for the authorities' program. Nonetheless, continued support for the program from the President, the Council of Ministers, the National Assembly, and broader society will remain crucial.

- *Finalizing a restructuring agreement with non-Paris Club and private creditors in line with program parameters.* There is a risk that creditors will eventually provide insufficient debt relief to restore debt sustainability, or the, discussions with private creditors break down and lead to litigation that hampers Suriname's access to external capital (e.g. to develop its natural resources), or that negotiations with official creditors are unable to conclude within a reasonable timeframe.

- *Implications of a floating exchange rate, increasing non-performing exposures for the financial sector and sovereign-bank nexus.* Given weaknesses in available information, the impact of a flexible exchange rate and an increase in non-performing loans for corporate and bank solvency and financial stability, and the related fiscal risks, are uncertain. In addition, the large exposure of banks to the government are a significant source of risk to financial stability, which may put additional fiscal burden on the central government. Monitoring these effects will require continued vigilance, particularly by financial system regulators. In addition, exchange rate depreciation, an inability to pay government obligations, or a further deterioration of the economic situation present risks to the banking system's viability.

- *COVID-19*. The capacity of the domestic health system to counter the risks arising from the pandemic is very weak. This raises the risks of the government having to put in place renewed economic lockdowns which would undermine growth, raise the health system's demands on the budget, and create external and fiscal financing gaps.

- *Macroeconomic risks.* Program implementation could be affected by a number of unexpected macroeconomic developments, including a disorderly and greater-than-expected overshooting of the exchange rate, deposit outflows and bank runs, lower commodity prices, fiscal costs from exposure to natural disasters/climate change, and other external risks. However, the smooth

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unification of the exchange rate and subsequent behavior of FX markets and bank deposits provides some assurances.

- *Data reporting and capacity.* The quality of data reporting and sizable statistical discrepancies, particularly on fiscal and debt data and their inconsistencies with monetary data, can make it difficult to assess the true stance of policies and will create an important risk of misreporting during the program period. Staff is working to build capacity in this area with capacity development being provided by the Fund's statistics department and other partners.

- *Implementation capacity.* Some of the shortcomings in technical capacity can be compensated by assisting the authorities with capacity development and providing long-term advisers (Annex III). Nonetheless, the broad scope of proposed reforms as well as the limitations of human capital in the public sector pose risks to the authorities' ability to implement their multi-faceted program.

57. There are some meaningful upside risks. The program takes a conservative approach in estimating future oil and gold prices and production. International oil companies (Total, Apache, and very recently Exxon) have announced potentially large oil and gas discoveries in Suriname, in locations close to the known large oil reserves of Guyana. In line with best international practice, the program projections do not take into account any of these findings since available information, so far, does not include assurances about the economic viability of these reserves (especially in the absence of clear private sector investment plans to extract these resources). Nonetheless, the oil discoveries create a meaningful upside risk to economic outcomes and the country's payment capacity. Furthermore, there is the potential for existing gold mine concessions to be expanded, which would increase gold exports and budget revenues.

STAFF APPRAISAL

58. Suriname is facing challenging conditions. The government is managing an extremely difficult economic situation with large fiscal imbalances, no access to market financing, high inflation, and a near-exhaustion of usable international reserves. The authorities have confronted this situation by putting forward an ambitious reform program, with important and politically challenging up-front actions, that should stabilize the economy and set the stage for its recovery.

59. The authorities' recovery program tackles the principal vulnerabilities faced by the country. The intended fiscal consolidation is a clear and critical step toward restoring stability. The consolidation is based on realistic revenue and expenditure measures underpinned by an appropriate macro-fiscal framework. The spending restraint that started in 2020 and the fiscal consolidation planned for 2021-2024, will place the public finances on a sustainable path. Prudent public wage policies will be needed in the months and years ahead to preserve the stabilization objectives of the program. It will also be crucial to complete the phased elimination of electricity subsidies that has been approved by the legislature.

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60. To help mitigate the negative impact of the macroeconomic adjustment on the poor, the authorities' recovery plan envisages significant measures to strengthen the social safety net. The Surinamese authorities have increased targeted social support programs to protect the most vulnerable members of the society. In addition, the prospective increases in electricity prices will be structured so that the biggest consumers bear relatively more of the adjustment.

61. It will be essential for the CBvS to allow the currency to move flexibly, driven by market conditions. Recent actions by the CBvS have put in place a market-determined exchange rate (as evidenced by the elimination of the parallel market premium). Continued flexibility in the exchange rate will help the country to adjust to external shocks while preserving scarce international reserves. A unified market-determined exchange rate will strengthen commercial banks' role in the market and increase FX market liquidity. In this regard, credibly establishing a parsimonious approach to foreign currency intervention, limited to correcting periods of disorderly market conditions, will be essential. The external position of Suriname in 2020 is assessed to be broadly in line with fundamentals and desirable policy settings, albeit with significant uncertainty around the assessment given the significant shifts in the external position and real exchange rate over the past couple of years.

62. To stabilize inflation expectations the authorities are committed to adhering to conservative targets for reserve money growth. The open market operations auctions that have recently started support this goal. Interest rates, however, will need to be able to fully react to market conditions in order to establish a clear transmission from monetary aggregates to the real economy. At present, the financial system is learning how best to adapt to the new framework and the greater volatility in both the interest rate and exchange rate that it implies. Staff anticipate, as capacity is built, that the CBvS will be able to establish and then achieve the reserve money targets that will be needed to disinflate the economy. The CBvS is prepared to tighten monetary conditions further in the event that the outlook for inflation appears not to be declining at the targeted pace. The CBvS is also prepared to act decisively should deeper problems be revealed in the banking system.

63. The country faces difficult restructuring negotiations ahead. Paris Club creditors have provided financing assurances. China and India have provided assurances, although less specific than those provided by the Paris Club creditors, that they intend to work with Suriname towards a debt restructuring that will restore sustainability. China has consented to Fund financing notwithstanding these arrears. India has requested more time to consider consenting to Fund financing notwithstanding these arrears. Fund support is considered essential for the successful implementation of the member's adjustment program and the Surinamese authorities are pursuing appropriate policies and are making a good faith effort to reach a collaborative agreement with their private creditors. This expected debt restructuring, in combination with fiscal consolidation is expected to restore debt sustainability. Progress on the difficult task of restructuring both private and official claims will be re-examined at each program review in the context of a financing assurances review.

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64. Strengthening capacity and coordination within the government, enhancing governance, and improving data quality will be critical. Significant efforts should be made to improve data quality and develop institutional capacity. Recognizing the need for improved transparency and accountability, the authorities intend to strengthen their anti-corruption and AML/CFT framework. Technical support provided by the Fund and other partners will be deployed to build capacity in the areas of fiscal statistics, public financial management, debt management, monetary policy, financial sector surveillance, AML/CFT, and governance. Indeed, some of these capacity development efforts are already well underway.

65. The program faces substantial risks. The risks relate to the effects of the exchange rate adjustment on corporate and bank balance sheets, the impact of non-performing exposures on bank asset quality and solvency, the ownership of and capacity to implement key fiscal and monetary policies, data reporting quality, and the potential for external shocks. These risks need to be weighed against the risks of not having the framework of a Fund-supported program in place. Without a program, spending pressures could build, lead to monetization of the deficit, and trigger a wage-price spiral. With scarce foreign currency reserves, the currency would overshoot which could, when combined with high inflation and low growth, threaten financial stability. The social consequences of proceeding without the international support embedded in a Fund program would be highly destabilizing. The program's success will ultimately depend on the government's willingness to implement politically challenging measures and to maintain a close social dialogue with civil society to explain the motivation for the government's policy plans. These risks are mitigated by the evident strong commitment to the program that has already been demonstrated, including through the completion of a challenging set of prior actions.

66. The government's economic plan is ambitious and merits Fund support. The Fund's support will help provides a framework for needed policies, catalyze broader international financial support, and help the authorities chart a course toward macroeconomic stability and economic recovery. As such, staff strongly recommend the approval of the requested Extended Fund Facility arrangement.

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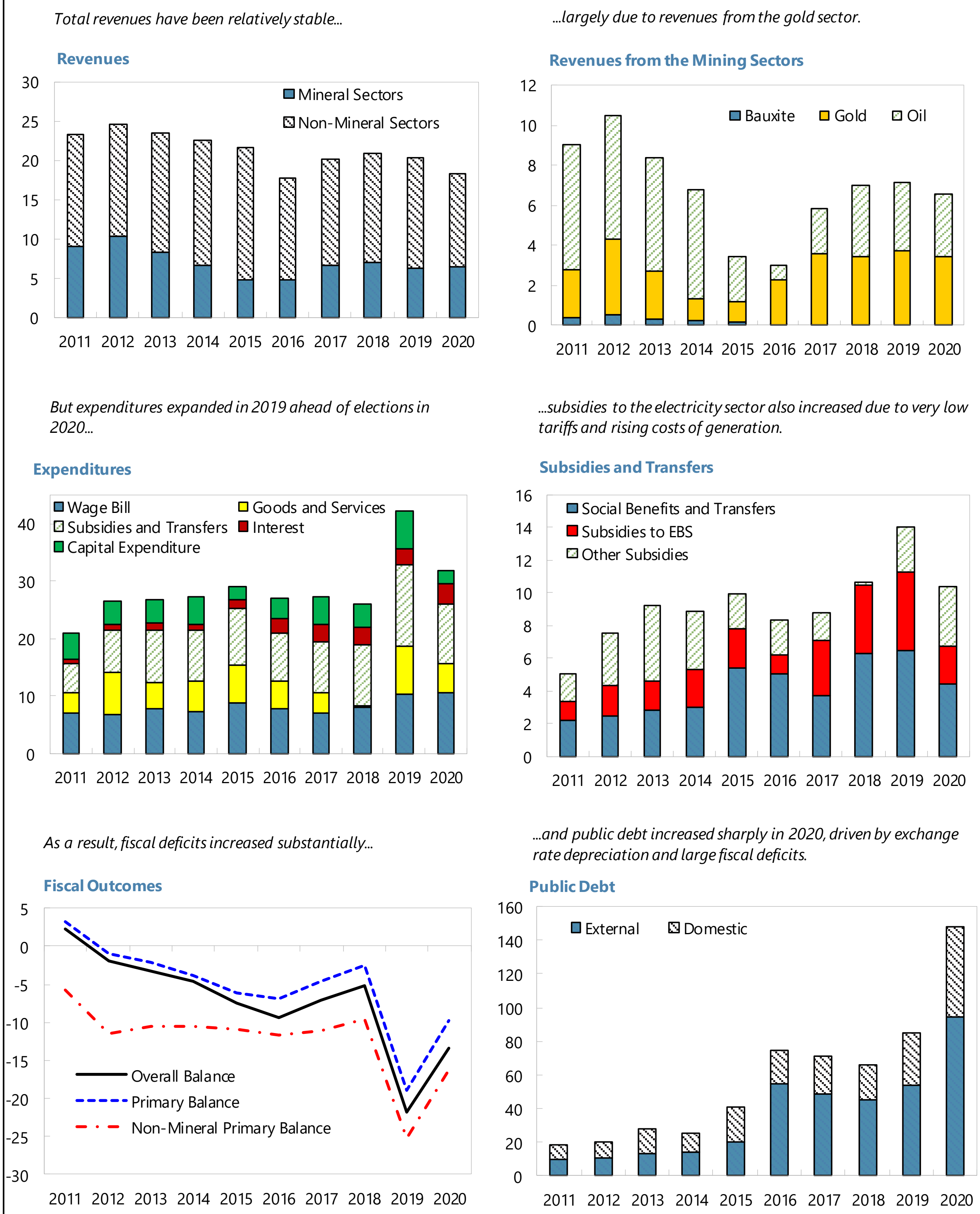
Figure 1. Suriname: Fiscal Developments

(Percent of GDP)



Sources: Ministry of Finance; and IMF staff calculations and projections.

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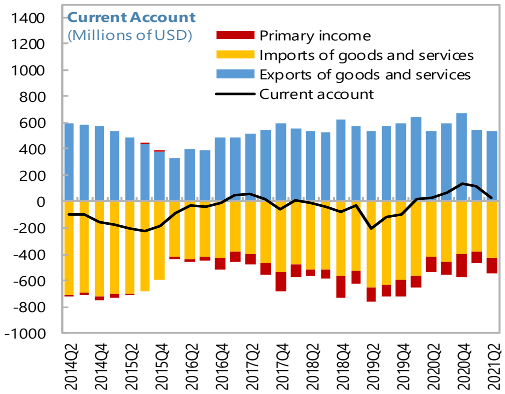
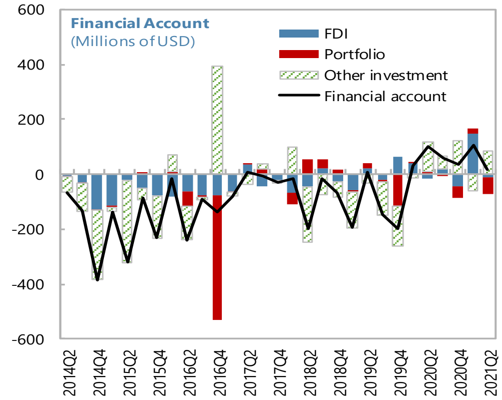
Figure 2. Suriname: External Sector Developments

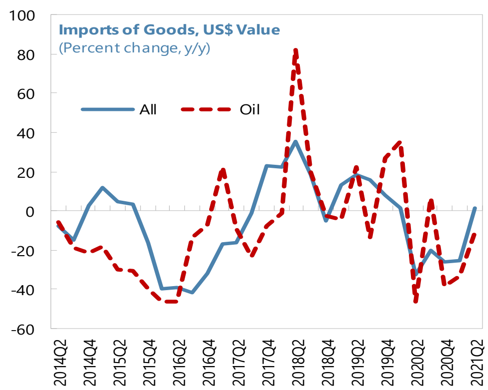
Suriname is undergoing a substantial current account correction, following the deterioration in 2019.



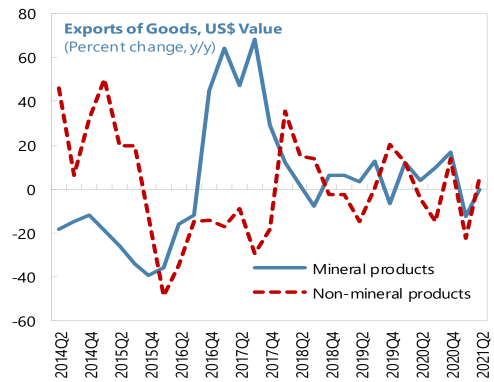
However, the financial account weakened in 2020 largely due to other investment outflows.



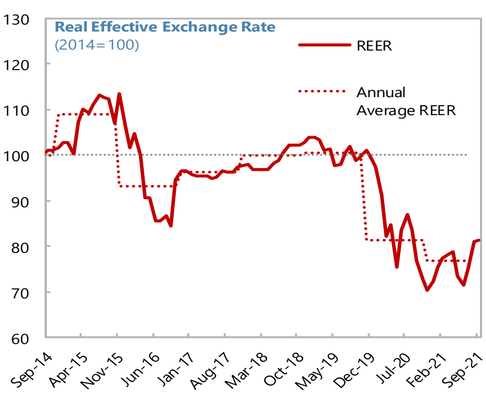
A significant part of the current account adjustment is born by import compression…



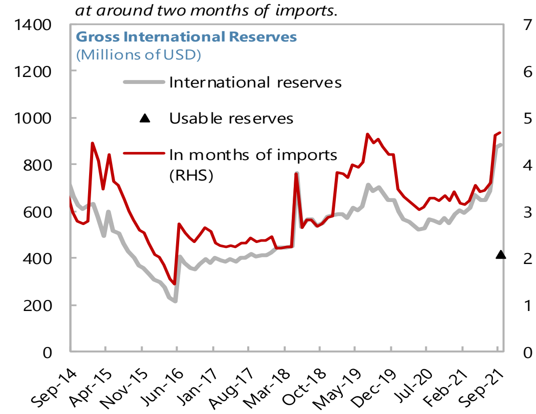
…while the surge in gold price has also contributed to ease the adjustment process.



REER (based on a weighted average exchange rate) depreciated significantly.



International reserves increased recently, partly due to SDR allocation. However, usable reserves are just at around two months of imports.



Sources: International Financial Statistics (IFS); Central Bank of Suriname; and IMF staff calculations.

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Table 1. Suriname: Selected Economic Indicators, Restructuring Scenario

						Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real sector (percent change)											
Real GDP	-4.9	1.6	4.9	1.1	-15.9	-3.5	1.8	2.1	2.7	3.0	3.0
Nominal GDP	18.0	30.2	10.9	5.6	21.8	46.7	38.6	23.9	15.6	11.8	11.1
GDP deflator	24.1	28.1	5.7	4.4	44.9	52.1	36.1	21.3	12.6	8.6	7.9
Consumer prices (period average)	55.5	22.0	6.9	4.4	34.9	58.6	37.9	22.2	14.1	10.0	7.9
Consumer prices (end of period)	52.4	9.3	5.4	4.2	60.7	58.3	25.8	17.6	12.1	9.6	5.9
Labor market (percent)											
Unemployment rate	10.0	7.0	9.0	8.8	11.1	11.2	10.9	10.6	10.3	10.0	9.9
Labor force participation rate	59.6	59.9	60.5	60.7	58.8	57.9	58.3	58.6	58.9	59.3	59.8
Money and credit (percent change)											
Broad money	53.8	9.0	8.1	4.7	65.0	49.6	28.0	15.5	16.6	12.5	11.1
Broad money (percent of GDP)	75.6	63.3	61.7	61.2	82.9	84.5	78.1	72.7	73.4	73.8	73.8
Reserve money	15.5	22.3	35.4	92.8	33.6	42.7	26.8	17.9	19.1	16.4	16.7
Reserve money (percent of GDP)	14.5	13.7	16.7	30.5	33.4	32.5	29.7	28.3	29.2	30.3	31.8
Private sector credit	25.3	1.2	-4.5	0.4	27.1	38.5	26.9	24.8	20.9	19.2	16.1
Private sector credit (in real terms)	-17.8	-7.4	-9.4	-3.6	-20.9	-12.5	0.9	6.2	7.9	8.8	9.7
Private sector credit (percent of GDP)	36.4	28.3	24.4	23.2	24.2	22.9	20.9	21.1	22.1	23.5	24.6
Central government (percent of GDP)											
Revenue and grants	17.7	20.1	20.9	20.4	18.4	24.1	26.6	27.6	26.3	25.6	24.9
Total expenditure	27.1	27.2	26.2	42.3	31.8	32.0	30.8	27.4	24.8	24.0	23.6
Of which: Primary expenditure	24.6	24.0	23.1	39.4	28.1	25.4	24.9	24.1	21.8	21.6	21.3
Statistical discrepancy	-4.7	-4.5	-0.8	3.5	-4.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-9.3	-7.1	-5.2	-21.9	-13.4	-7.9	-4.1	0.2	1.5	1.6	1.3
Primary balance	-6.8	-4.6	-2.5	-19.0	-9.7	-1.3	1.7	3.5	4.5	4.0	3.5
Non-resource primary balance	-11.6	-11.2	-9.6	-25.2	-16.2	-12.5	-10.9	-9.2	-7.3	-7.0	-6.7
Net acquisition of financial assets 2/	2.3	0.3	-3.0	-2.8	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	16.3	11.8	3.0	15.6	20.4	7.9	4.1	-0.2	-1.5	-1.6	-1.3
Net domestic financing	-1.5	5.2	1.9	10.7	18.5	3.8	-7.0	-6.0	-6.8	-1.8	0.7
Net external financing	17.8	6.6	1.2	5.0	0.3	-2.6	5.0	7.1	5.3	0.3	-2.0
External arrears (net)	0.0	0.0	0.0	0.0	1.6	6.7	6.1	-1.3	0.0	0.0	0.0
Central government debt 3/ (percent of GDP)	74.8	71.5	66.1	85.2	147.7	128.9	128.5	119.8	119.4	108.6	101.9
Domestic	20.2	22.5	21.2	31.6	53.4	40.6	38.8	27.2	18.0	14.8	14.6
o/w: change due to GDP deflator movement	-4.1	-4.4	-1.2	-0.9	-9.8	-18.3	-10.8	-6.8	-3.0	-1.4	-1.1
External	54.6	48.9	45.0	53.6	94.3	88.2	89.7	92.6	101.4	93.7	87.3
o/w: change due to exchange rates movement	15.0	0.2	0.0	5.1	48.5	...	...	...	...	...	...
o/w: change due to face value reduction	0.0	0.0	0.0	0.0	0.0	0.0	-13.9	0.0	0.0	0.0	0.0
o/w: change due to GDP deflator movement	-3.9	-12.0	-2.6	-1.9	-16.6	-32.3	-23.4	-15.8	-10.4	-8.0	-6.9
External sector (percent of GDP)											
Current account balance	-4.8	1.9	-3.0	-11.3	9.0	4.1	-0.9	0.3	0.0	-0.2	-0.4
Capital and financial account	-9.3	-6.0	-7.5	-12.8	6.6	-1.0	3.1	0.0	-0.4	-2.8	0.1
Overall balance	-0.9	0.6	3.7	-1.5	-1.5	5.1	-4.1	0.3	0.4	2.6	-0.6
Financing	0.9	-0.6	-3.7	4.7	1.5	-5.1	4.1	-0.3	-0.4	-2.6	0.6
Change in reserves (- = increase)	-1.5	-0.6	-3.7	5.2	2.9	-13.6	-15.6	-12.1	-11.2	-2.6	1.1
Official financing	2.5	0.0	0.0	-0.5	-1.4	1.3	13.6	13.1	10.8	0.0	-0.6
External arrears (net)						7.2	6.1	-1.3	0.0	0.0	0.0
Memorandum items											
GDP at current prices (SRD billions)	20.7	26.9	29.8	31.5	38.4	56.3	78.0	96.6	111.7	125.0	138.9
Terms of trade (percent change)	9.2	-3.0	-3.4	7.6	28.9	-10.0	-2.5	-2.1	-2.4	-2.4	-1.6
Gross international reserves (USD millions)	381	424	581	648	585	968	1,421	1,786	2,138	2,222	2,183
In percent of Reserve adequacy (risk-weighted measure) 4/	57	58	72	77	73	110	162	195	224	231	231
Usable gross international reserves (USD millions) 5/	236	279	436	505	118	501	955	1,320	1,672	1,756	1,716
In percent of Reserve adequacy (risk-weighted measure) 5/	35	38	54	60	15	57	109	144	175	182	181
REER based on weighted average ER (percent change, + = appreciation) 6/	-12.4	-1.0	4.6	0.0	-19.2	4.1	...	...	...	...	...
Nominal effective exchange rate (percent change, + = appreciation)	-41.1	-6.7	-0.9	-1.5	-37.0	-33.3	...	...	...	...	...
Inflation differential	52.8	19.7	5.5	1.5	32.5	56.1	...	...	...	...	...
REER based on official ER (percent change, + = appreciation) 6/	-12.4	-3.4	4.9	4.5	12.4	-21.7	...	...	...	...	...
Official exchange rate (SRD per USD, eop)	7.4	7.5	7.5	7.5	14.2	...	...	...	...	...	...
Official exchange rate (SRD per USD, period average)	6.2	7.5	7.5	7.5	9.3	...	...	...	...	...	...
Weighted average exchange rate (SRD per USD, eop)	7.4	7.5	7.5	8.3	17.3	...	...	...	...	...	...
Weighted average exchange rate (SRD per USD, period average) 6/	6.2	7.5	7.5	7.9	13.3	...	...	...	...	...	...
Gold production (growth rate)	-2.5	52.7	1.4	-2.7	-13.7	2.6	4.0	3.2	1.8	1.4	1.2
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,392	1,770	1,747	1,708	1,671	1,637	1,604	1,588
Growth Rate	7.6	0.7	1.0	9.7	27.1	-1.3	-2.2	-2.2	-2.0	-2.0	-1.0
Oil price (USD per barrel)	42.8	52.8	68.3	61.4	41.3	65.7	64.5	61.3	59.0	57.4	56.3
Growth Rate	-15.7	23.3	29.4	-10.2	-32.7	59.1	-1.8	-5.0	-3.8	-2.7	-1.9

Sources: Surinamese authorities and Fund staff calculations and projections.

1/ The overall balance is computed using net financial transactions, and therefore, includes statistical discrepancy.

2/ Includes acquisition of stake in gold mine and loans to state-owned enterprises.

3/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname. Staff's definition also includes Suriname's debt to IMF.

4/ Based on IMF, 2015, "Assessing Reserve Adequacy."

5/ Excluding the PBOC swap and ring-fenced reserves.

6/ The weight of the official exchange rate is 30 percent and that of the parallel market exchange rate is 70 percent in this measure. Fiscal and monetary sectors in this macro-framework use the official rate (except for public debt which uses the weighted average exchange rate), and real and BOP sectors use the weighted average exchange rate. The official and parallel market exchange rates converged in June 2021.

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Table 2. Suriname: Real Sector, by Expenditures , Restructuring Scenario 1/
(Percent change, unless otherwise indicated)

			Proj			
	2021	2022	2023	2024	2025	2026
Growth rates (constant prices)						
Real GDP	-3.5	1.8	2.1	2.7	3.0	3.0
Private Absorption	-2.2	4.3	1.7	3.5	3.6	3.8
Public Consumption	-20.4	-13.9	-9.1	-5.9	-2.8	-1.6
Public Gross Investment	-50.4	59.0	62.4	4.1	18.3	3.0
Exports	-2.1	5.5	2.1	3.1	2.2	2.5
Imports	-7.6	8.0	1.2	3.1	3.4	3.5
Contributions (constant prices)						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Private Absorption	-2.0	3.8	1.6	3.1	3.2	3.5
Public Consumption	-2.8	-1.6	-0.9	-0.5	-0.2	-0.1
Public Gross Investment	-1.1	0.7	1.1	0.1	0.5	0.1
Net Exports	2.3	-1.0	0.4	0.0	-0.6	-0.5
Growth rates (current prices)						
Nominal GDP	46.7	38.6	23.9	15.6	11.8	11.1
Public Consumption	60.2	46.5	25.8	19.6	16.3	14.8
Public Consumption	22.8	27.6	18.2	12.1	8.6	7.5
Public Gross Investment	-24.6	116.3	97.0	17.2	28.5	11.1
Exports	56.2	39.8	18.7	12.4	7.7	6.8
Imports	64.0	46.9	20.2	15.2	11.8	9.7
Contributions (current prices)						
Nominal GDP growth	46.7	38.6	23.9	15.6	11.8	11.1
Private Absorption	37.0	31.2	18.3	14.1	12.1	11.5
Public Consumption	3.5	3.6	2.2	1.4	1.0	0.8
Public Gross Investment	-0.5	1.3	1.7	0.5	0.8	0.4
Net Exports	6.8	2.5	1.8	-0.4	-2.1	-1.5
Deflators (Growth Rates)						
GDP	52.1	36.1	21.3	12.6	8.6	7.9
Private Absorption	63.9	40.5	23.6	15.6	12.3	10.6
Public Consumption	54.2	48.3	30.1	19.2	11.7	9.2
Public Gross Investment	52.1	36.1	21.3	12.6	8.6	7.9
Exports of goods and services	59.6	32.6	16.3	9.0	5.4	4.2
Imports of goods and services	77.4	36.0	18.7	11.7	8.0	6.0
CPI	58.6	37.9	22.2	14.1	10.0	7.9
GDP (current prices, USD billions)	2.8	...	...	...	...	...
GDP (current prices, SRD billions)	56.3	78.0	96.6	111.7	125.0	138.9
GDP deflator (Index = 100 in 2015)	386	526	638	719	780	842

Sources: IMF staff calculations and projections.

1/ Historical values are not shown due to lack of official GDP estimates by expenditure.

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Table 3. Suriname: Central Government Operations, Restructuring Scenario

(Millions of SRD)

						Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenues	**3,662**	**5,411**	**6,234**	**6,434**	**7,066**	**13,560**	**20,778**	**26,697**	**29,407**	**31,959**	**34,536**
Taxes	2,566	3,580	4,365	4,717	5,133	9,260	13,710	17,750	19,462	21,234	23,208
Direct taxes	1,226	2,074	2,381	2,543	2,924	5,425	7,659	9,552	10,417	11,091	11,811
Of which: mineral taxes	420	743	1,033	910	1,452	3,264	4,503	5,440	5,764	5,888	6,028
Indirect taxes	1,340	1,507	1,984	2,173	2,209	3,835	6,051	8,198	9,045	10,143	11,397
Grants	0	0	0	0	0	0	0	0	0	0	0
Non-tax revenues	1,096	1,831	1,868	1,718	1,934	4,300	7,068	8,947	9,945	10,725	11,328
Of which:											
Mineral resource revenues	569	1,040	1,098	1,054	1,058	3,043	5,327	6,789	7,451	7,873	8,228
Interest receipts	0	180	90	0	0	0	0	0	0	0	0
Expenditures	**5,592**	**7,315**	**7,799**	**13,325**	**12,197**	**18,025**	**23,999**	**26,519**	**27,769**	**30,017**	**32,780**
Primary expenditures	5,076	6,463	6,879	12,412	10,786	14,278	19,452	23,314	24,341	26,945	29,606
Compensation of employees	1,602	1,923	2,414	3,251	4,035	5,044	5,952	6,845	7,530	8,019	8,420
Other primary current expenditure	2,738	3,303	3,244	7,069	5,906	8,597	12,122	13,755	13,628	14,837	16,642
Of which: cash transfer programs					549	1,070	1,483	1,838	2,125	2,377	2,641
Net acquisition of nonfinancial assets	736	1,238	1,221	2,092	845	637	1,378	2,715	3,183	4,089	4,544
Interest	516	852	920	913	1,411	3,747	4,547	3,205	3,428	3,072	3,174
Overall balance (net lending/borrowing) 1/	**-1,930**	**-1,904**	**-1,565**	**-6,891**	**-5,131**	**-4,465**	**-3,221**	**178**	**1,638**	**1,942**	**1,756**
Of which: primary balance	**-1,414**	**-1,232**	**-735**	**-5,977**	**-3,720**	**-719**	**1,326**	**3,383**	**5,066**	**5,015**	**4,930**
Net financial transactions	**-2,902**	**-3,111**	**-1,808**	**-5,788**	**-6,949**	**-4,465**	**-3,221**	**178**	**1,638**	**1,942**	**1,756**
Net acquisition of financial assets 2/	474	71	-900	-869	869	0	0	0	0	0	0
Net incurrence of liabilities	3,377	3,182	908	4,918	7,818	4,465	3,221	-178	-1,638	-1,942	-1,756
Domestic (Net)	-302	1,399	559	1,947	6,000	2,617	-4,940	-5,020	-6,775	-1,496	1,823
Amortizations	-871	-327	-485	-1,257	-1,085	-3,333	-2,703	-5,591	-7,347	-2,778	-2,059
Central bank	-334	-85	-7	0	0	0	0	-4,167	-1,498	0	0
Commercial banks	-286	-91	-363	-1,204	-9	-2,444	-2,214	-1,260	-5,662	-1,314	-1,866
Suppliers credit	-106	-137	-115	0	0	0	0	0	0	0	0
Other domestic 3/	-145	-15	0	-53	-1,076	-889	-490	-164	-188	-1,464	-194
Disbursements	569	1,727	1,044	3,205	7,084	5,950	-2,237	571	573	1,282	3,883
Central bank	-782	511	-150	1,451	4,986	2,406	-2,917	0	0	0	0
Claims on government	-70	-77	-7	1,391	6,232	250	0	0	0	0	0
Liabilities to government	713	-588	143	-60	1,247	-2,156	2,917	0	0	0	0
Commercial banks	932	869	964	1,261	871	3,544	680	571	573	1,282	3,883
Suppliers credit	171	219	229	439	152	0	0	0	0	0	0
Other domestic 3/	248	127	0	53	1,076	0	0	0	0	0	0
Domestic arrears	0	0	0	1,410	1,083	-461	-493	-756	-786	-807	-823
Accumulation of arrears	0	0	0	1,410	1,083	0	0	0	0	0	0
Payment of arrears	0	0	0	0	0	-461	-493	-756	-786	-807	-823
Foreign (Net)	3,679	1,783	349	1,561	107	-1,470	3,923	6,861	5,922	361	-2,756
Amortizations	-1,117	-402	-1,039	-722	-431	-3,081	-3,768	-1,574	-1,706	-1,830	-6,302
IFIs	-83	-150	-371	-353	-349	-1,098	-1,314	-1,574	-1,706	-1,830	-1,931
Official bilateral	-113	-158	-176	-212	-47	-373	-731	0	0	0	0
Commercial	-920	-95	-493	-157	-35	-1,611	-1,723	0	0	0	-4,371
Disbursements	4,795	2,185	1,388	2,432	914	732	940	1,179	1,715	2,191	4,333
IFIs	965	194	243	303	530	732	940	1,179	1,715	1,916	2,096
Official bilateral	49	631	749	1,059	200	0	0	0	0	0	0
Commercial	3,781	1,360	397	1,070	184	0	0	0	0	275	2,238
Official financing	0	0	0	-149	-376	879	6,751	7,256	5,913	0	-788
O/w: IMF	0	0	0	-149	-376	879	2,245	1,923	0	0	-788
Purchases	0	0	0	0	0	1,264	2,245	1,923	0	0	0
Repurchases	0	0	0	-149	-376	-386	0	0	0	0	-788
O/w: IFIs	0	0	0	0	0	0	4,505	5,333	5,913	0	0
External arrears (net)	0	0	0	0	628	3,779	4,732	-1,262	0	0	0
Privatizations	0	0	0	0	0	0	0	0	0	0	0
Statistical discrepancy	-972	-1,207	-243	1,103	-1,818	0	0	0	0	0	0
Memorandum items:											
Primary cash balance 4/	-1,671	-1,655	-2,101	-4,973	-2,321	-719	1,326	3,383	5,066	5,015	4,930
Gross financing needs (incl. IMF debt service)	...	...	...	9,019	7,023	11,993	10,186	9,006	8,201	3,473	8,216
Electricity subsidy financed through the budget	245	906	1,244	1,492	881	1,887	2,747	2,136	585	0	0
Non-resource balance	-2,919	-3,686	-3,696	-8,854	-7,641	-10,773	-13,052	-12,051	-11,577	-11,819	-12,500
Non-resource primary balance	-2,404	-3,015	-2,865	-7,941	-6,229	-7,026	-8,505	-8,847	-8,149	-8,747	-9,326
Public (central government) debt 5/	15,453	19,216	19,725	26,835	56,650	72,524	100,189	115,804	133,375	135,678	141,537
Official exchange rate (SRD per USD, period average)	6.2	7.5	7.5	7.5	9.3	...	...	...	...	...	...
Official exchange rate (SRD per USD, eop)	7.4	7.5	7.5	7.5	14.2	...	...	...	...	...	...
Total central government debt interest rate (effective)	3.3	4.4	4.7	3.4	2.5	2.5	2.7	2.8	2.6	2.3	2.2
Domestic central government debt interest rate (effective)	3.7	4.1	5.5	2.4	5.0	6.3	6.3	8.6	8.1	6.3	5.2
External central government debt interest rate (effective)	3.2	3.3	4.4	4.2	1.5	1.4	1.5	1.8	1.8	1.7	1.8

Sources: Surinamese authorities; and IMF staff calculations and projections.

1/ The overall balance is computed using net financial transactions, and therefore, includes statistical discrepancy.
2/ Includes acquisition of stake in gold mine and loans to state owned enterprises.
3/ Comprised of holding of T-bills and notes by non-bank financial institutions.
4/ Defined as net financial transactions (cash-basis) plus net interest payment.
5/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname.

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Table 4. Suriname: Central Government Operations, Restructuring Scenario
(Percent of GDP)

						Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenues	**17.7**	**20.1**	**20.9**	**20.4**	**18.4**	**24.1**	**26.6**	**27.6**	**26.3**	**25.6**	**24.9**
Taxes	12.4	13.3	14.6	15.0	13.4	16.5	17.6	18.4	17.4	17.0	16.7
Direct taxes	5.9	7.7	8.0	8.1	7.6	9.6	9.8	9.9	9.3	8.9	8.5
Of which: mineral taxes	2.0	2.8	3.5	2.9	3.8	5.8	5.8	5.6	5.2	4.7	4.3
Indirect taxes	6.5	5.6	6.7	6.9	5.8	6.8	7.8	8.5	8.1	8.1	8.2
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-tax revenues	5.3	6.8	6.3	5.5	5.0	7.6	9.1	9.3	8.9	8.6	8.2
Of which:											
Mineral resource revenues	2.8	3.9	3.7	3.3	2.8	5.4	6.8	7.0	6.7	6.3	5.9
Interest receipts	0.0	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	**27.1**	**27.2**	**26.2**	**42.3**	**31.8**	**32.0**	**30.8**	**27.4**	**24.8**	**24.0**	**23.6**
Primary expenditures	24.6	24.0	23.1	39.4	28.1	25.4	24.9	24.1	21.8	21.6	21.3
Compensation of employees	7.8	7.1	8.1	10.3	10.5	9.0	7.6	7.1	6.7	6.4	6.1
Other primary current expenditure	13.2	12.3	10.9	22.5	15.4	15.3	15.5	14.2	12.2	11.9	12.0
Of which: cash transfer programs					1.4	1.9	1.9	1.9	1.9	1.9	1.9
Net acquisition of nonfinancial assets	3.6	4.6	4.1	6.6	2.2	1.1	1.8	2.8	2.8	3.3	3.3
Interest	2.5	3.2	3.1	2.9	3.7	6.7	5.8	3.3	3.1	2.5	2.3
Overall balance (net lending/borrowing) 1/	**-9.3**	**-7.1**	**-5.2**	**-21.9**	**-13.4**	**-7.9**	**-4.1**	**0.2**	**1.5**	**1.6**	**1.3**
Of which: primary balance	**-6.8**	**-4.6**	**-2.5**	**-19.0**	**-9.7**	**-1.3**	**1.7**	**3.5**	**4.5**	**4.0**	**3.5**
Net financial transactions	**-14.0**	**-11.6**	**-6.1**	**-18.4**	**-18.1**	**-7.9**	**-4.1**	**0.2**	**1.5**	**1.6**	**1.3**
Net acquisition of financial assets 2/	2.3	0.3	-3.0	-2.8	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	16.3	11.8	3.0	15.6	20.4	7.9	4.1	-0.2	-1.5	-1.6	-1.3
Domestic (Net)	-1.5	5.2	1.9	6.2	15.6	4.7	-6.3	-5.2	-6.1	-1.2	1.3
Amortizations	-4.2	-1.2	-1.6	-4.0	-2.8	-5.9	-3.5	-5.8	-6.6	-2.2	-1.5
Central bank	-1.6	-0.3	0.0	0.0	0.0	0.0	0.0	-4.3	-1.3	0.0	0.0
Commercial banks	-1.4	-0.3	-1.2	-3.8	0.0	-4.3	-2.8	-1.3	-5.1	-1.1	-1.3
Suppliers credit	-0.5	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic 3/	-0.7	-0.1	0.0	-0.2	-2.8	-1.6	-0.6	-0.2	-0.2	-1.2	-0.1
Disbursements	2.8	6.4	3.5	10.2	18.5	10.6	-2.9	0.6	0.5	1.0	2.8
Central bank	-3.8	1.9	-0.5	4.6	13.0	4.3	-3.7	0.0	0.0	0.0	0.0
Claims on government	-0.3	-0.3	0.0	4.4	16.2	0.4	0.0	0.0	0.0	0.0	0.0
Liabilities to government	3.4	-2.2	0.5	-0.2	3.3	-3.8	3.7	0.0	0.0	0.0	0.0
Commercial banks	4.5	3.2	3.2	4.0	2.3	6.3	0.9	0.6	0.5	1.0	2.8
Suppliers credit	0.8	0.8	0.8	1.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic 3/	1.2	0.5	0.0	0.2	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Domestic arrears	0.0	0.0	0.0	4.5	2.8	-0.8	-0.6	-0.8	-0.7	-0.6	-0.6
Accumulation of arrears	0.0	0.0	0.0	4.5	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Payment of arrears	0.0	0.0	0.0	0.0	0.0	-0.8	-0.6	-0.8	-0.7	-0.6	-0.6
Foreign (Net)	17.8	6.6	1.2	5.0	0.3	-2.6	5.0	7.1	5.3	0.3	-2.0
Amortizations	-5.4	-1.5	-3.5	-2.3	-1.1	-5.5	-4.8	-1.6	-1.5	-1.5	-4.5
IFIs	-0.4	-0.6	-1.2	-1.1	-0.9	-2.0	-1.7	-1.6	-1.5	-1.5	-1.4
Official bilateral	-0.5	-0.6	-0.6	-0.7	-0.1	-0.7	-0.9	0.0	0.0	0.0	0.0
Commercial	-4.5	-0.4	-1.7	-0.5	-0.1	-2.9	-2.2	0.0	0.0	0.0	-3.1
Disbursements	23.2	8.1	4.7	7.7	2.4	1.3	1.2	1.2	1.5	1.8	3.1
IFIs	4.7	0.7	0.8	1.0	1.4	1.3	1.2	1.2	1.5	1.5	1.5
Official bilateral	0.2	2.3	2.5	3.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	18.3	5.1	1.3	3.4	0.5	0.0	0.0	0.0	0.0	0.2	1.6
Official financing	0.0	0.0	0.0	-0.5	-1.0	1.6	8.7	7.5	5.3	0.0	-0.6
O/w: IMF	0.0	0.0	0.0	-0.5	-1.0	1.6	2.9	2.0	0.0	0.0	-0.6
Purchases	0.0	0.0	0.0	0.0	0.0	2.2	2.9	2.0	0.0	0.0	0.0
Repurchases	0.0	0.0	0.0	-0.5	-1.0	-0.7	0.0	0.0	0.0	0.0	-0.6
O/w: IFIs	0.0	0.0	0.0	0.0	0.0	0.0	5.8	5.5	5.3	0.0	0.0
External arrears (net)	0.0	0.0	0.0	0.0	1.6	6.7	6.1	-1.3	0.0	0.0	0.0
Privatizations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	-4.7	-4.5	-0.8	3.5	-4.7	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary cash balance 4/	-8.1	-6.2	-7.0	-15.8	-6.1	-1.3	1.7	3.5	4.5	4.0	3.5
Gross financing needs (incl. IMF debt service)	…	…	…	28.6	18.3	21.3	13.1	9.3	7.3	2.8	5.9
Electricity subsidy financed through the budget	1.2	3.4	4.2	4.7	2.3	3.4	3.5	2.2	0.5	0.0	0.0
Non-resource balance	-14.1	-13.7	-12.4	-28.1	-19.9	-19.1	-16.7	-12.5	-10.4	-9.5	-9.0
Non-resource primary balance	-11.6	-11.2	-9.6	-25.2	-16.2	-12.5	-10.9	-9.2	-7.3	-7.0	-6.7
Public (central government) debt 5/	74.8	71.5	66.1	85.2	147.7	128.9	128.5	119.8	119.4	108.6	101.9
Official exchange rate (SRD per USD, period average)	6.2	7.5	7.5	7.5	9.3	…	…	…	…	…	…
Official exchange rate (SRD per USD, eop)	7.4	7.5	7.5	7.5	14.2	…	…	…	…	…	…
Domestic debt interest rate (effective)	3.7	4.1	5.5	2.4	5.0	6.3	6.3	8.6	8.1	6.3	5.2
External debt interest rate (effective)	3.2	3.3	4.4	4.2	1.5	1.4	1.5	1.8	1.8	1.7	1.8

Sources: Surinamese authorities; and IMF staff calculations and projections.
1/ The overall balance is computed using net financial transactions, and therefore, includes statistical discrepancy.
2/ Includes acquisition of stake in gold mine and loans to state owned enterprises.
3/ Comprised of holding of T-bills and notes by non-bank financial institutions.
4/ Defined as net financial transactions (cash-basis) plus net interest payments.
5/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname.

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Table 5. Suriname: Balance of Payments, Restructuring Scenario
(Millions of U.S. dollars unless otherwise indicated)

						Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current account	**-161**	**69**	**-119**	**-448**	**259**	**115**	**-27**	**8**	**0**	**-6**	**-15**
Exports of goods and services	**1,606**	**2,143**	**2,236**	**2,287**	**2,447**	**2,550**	**2,647**	**2,633**	**2,660**	**2,670**	**2,712**
Imports of goods and services	**1,702**	**1,780**	**2,070**	**2,413**	**1,846**	**2,019**	**2,201**	**2,216**	**2,295**	**2,390**	**2,492**
Trade balance, goods	**238**	**775**	**662**	**532**	**1,061**	**942**	**887**	**884**	**832**	**764**	**706**
Exports, f.o.b.	1,440	1,985	2,065	2,129	2,344	2,382	2,445	2,449	2,446	2,440	2,450
Of which: gold, petroleum	1,194	1,787	1,838	1,903	2,115	2,073	2,106	2,114	2,103	2,087	2,087
Imports, f.o.b.	1,202	1,211	1,403	1,598	1,283	1,440	1,558	1,565	1,614	1,676	1,744
Trade balance, services	**-334**	**-411**	**-496**	**-658**	**-460**	**-411**	**-441**	**-467**	**-467**	**-484**	**-486**
Exports	166	158	171	157	103	168	202	184	214	230	262
Imports	500	569	667	815	563	579	643	652	681	714	748
Income, net	**-166**	**-394**	**-388**	**-412**	**-466**	**-536**	**-596**	**-531**	**-486**	**-409**	**-360**
Credit	21	27	36	21	8	8	8	9	9	9	9
Debit	187	422	423	433	474	545	605	540	495	418	369
Current transfers, net	**102**	**100**	**103**	**90**	**124**	**120**	**123**	**122**	**122**	**123**	**125**
Capital and financial account	**-308**	**-217**	**-299**	**-508**	**190**	**-29**	**91**	**-1**	**-12**	**-90**	**5**
Capital account	**19**	**0**	**-1**	**-3**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial account	**-328**	**-217**	**-298**	**-505**	**190**	**-29**	**91**	**-1**	**-12**	**-90**	**5**
Foreign direct investment	-300	-98	-119	8	0	-104	-115	-113	-112	-106	-94
Portfolio investment	-508	27	59	-117	-35	0	0	0	0	0	0
Central government	550	0	0	125	0	0	0	0	0	0	0
Other investment	480	-146	-238	-397	225	75	205	112	100	16	99
Net Acquisition of Assets	221	14	104	-244	168	25	0	0	0	0	0
Net Incurrence of Liabilities	-259	160	341	152	-57	-51	-205	-112	-100	-16	-99
Central government	41	238	47	104	52	-126	-105	-12	0	9	-49
Disbursements	220	292	186	201	98	39	35	37	48	57	108
IFIs	155	26	33	41	57	39	35	37	48	50	52
Official bilateral	8	84	100	142	21	0	0	0	0	0	0
Commercial	57	182	53	19	20	0	0	0	0	7	56
Amortization	179	54	139	97	46	166	140	49	48	48	157
IFIs	13	20	50	47	37	59	49	49	48	48	48
Official bilateral	18	21	24	28	5	20	27	0	0	0	0
Commercial	148	13	66	21	4	87	64	0	0	0	109
Other Sectors (including SOE)	-300	-78	294	48	-109	76	-100	-100	-100	-25	-50
Errors and omissions	**-217**	**-265**	**-31**	**-242**	**-113**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-31**	**22**	**148**	**-187**	**-43**	**144**	**-118**	**8**	**12**	**84**	**-20**
Financing	**31**	**-22**	**-148**	**187**	**43**	**-144**	**118**	**-8**	**-12**	**-84**	**20**
Change in reserves (- = increase) 1/	-51	-22	-148	208	83	-383	-454	-365	-352	-84	39
Official financing	82	0	0	-20	-40	36	395	396	340	0	-20
O/w: IMF	82	0	0	-20	-40	36	228	230	174	0	-20
Purchases	82	0	0	0	0	56	228	230	174	0	0
O/w: for budget support	0	0	0	0	0	56	84	60	0	0	0
Repurchases	0	0	0	20	40	21	0	0	0	0	20
O/w: IFIs	0	0	0	0	0	0	168	166	166	0	0
External arrears (net) 2/						203	176	-39	0	0	0
Financing from external debt restructuring 3/								154	109	105	544
Memorandum items:											
Gross international reserves	381	424	581	648	585	968	1,421	1,786	2,138	2,222	2,183
In months of imports of goods and services	2.6	2.5	2.9	4.2	3.5	5.8	7.7	9.7	11.2	11.2	10.5
In percent of Reserve adequacy (risk-weighted measure) 4/	57	58	72	77	73	110	162	195	224	231	231
Usable gross international reserves 5/	236	279	436	505	118	501	955	1,320	1,672	1,756	1,716
In months of imports of goods and services	1.6	1.6	2.2	3.3	0.7	3.0	5.2	7.1	8.7	8.8	8.3
In percent of Reserve adequacy (risk-weighted measure) 4/	35	38	54	60	15	57	109	144	175	182	181
Reserve adequacy (risk-weighted measure), USD millions 4/	670	736	803	843	805	878	877	916	955	963	946
In months of imports	4.5	4.3	4.0	5.5	4.8	4.8	4.8	4.8	4.8	4.6	4.4
GDP (in millions of USD)	3,317	3,592	3,996	3,984	2,884	2,824	…	…	…	…	…
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,392	1,770	1,747	1,708	1,671	1,637	1,604	1,588
Oil price (USD per barrel)	43	53	68	61	41	66	65	61	59	57	56
Weighted average exchange rate (SRD per USD, period average)	6.2	7.5	7.5	7.9	13.3	…	…	…	…	…	…
Weighted average exchange rate (SRD per USD, eop)	7.4	7.5	7.5	8.3	17.3	…	…	…	…	…	…
Real Effective Exchange Rate Change (+=appreciation; percent change; period average)	-12.4	-1.0	4.6	0.0	-19.2	4.1	…	…	…	…	…
External Debt 6/	2,959	3,164	3,519	3,779	3,642	4,033	4,051	4,299	4,543	4,532	4,387
External debt (Percent of GDP)	106.3	87.7	88.0	99.7	164.6	161.9	156.8	149.5	153.1	140.6	129.5
o/w: Change in external debt due to exchange rate movements	44.5	0.4	0.0	9.9	87.5	35.9	…	…	…	…	…

Sources: Surinamese authorities; and IMF staff calculations and projections.
1/ Includes valuation changes.
2/ External arrears in 2020 are implicitly covered in errors and omissions.
3/ Calculated as a difference between the debt restructuring scenario and a scenario without debt restructuring.
4/ Based on IMF, 2015, "Assessing Reserve Adequacy."
5/ Excluding the PBOC swap and ring-fenced reserves.
6/ Includes both private and public sector debt.

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Table 6. Suriname: Balance of Payments, Restructuring Scenario
(Percent of GDP unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
						Proj.					
Current account	**-4.8**	**1.9**	**-3.0**	**-11.3**	**9.0**	**4.1**	**-0.9**	**0.3**	**0.0**	**-0.2**	**-0.4**
Exports of goods and services	**48.4**	**59.7**	**56.0**	**57.4**	**84.8**	**90.3**	**91.2**	**87.3**	**84.9**	**81.7**	**78.6**
Imports of goods and services	**51.3**	**49.6**	**51.8**	**60.6**	**64.0**	**71.5**	**75.8**	**73.5**	**73.2**	**73.2**	**72.2**
Trade balance, goods	**7.2**	**21.6**	**16.6**	**13.3**	**36.8**	**33.4**	**30.5**	**29.3**	**26.5**	**23.4**	**20.5**
Exports, f.o.b.	43.4	55.3	51.7	53.4	81.3	84.4	84.2	81.2	78.0	74.7	71.0
Of which: gold, petroleum	36.0	49.7	46.0	47.8	73.3	73.4	72.5	70.1	67.1	63.9	60.5
Imports, f.o.b.	36.2	33.7	35.1	40.1	44.5	51.0	53.7	51.9	51.5	51.3	50.5
Trade balance, services	**-10.1**	**-11.4**	**-12.4**	**-16.5**	**-15.9**	**-14.6**	**-15.2**	**-15.5**	**-14.9**	**-14.8**	**-14.1**
Exports	5.0	4.4	4.3	4.0	3.6	6.0	7.0	6.1	6.8	7.0	7.6
Imports	15.1	15.8	16.7	20.5	19.5	20.5	22.1	21.6	21.7	21.9	21.7
Income, net	**-5.0**	**-11.0**	**-9.7**	**-10.3**	**-16.2**	**-19.0**	**-20.5**	**-17.6**	**-15.5**	**-12.5**	**-10.4**
Credit	0.6	0.8	0.9	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Debit	5.6	11.7	10.6	10.9	16.4	19.3	20.8	17.9	15.8	12.8	10.7
Current transfers, net	**3.1**	**2.8**	**2.6**	**2.3**	**4.3**	**4.3**	**4.2**	**4.0**	**3.9**	**3.8**	**3.6**
Capital and financial account	**-9.3**	**-6.0**	**-7.5**	**-12.8**	**6.6**	**-1.0**	**3.1**	**0.0**	**-0.4**	**-2.8**	**0.1**
Capital account	**0.6**	**0.0**	**0.0**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial account	**-9.9**	**-6.0**	**-7.5**	**-12.7**	**6.6**	**-1.0**	**3.1**	**0.0**	**-0.4**	**-2.8**	**0.1**
Foreign direct investment	-9.0	-2.7	-3.0	0.2	0.0	-3.7	-3.9	-3.7	-3.6	-3.2	-2.7
Portfolio investment	-15.3	0.7	1.5	-2.9	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Central government	16.6	0.0	0.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment	14.5	-4.1	-5.9	-10.0	7.8	2.7	7.1	3.7	3.2	0.5	2.9
Net Acquisition of Assets	6.7	0.4	2.6	-6.1	5.8	0.9	0.0	0.0	0.0	0.0	0.0
Net Incurrence of Liabilities	-7.8	4.5	8.5	3.8	-2.0	-1.8	-7.1	-3.7	-3.2	-0.5	-2.9
Central government	1.2	6.6	1.2	2.6	1.8	-4.5	-3.6	-0.4	0.0	0.3	-1.4
Disbursements	6.6	8.1	4.7	5.0	3.4	1.4	1.2	1.2	1.5	1.8	3.1
IFIs	4.7	0.7	0.8	1.0	2.0	1.4	1.2	1.2	1.5	1.5	1.5
Official bilateral	0.2	2.3	2.5	3.6	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Commercial	1.7	5.1	1.3	0.5	0.7	0.0	0.0	0.0	0.0	0.2	1.6
Amortization	5.4	1.5	3.5	2.4	1.6	5.9	4.8	1.6	1.5	1.5	4.5
IFIs	0.4	0.6	1.2	1.2	1.3	2.1	1.7	1.6	1.5	1.5	1.4
Official bilateral	0.5	0.6	0.6	0.7	0.2	0.7	0.9	0.0	0.0	0.0	0.0
Commercial	4.5	0.4	1.7	0.5	0.1	3.1	2.2	0.0	0.0	0.0	3.1
Other Sectors (including SOE)	-9.0	-2.2	7.4	1.2	-3.8	2.7	-3.4	-3.3	-3.2	-0.8	-1.4
Errors and omissions	**-6.5**	**-7.4**	**-0.8**	**-6.1**	**-3.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-0.9**	**0.6**	**3.7**	**-4.7**	**-1.5**	**5.1**	**-4.1**	**0.3**	**0.4**	**2.6**	**-0.6**
Financing	**0.9**	**-0.6**	**-3.7**	**4.7**	**1.5**	**-5.1**	**4.1**	**-0.3**	**-0.4**	**-2.6**	**0.6**
Change in reserves (- = increase) 1/	-1.5	-0.6	-3.7	5.2	2.9	-13.6	-15.6	-12.1	-11.2	-2.6	1.1
Official financing	2.5	0.0	0.0	-0.5	-1.4	1.3	13.6	13.1	10.8	0.0	-0.6
O/w: IMF	2.5	0.0	0.0	-0.5	-1.4	1.3	7.8	7.6	5.5	0.0	-0.6
Purchases	2.5	0.0	0.0	0.0	0.0	2.0	7.8	7.6	5.5	0.0	0.0
O/w: for budget support	0.0	0.0	0.0	0.0	0.0	2.0	2.9	2.0	0.0	0.0	0.0
Repurchases	0.0	0.0	0.0	0.5	1.4	0.7	0.0	0.0	0.0	0.0	0.6
O/w: IFIs	0.0	0.0	0.0	0.0	0.0	0.0	5.8	5.5	5.3	0.0	0.0
External arrears (net) 2/						7.2	6.1	-1.3	0.0	0.0	0.0
Financing from external debt restructuring 3/								5.1	3.5	3.2	15.8
Memorandum items:											
Gross international reserves	381	424	581	648	585	968	1,421	1,786	2,138	2,222	2,183
In months of imports of goods and services	2.6	2.5	2.9	4.2	3.5	5.8	7.7	9.7	11.2	11.2	10.5
In percent of Reserve adequacy (risk-weighted measure) 4/	56.9	57.7	72.3	76.8	72.6	110.2	162.0	194.9	223.9	230.8	230.7
Usable gross international reserves 5/	236	279	436	505	118	501	955	1,320	1,672	1,756	1,716
In months of imports of goods and services	1.6	1.6	2.2	3.3	0.7	3.0	5.2	7.1	8.7	8.8	8.3
In percent of Reserve adequacy (risk-weighted measure) 4/	35	38	54	60	15	57	109	144	175	182	181
Reserve adequacy (risk-weighted measure), USD millions 4/	670	736	803	843	805	878	877	916	955	963	946
In months of imports	4.5	4.3	4.0	5.5	4.8	4.8	4.8	4.8	4.8	4.6	4.4
GDP (in millions of USD)	3,317	3,592	3,996	3,984	2,884	2,824	…	…	…	…	…
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,392	1,770	1,747	1,708	1,671	1,637	1,604	1,588
Oil price (USD per barrel)	43	53	68	61	41	66	65	61	59	57	56
Weighted average exchange rate (SRD per USD, period average)	6.2	7.5	7.5	7.9	13.3	…	…	…	…	…	…
Weighted average exchange rate (SRD per USD, eop)	7.4	7.5	7.5	8.3	17.3	…	…	…	…	…	…
Real Effective Exchange Rate Change (+=appreciation; percent change;	-12.4	-1.0	4.6	0.0	-19.2	4.1	…	…	…	…	…
External Debt 6/	2,959	3,164	3,519	3,779	3,642	4,033	4,051	4,299	4,543	4,532	4,387
External debt (Percent of GDP)	106.3	87.7	88.0	99.7	164.6	161.9	156.8	149.5	153.1	140.6	129.5
o/w: Change in external debt due to exchange rate movements	44.5	0.4	0.0	9.9	87.5	35.9	…	…	…	…	…

Sources: Surinamese authorities; and IMF staff calculations and projections.

1/ Includes valuation changes.

2/ External arrears in 2020 are implicitly covered in errors and omissions.

3/ Calculated as a difference between the debt restructuring scenario and a scenario without debt restructuring.

4/ Based on IMF, 2015, "Assessing Reserve Adequacy."

5/ Excluding the PBOC swap and ring-fenced reserves.

6/ Includes both private and public sector debt.

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Table 7. Suriname: Gross External Financing Requirements, Restructuring Scenario

				Proj.					
	2018	2019	2020	2021	2022	2023	2024	2025	2026
				(In millions of US dollars)					
1. Gross external financing requirements	**535**	**557**	**-118**	**151**	**268**	**142**	**147**	**79**	**222**
A. Current account deficit	119	448	-259	-115	27	-8	0	6	15
B. Public sector debt amortization	411	122	146	266	240	149	148	73	207
(i) Central government	139	97	46	166	140	49	48	48	157
(ii) CBvS	0	0	0	0	0	0	0	0	0
(iii) SOEs	272	25	100	100	100	100	100	25	50
C. Other outflows	5	-13	-5	0	0	0	0	0	0
2. Sources of financing	**714**	**611**	**-48**	**295**	**150**	**-4**	**50**	**58**	**-342**
A. Asset sales (net) (Other investment account)	-104	244	-168	-25	0	0	0	0	0
B. Foreign direct investment (net)	119	-8	0	104	115	113	112	106	94
C. Portfolio flows (net)	59	-117	-35	0	0	0	0	0	0
(i) Central government	0	125	0	0	0	0	0	0	0
(ii) SOEs	0	0	51	0	0	0	0	0	0
(iii) Other	59	-242	-86	0	0	0	0	0	0
D. Public sector debt financing	477	201	98	39	35	37	48	57	108
(i) Central government	186	201	98	39	35	37	48	57	108
(ii) SOEs	291	0	0	0	0	0	0	0	0
E. Other inflows (net)	163	290	57	176	0	-154	-109	-105	-544
Balance (2-1) excluding expected accumulation of gross reserves; Gap (-) Surplus (+)	179	54	70	144	-118	-146	-97	-21	-564
3. Expected change in gross reserves of the CBvS; accumulation (-)	**-148**	**208**	**83**	**-383**	**-454**	**-365**	**-352**	**-84**	**39**
4. Errors and omissions	**-31**	**-242**	**-113**	**0**	**0**	**0**	**0**	**0**	**0**
5. Financing needs -(2-1+3+4)	**0**	**-20**	**-40**	**239**	**572**	**511**	**449**	**105**	**524**
Allocation by:									
(i) Official financing	0	-20	-40	36	395	396	340	0	-20
a. IMF	0	-20	-40	36	228	230	174	0	-20
Purchases	0	0	0	56	228	230	174	0	0
O/w: for budget support	0	0	0	56	84	60	0	0	0
Repurchases	0	20	40	21	0	0	0	0	20
b. IFIs	0	0	0	0	168	166	166	0	0
(ii) External arrears (net)				203	176	-39	0	0	0
(iii) Financing from external debt restructuring 1/						154	109	105	544
				(In percent of GDP)					
1. Gross external financing requirements	**18.5**	**19.3**	**-4.1**	**5.2**	**9.3**	**4.9**	**5.1**	**2.7**	**7.7**
A. Current account deficit	4.1	15.5	-9.0	-4.0	0.9	-0.3	0.0	0.2	0.5
B. Public sector debt amortization	14.3	4.2	5.1	9.2	8.3	5.2	5.1	2.5	7.2
(i) Central government	4.8	3.4	1.6	5.7	4.9	1.7	1.7	1.7	5.4
(ii) CBvS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(iii) SOEs	9.4	0.9	3.5	3.5	3.5	3.5	3.5	0.9	1.7
C. Other outflows	0.2	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
2. Sources of financing	**24.7**	**21.2**	**-1.7**	**10.2**	**5.2**	**-0.1**	**1.7**	**2.0**	**-11.9**
A. Asset sales (net) (Other investment account)	-3.6	8.5	-5.8	-0.9	0.0	0.0	0.0	0.0	0.0
B. Foreign direct investment (net)	4.1	-0.3	0.0	3.6	4.0	3.9	3.9	3.7	3.3
C. Portfolio flows (net)	2.0	-4.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
(i) Central government	0.0	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(ii) SOEs	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0
(iii) Other	2.0	-8.4	-3.0	0.0	0.0	0.0	0.0	0.0	0.0
D. Public sector debt financing	16.5	7.0	3.4	1.4	1.2	1.3	1.7	2.0	3.7
(i) Central government	6.4	7.0	3.4	1.4	1.2	1.3	1.7	2.0	3.7
(ii) SOEs	10.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Other inflows (net)	5.6	10.1	2.0	6.1	0.0	-5.3	-3.8	-3.6	-18.9
Balance (2-1) excluding expected accumulation of gross reserves; Gap (-) Surplus (+)	6.2	1.9	2.4	5.0	-4.1	-5.0	-3.4	-0.7	-19.5
3. Expected change in gross reserves of the CBvS; accumulation (-)	**-5.1**	**7.2**	**2.9**	**-13.3**	**-15.7**	**-12.7**	**-12.2**	**-2.9**	**1.4**
4. Errors and omissions	**-1.1**	**-8.4**	**-3.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
5. Financing needs -(2-1+3+4)	**0.0**	**-0.7**	**-1.4**	**8.3**	**19.8**	**17.7**	**15.6**	**3.6**	**18.2**
Allocation by:									
(i) Official financing	0.0	-0.7	-1.4	1.2	13.7	13.7	11.8	0.0	-0.7
a. IMF	0.0	-0.7	-1.4	1.2	7.9	8.0	6.0	0.0	-0.7
Purchases	0.0	0.0	0.0	2.0	7.9	8.0	6.0	0.0	0.0
O/w: for budget support	0.0	0.0	0.0	2.0	2.9	2.1	0.0	0.0	0.0
Repurchases	0.0	0.7	1.4	0.7	0.0	0.0	0.0	0.0	0.7
b. IFIs	0.0	0.0	0.0	0.0	5.8	5.8	5.7	0.0	0.0
(ii) External arrears (net)				7.1	6.1	-1.4	0.0	0.0	0.0
(iii) Financing from external debt restructuring 1/						5.1	3.5	3.2	15.8

Sources: Fund staff estimates and projections.

1/ Calculated as a difference between the debt restructuring scenario and a scenario without debt restructuring.

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Table 8. Suriname: Monetary Survey and Central Bank Accounts, Restructuring Scenario

(Millions of SRD unless otherwise indicated)

						Proj			
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Monetary Survey									
Net foreign assets	**6,447**	**6,365**	**8,430**	**5,867**	**11,674**	**24,773**	**42,322**	**53,594**	**66,639**
Net international reserves (Held by the CBvS)	2,216	2,515	3,685	4,345	7,905	21,859	38,554	49,491	62,138
Net other foreign assets	4,231	3,850	4,745	1,522	3,769	2,914	3,768	4,103	4,501
Net domestic assets	**9,178**	**10,669**	**9,977**	**13,431**	**20,119**	**22,796**	**18,568**	**16,712**	**15,331**
Net claim on the public sector	2,153	3,726	3,462	4,787	11,310	15,707	11,888	7,039	2,472
Of which: on central government	2,373	3,912	3,612	5,055	11,360	15,493	11,515	6,594	1,943
From CBvS	1,436	1,947	1,797	3,248	8,234	10,216	6,988	2,504	633
From Commercial Banks	937	1,964	1,815	1,807	3,126	5,277	4,527	4,090	1,310
Net claims LC	473	1,186	1,053	78	985	2,655	2,347	2,022	1,549
Net claims FC	464	779	762	1,729	2,141	2,622	2,180	2,068	-240
(In USD millions)	62	104	102	208	153	116	72	62	-6
Credit to the private sector	7,525	7,618	7,278	7,310	9,288	12,866	16,333	20,390	24,659
Other items, net	-500	-675	-764	1,335	-479	-5,778	-9,653	-10,716	-11,800
Broad money	**15,621**	**17,030**	**18,403**	**19,269**	**31,793**	**47,568**	**60,890**	**70,306**	**81,970**
Currency in circulation	1,184	1,288	1,504	1,973	3,498	4,329	4,753	5,565	6,516
Local currency deposits	4,218	4,783	5,731	6,842	8,473	11,291	13,448	17,208	22,209
Foreign currency deposits	10,218	10,959	11,168	10,454	19,823	31,949	42,689	47,534	53,244
Central Bank (CBvS)									
Net foreign assets	**1,137**	**512**	**1,992**	**2,394**	**4,039**	**11,680**	**24,828**	**34,115**	**44,820**
Net international reserves	2,216	2,515	3,685	4,345	7,905	21,859	38,554	49,491	62,138
Of which:									
Gross International Reserves	2,802	3,140	4,296	4,790	8,199	21,862	42,902	60,044	80,504
(In USD millions)	381	424	581	576	585	968	1,421	1,786	2,138
Liabilities	-586	-625	-611	-445	-294	-3	-4,348	-10,553	-18,366
Net other foreign assets	-1,078	-398	-1,694	-1,951	-3,866	-10,179	-13,725	-15,376	-17,318
Gross Other foreign assets	673	360	256	21	44	65	86	96	108
(In USD millions)	90	48	34	3	3	3	3	3	3
Gross other foreign liabilities	-1,953	-1,944	-1,950	-1,971	-3,910	-10,243	-13,812	-15,472	-17,426
(In USD millions)	-262	-261	-261	-237	-279	-453	-458	-460	-463
SDR allocations	-909	-900	-906	-901	-1,779	-6,846	-9,272	-10,417	-11,763
(In USD millions)	-122	-121	-121	-108	-127	-303	-307	-310	-312
RMB Swap with PBoC	-1,043	-1,043	-1,043	-1,070	-2,131	-3,398	-4,540	-5,055	-5,663
(In USD millions)	-140	-140	-140	-129	-152	-150	-150	-150	-150
Net domestic assets	**1,867**	**3,162**	**2,984**	**7,198**	**8,777**	**6,614**	**-1,637**	**-6,774**	**-12,245**
Net claims on public sector	1,436	1,947	1,797	3,248	8,234	10,216	6,988	2,504	633
Of which: central government	1,436	1,947	1,797	3,248	8,234	10,216	6,988	2,504	633
Net claims on commercial banks	-140	186	39	264	-2,496	-8,616	-13,087	-13,658	-16,892
Other items, net	570	1,030	1,147	3,686	3,038	5,013	4,462	4,380	4,013
Reserve money	**3,004**	**3,674**	**4,975**	**9,593**	**12,817**	**18,294**	**23,191**	**27,341**	**32,575**
Currency in circulation	1,384	1,550	1,757	2,263	3,861	4,720	5,182	6,068	7,105
Bankers deposits	1,557	2,007	3,109	7,211	8,869	13,406	17,805	21,053	25,229
Other demand deposits in national currency	25	74	68	90	19	61	61	61	61
Gold certificates	38	43	42	28	67	107	143	160	179
Memorandum items:	(12-month percent change, unless otherwise indicated)								
Monetary survey									
Velocity (GDP/broad money; end of period)	1.3	1.6	1.6	1.6	1.2	1.2	1.3	1.4	1.4
Broad money	53.8	9.0	8.1	4.7	65.0	49.6	28.0	15.5	16.6
Broad money (constant exchange rate)	6.0	8.7	8.1	-1.1	23.7	16.2	9.9	15.9	17.9
Broad money (local currency portion only)	12.6	12.4	19.2	21.8	35.8	30.5	16.5	25.1	26.1
Broad money (in real terms)	0.9	-0.3	2.5	0.5	2.6	-5.5	1.7	-1.8	4.0
Broad money (Percent of GDP)	75.6	63.3	61.7	61.2	82.9	84.5	78.1	72.7	73.4
FX deposits	2.8	6.7	1.9	-16.0	12.4	0.0	0.0	0.0	0.0
Credit to the private sector	25.3	1.2	-4.5	0.4	27.1	38.5	26.9	24.8	20.9
Credit to private sector (in real terms)	-17.8	-7.4	-9.4	-3.6	-20.9	-12.5	0.9	6.2	7.9
Credit to private sector (Percent of GDP)	36.4	28.3	24.4	23.2	24.2	22.9	20.9	21.1	22.1
Central bank									
Reserve money	15.5	22.3	35.4	92.8	33.6	42.7	26.8	17.9	19.1
Reserve money (constant exchange rate)	4.5	24.4	37.0	127.8	1.3	15.8	12.4	16.6	18.5
Reserve money (local currency portion only)	13.5	19.3	33.1	19.1	42.7	25.1	20.0	25.1	26.1
Reserve money (in real terms)	-24.2	11.9	28.4	85.0	-16.9	-9.8	0.8	0.3	6.3
Reserve money (Percent of GDP)	14.5	13.7	16.7	30.5	33.4	32.5	29.7	28.3	29.2
Money multiplier (SRD broad money/reserve money)	2.0	1.9	1.7	1.7	1.6	1.7	1.7	1.7	1.7

Sources: Central Bank of Suriname; and IMF staff calculations and projections.

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Table 9. Suriname: Financial Soundness Indicators

(Percent)

	2016 Dec.	2017 Dec.	2018 Dec.	2019 Dec.	2020 Dec.	2021 Sept
Capital Adequacy						
Regulatory capital to risk-weighted assets	5.5	9.3	9.6	11.4	11.8	12.4
Regulatory Tier 1 capital to risk-weighted assets	5.5	8.7	9.0	10.8	10.5	11.0
Tier 1 capital to total assets (leverage ratio)	3.3	5.0	4.9	4.9	4.3	4.5
Asset Quality						
NPL to gross loans	10.8	13.0	12.0	10.6	14.6	12.4
NPL net of provisions to Tier 1 capital	76.8	52.1	39.0	34.9	68.1	51.1
Provisions to total NPLs	43.4	53.2	61.6	60.5	46.0	44.0
Large exposures to capital	609.3	335.4	272.5	228.7	306.5	282.2
Foreign currency loans to total loans	68.4	66.8	62.8	59.2	49.1	55.5
Earnings and Profitability						
Return on assets (ROA, annualized)	-0.7	0.9	0.1	1.0	2.0	1.8
Return on equity (ROE, annualized)	-11.9	16.2	1.9	16.7	34.8	32.0
Net interest income to gross income	67.0	67.4	70.6	69.2	47.7	47.7
Spread between lending and deposit rates (ppts)	7.7	8.0	8.0	7.4	7.4	7.1
Liquidity						
Liquid assets to total assets	32.7	37.9	40.2	46.8	51.5	55.4
Liquid assets to short-term liabilities	69.2	82.3	82.1	93.4	101.3	109.0
Total loans to total deposits	52.4	53.7	44.6	47.9	40.2	32.8
Sensitivity to market risk						
Net open positions in foreign currency to capital 1/	51.6	7.1	22.2	11.5	20.8	43.7
Foreign currency deposits to total deposits	71.1	70.1	66.5	60.9	69.2	74.3

Source: Central Bank of Suriname

1/ The increase in net asset position in 2016, 2020 and 2021 includes a valuation effect attributable to significant depreciation.

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Table 10. Suriname: Proposed Schedule of Reviews and Available Purchases

Availability Date	Millions of SDR	Percent of Quota	Conditions
12/22/2021	39.4	30.6	Board Approval of the Extended Arrangement
3/15/2022	39.4	30.6	First review and continuous and end-December 2021 performance criteria
6/15/2022	39.4	30.6	Second review and continuous and end-March 2022 performance criteria
9/15/2022	39.4	30.6	Third review and continuous and end-June 2022 performance criteria
12/15/2022	39.4	30.6	Fourth review and continuous and end-September 2022 performance criteria
3/15/2023	39.4	30.6	Fifth review and continuous and end-December 2022 performance criteria
6/15/2023	39.4	30.6	Sixth review and continuous and end-March 2023 performance criteria
9/15/2023	39.4	30.6	Seventh review and continuous and end-June 2023 performance criteria
12/15/2023	39.4	30.6	Eighth review and continuous and end-September 2023 performance criteria
3/15/2024	39.4	30.6	Nineth review and continuous and end-December 2023 performance criteria
6/15/2024	39.4	30.6	Tenth review and continuous and end-March 2024 performance criteria
9/15/2024	39.4	30.6	Eleventh and final review and continuous and end-June 2024 performance criteria
Total	472.8	366.8	
Memo:			
Quota	128.9		

Source: IMF staff calculations.

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Table 11. Suriname: Program Monitoring—Indicators of Fund Credit Under the EFF Supported Program, Restructuring Scenario
(Millions of SDR unless otherwise indicated)

								Proj.							
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Prospective Drawings	0.0	39.4	157.6	157.6	118.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota	0.0	30.6	122.3	122.3	91.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	29.0	14.5	0.0	0.0	0.0	0.0	13.1	39.4	65.7	78.8	78.8	78.8	65.7	39.4	13.1
Total Interest / Charges	0.7	0.3	1.7	3.7	7.9	9.6	9.6	9.2	9.2	6.3	3.3	1.9	1.1	0.5	0.1
Total Debt Services	29.7	14.8	1.7	3.7	7.9	9.6	22.7	48.6	74.9	85.1	82.1	80.7	66.8	39.9	13.3
Percent of exports	1.7	0.8	0.1	0.2	0.4	0.5	1.2	2.6	3.9	4.3	4.0	3.7	2.9	1.6	0.5
Percent of usable reserves	35.0	4.2	0.3	0.4	0.7	0.8	2.0	4.5	7.4	9.0	9.5	9.9	8.5	5.2	1.7
Percent of GDP	1.4	0.8	0.1	0.2	0.4	0.4	1.0	2.0	2.9	0.2	0.1	0.1	0.1	0.0	0.0
Percent of quota	23.0	11.5	1.3	2.9	6.1	7.5	17.6	37.7	58.1	66.1	63.7	62.6	51.8	30.9	10.3
Outstanding Credit (eop)	14.5	39.4	197.0	354.6	472.8	472.8	459.7	420.3	354.6	275.8	197.0	118.2	52.5	13.1	0.0
Percent of exports	0.8	2.2	10.7	19.6	26.1	26.2	25.3	22.6	18.4	13.9	9.5	5.4	2.3	0.5	0.0
Percent of usable reserves	17.1	11.2	29.8	39.2	41.6	39.9	39.9	39.1	35.2	29.3	22.8	14.5	6.7	1.7	0.0
Percent of GDP	0.7	2.0	9.8	17.2	22.2	21.4	19.9	17.2	13.7	10.1	6.8	3.9	1.6	0.4	0.0
Percent of quota	11.2	30.6	152.8	275.1	366.8	366.8	356.6	326.0	275.1	214.0	152.8	91.7	40.8	10.2	0.0
Memo items:															
Quota	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9	128.9
Exports of G&S (US$ million)	2,447	2,550	2,647	2,633	2,660	2,670	2,712	2,777	2,866	2,968	3,096	3,273	3,463	3,659	3,867
Gross International Reserves (US$ million)	585	968	1,421	1,786	2,138	2,222	2,183	2,069	1,968	1,871	1,755	1,684	1,637	1,613	1,617
as percent of ARA	73	110	162	195	224	231	231	224	217	211	202	197	194	193	194
Gross International Usable Reserves (excluding PBoC swap and ring-fenced reserves (US$ million)	118	501	955	1,320	1,672	1,756	1,716	1,602	1,501	1,405	1,289	1,218	1,170	1,147	1,150
as percent of ARA	15	57	109	144	175	182	181	173	166	158	149	143	139	137	138
Nominal GDP (SRD million)	38,353	56,280	77,978	96,647	111,746	124,972	138,883	150,144	162,350	175,507	189,769	205,189	221,916	239,989	259,514

Source: IMF staff calculations and projections.

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Annex I. External Sector Assessment

Suriname's current account (CA) balance improved sharply in 2020 due to import compression. Its net international investor position deteriorated to around -120 percent of GDP, and international reserves covered only 0.7 months of imports at the end of 2020. Due to a massive depreciation of the parallel exchange rate in 2020, the real effective exchange rate (REER) depreciated by around 20 percent. The external position of Suriname in 2020 is assessed to be broadly in line with fundamentals and desirable policy settings according to the model-based approach for CA, with an estimated CA gap of -1.0 percent of GDP and a REER gap of 1.5 percent. However, there are significant uncertainty around the assessment given the significant shifts in the external position and real exchange rate over the past couple of years. Staff see vulnerability in the lower level of reserves and deteriorated net international investor position, and recommend fiscal consolidation, exchange rate flexibility, reserve accumulation and monetary tightening.

Current Account and Real Exchange Rate

1. Suriname's current account balance in 2020 improved sharply to 9.0 percent of GDP from -11.3 percent in 2019 and deviated significantly from its trend. The sharp reversal of CA (of 20.3 percent of GDP), in part due to the pandemic, is twice as much as the reversal in 2016 (of 10.5 percent of GDP) triggered by Suriname's previous external-fiscal crisis. The current account improvement is largely driven by both a collapse in imports and an increase in the value of exports. Four factors were driving the current account dynamics: (i) decline in economic activity from the pandemic, (ii) severe external financial constraints, (iii) substantial depreciation of the parallel exchange rate, and (iv) substantial increase in the price of gold.

2. The nominal and real effective exchange rate (NEER and REER) depreciated sharply by respectively around 54 and 27 percent on average during 2020. This was due to a massive depreciation of the exchange rate. Between end-2020 and September 2021, NEER depreciated 18 percent while the REER appreciated 13 percent. The real exchange rate appreciation is due to CPI inflation rates in excess of depreciation over 9 months.

3. The IMF's EBA-Lite current account (CA) methodology applied to 2020 BOP data suggests that the estimated CA and REER gaps in Suriname were broadly in line with fundamentals and desirable policy settings in 2020. The cyclical component of CA was large at 6.2 percent of GDP, which reflects both the impacts of a large negative output gap and the strong surge in the international gold price which drove up the terms-of-trade for Suriname significantly. An additional COVID-19 related cyclical adjustment—systematically applied to all countries—is added to reflect the impact of the slowdown in the global economy during the pandemic on tourism (-0.3 percent of GDP) and the oil trade balance (of +1.3 percent of GDP). The adjusted current account norm is estimated to be around 4.8 percent of GDP after taking into account adjustments made to capture the impact of migrants living outside the country and the impact of the tight external financing constraints it is facing during the crisis. The estimated CA gap in 2020 was -1.0

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percent of GDP and the implied REER gap was in the range of 0 to 3 percent (with 1.5 percent as the middle point).

4. **The current account surplus declined to 5.3 percent of GDP in 2021H1 from 7.1 percent of GDP in 2020H2.** Staff expect a further decline in the current account surplus in 2021H2 due to a gradual pick-up in economic activity. Usable international reserves have increased to cover 2.3 months of imports in September, largely due to the SDR allocation of USD 175 million in August and the CBvS's purchases of FX.

Text Table Suriname: Model Estimates for 2020 (in percent of GDP)

	CA model
CA-Actual	**9.0**
Cyclical contributions (from model) (-)	6.2
COVID-19 adjustor (+) 1/	1.0
Adjusted CA	**3.8**
CA Norm (from model) 2/	**-6.1**
Adjustments to the norm (+) 3/	10.9
Adjustments made for the migrant share	8.7
Adjustments made for the financing constraint	2.2
Adjusted CA Norm	**4.8**
CA Gap	**-1.0**
o/w Relative policy gap	-9.2
Elasticity	-0.69
REER Gap (in percent)	**1.5**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on the current account position through tourism (-0.3 percent of GDP) and oil trade balance (1.3 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.
3/ Including the adjustment made to capture the true impact of migrants living outside Suriname and the impact of tight external financing constraints faced by Suriname.

International Investor Position (IIP) and Capital Flows

5. **Suriname's net international investment position (IIP) was 119 percent of GDP in 2020.** This represents a sharp deterioration from -91 percent of GDP in 2019, due to a sharp fall in USD GDP. Net IIP improved slightly from USD -3.6 billion in 2019 to USD -3.4 billion in 2020 owing to three factors: (i) an increase in IIP assets, (ii) a reduction of IIP liabilities and (iii) an improvement

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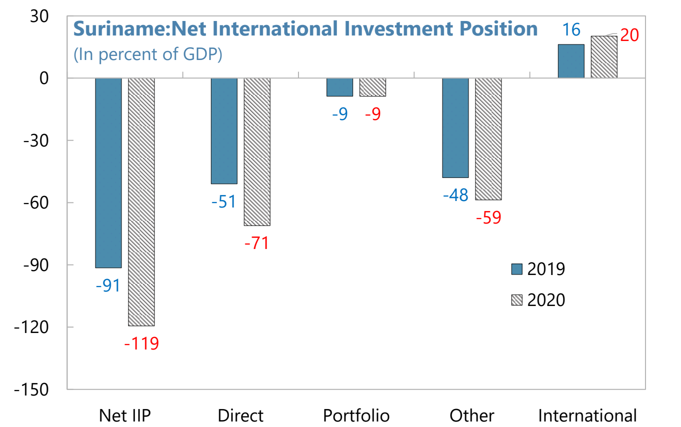
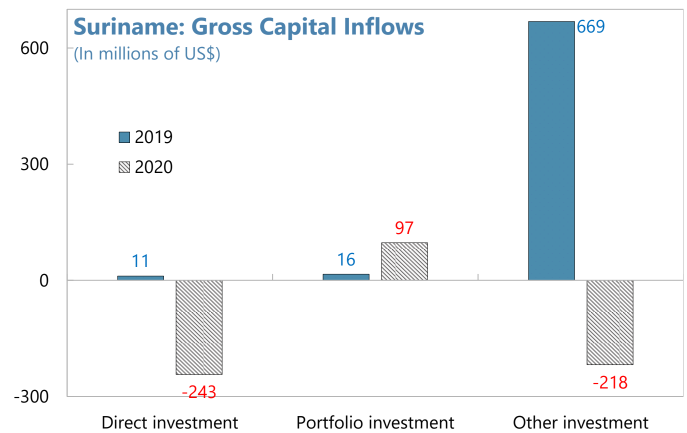
in the current account. Both net direct investment and net other investment positions deteriorated sharply to -71 and -59 percent of GDP, respectively.

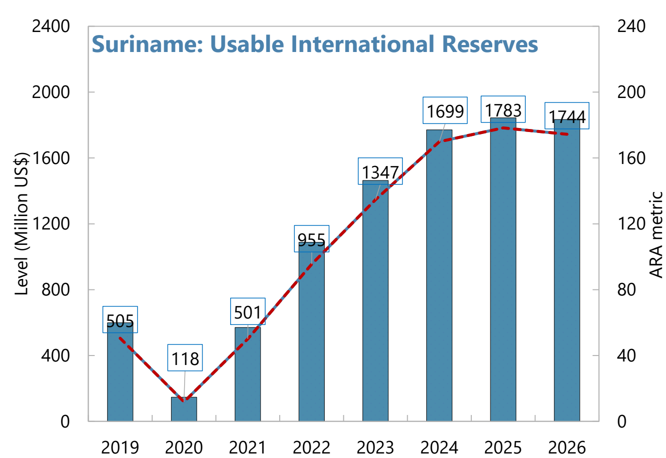
6. Suriname experienced large outflows of other investment, while receiving steady inflows of both direct investment and portfolio investment in 2020. Contrary to large inflows in 2019, Suriname experienced large outflows of other investment of USD 218 million (8 percent of GDP) in 2020. These are mostly due to an increase in foreign assets by banks and other sectors (USD 168 million) and reductions in foreign liabilities of the CBvS and Staatsolie. Similarly, direct investment decreased to USD 243 million (8 percent of GDP). On contrary, portfolio investment inflows increased slightly to USD 97 million (3 percent of GDP).





Sources: Surinamese authorities

7. Usable international reserves (i.e., gross international reserves minus PBOC swap and banks' ring-fenced required reserves) decreased sharply to USD 118 million (0.7 months of imports) in 2020. The level of usable reserves in 2020 was only 15 percent of the ARA reserve adequacy metric. Usable reserves have increased to USD 419 million (2.3 months of imports) in September 2021 largely due to the SDR allocation and CBvS's purchases of FX. Going forward, further exchange rate flexibility and the proposed program financing, would allow for a rebuilding of foreign reserves over the program period. Suriname is expected to accumulate usable international reserves to around 175 percent of the ARA reserve adequacy metric (equivalent of around 9 months of imports) by end-2024.



Sources: Surinamese authorities

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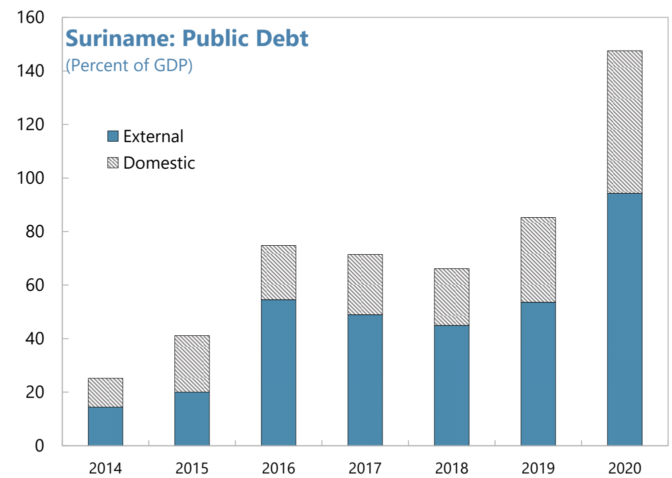
Annex II. Debt Sustainability Analysis

Suriname's public debt is unsustainable under the maximum feasible fiscal adjustment in the next 15 years. With a significant deterioration in the existing imbalances triggered by the COVID-19 pandemic, public debt reached about 148 percent of GDP by end-2020 with GFNs at 18 percent of GDP in 2020. The authorities' preliminary debt restructuring scenario, covering external private and official bilateral debt, and a large fiscal adjustment, suggests that public debt and GFNs would be brought to sustainable levels. However, even after restructuring, public debt would remain high (above 100 percent of GDP) over the medium term and highly vulnerable to macro-fiscal shocks, in particular to real exchange rate depreciation, economic growth, primary balance, and higher recapitalization needs of the banking system and/or the Central Bank of Suriname (CBvS). Vulnerability to real depreciation is mitigated by the significant share of government revenues received in foreign currency.

A. Public Sector DSA

Current Trend of Public Debt

1. Definition. For the purposes of this DSA, "public debt" refers to Suriname's central government debt including IMF loans to the CBvS. Statistics for the broader public sector are not compiled.



Debt Profile and Recent Developments[1]

2. Public debt ratios increased sharply due to large fiscal deficits, exchange rate depreciation, and a large output contraction in 2020. Gross public debt reached about 148 percent of GDP in 2020, larger than many other commodity-exporting countries, including those in Latin America and the Caribbean.[2]

3. External public debt at end-2020 amounted to 94 percent of GDP, about two thirds of total public debt.[3] It is comprised of medium- and long-term bonds and loans denominated in

[1] Suriname Debt Management Office (SDMO) classifies liabilities to the Suriname government issued or contracted under domestic or foreign jurisdictions as domestic or external debt, respectively.

[2] Despite the higher debt stock relative to the PN in January 2021, the increase in nominal value of GDP following its rebasing has resulted in a slightly lower value of debt as percent of GDP (148 percent) compared to the PN (165 percent).

[3] The authorities confirm that no collateral has been provided and no collateral-like escrow or bank accounts have been funded in respect of external debt that is expected to be subject to restructuring (including the 2019 Note). A swap line with PBOC of USD 150 million is not included in public debt because it has never been drawn. However, it is included in external debt as a short-term liability to the CBvS.

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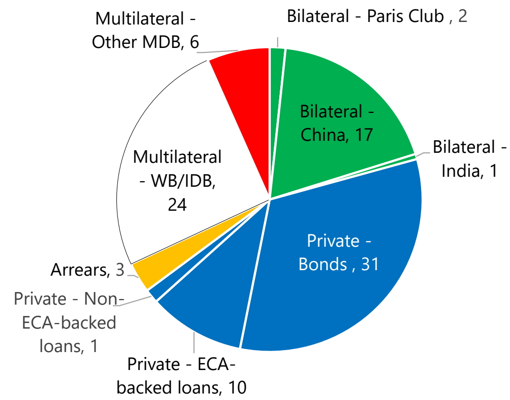
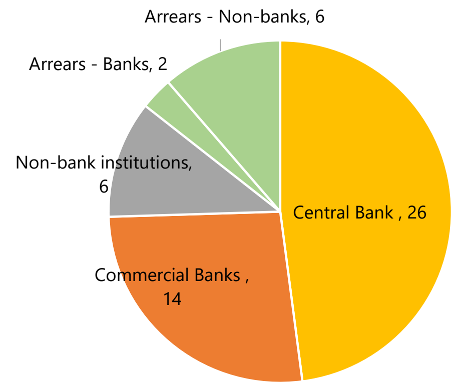
foreign currency (US dollar, Euro and Chinese yuan). As of end-2020, multilateral debt accounts for 30 percent of GDP, out of which, debt owed to the Inter-American Development (IADB) accounts for 24 percent of GDP. Bilateral debt is at 20 percent of GDP, of which debt owed to China is the largest at 17 percent of GDP, while debt owed to the Paris Club and India amounts to 2 and 1 percent of GDP, respectively.[4] Private debt is comprised of bonds and loans, of which two international bonds (placed in 2016 and 2019) account for 31 percent of GDP, while external commercial loans are 11 percent of GDP (Table 1). External commercial loans include all ECA-backed facilities (as at end-2020, these guarantees were not yet called) and non-ECA backed facilities at end-2020. Of the ECA-backed facilities (10 percent of GDP), 56 percent is owed to China, 11 percent to India and the rest to Paris Club creditors. ECA-backed debt will become official/bilateral once it is in arrears and as of October 2021, about 89 percent of this debt has become official with loans to India remaining current. External arrears of 3 percent of GDP were accumulated to multilateral (IADB and IDB), bilateral, and private creditors as of end-2020 (arrears to multilateral creditors were cleared in 2021).

Suriname: External Public Debt, end-2020
(Percent of GDP)



Suriname: Domestic Public Debt, end-2020
(Percent of GDP)



4. **Domestic debt reached 53 percent of GDP by end-2020.** Domestic debt is comprised of both medium- and long-term bonds, loans and short-term T-bills. Domestic debt instruments are denominated in both domestic currency and foreign currencies (US dollar, Euro).[5] The CBvS holds domestic debt equivalent to 26 percent of GDP. Debt to commercial banks (both loans and T-bills) amounts to 14 percent of GDP, and debt to non-banking institutions is 6 percent of GDP. The government has accumulated arrears to commercial banks and the non-bank private sector of 8 percent of GDP.

Macroeconomic Assumptions

5. **The specific assumptions are as follows:**

- ***Growth:*** Real GDP declined by 15.9 percent in 2020 due to a collapse in real activity and lower exports. In 2021, staff expect growth to stay negative, at 3.5 percent, reflecting fiscal and

[4] The bilateral debt stock at end-2020 does not include any ECA-backed commercial facilities for which guarantees were not called by end-2020.

[5] Around 27 percent of public domestic debt in 2020 is denominated in foreign currency.

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monetary tightening. Over the medium term, growth would recover gradually to 2.5–3 percent, supported by the positive effects from a stabilized macroeconomic situation and restored debt sustainability; growth would be steady at 3 percent over the long term. The overall fiscal multiplier used is 0.3 reflecting *Alichi and others (2019)*.

- ***Inflation:*** Inflation spiked to about 61 percent (end of period) in 2020, fueled by the high pass-through from exchange rate depreciation—assumed to be about 70 percent over the long term, reflecting the findings of *Shibata (2019)*. Fiscal and monetary policies under the program would reduce end-of-period inflation to about 58 percent in 2021 and further down to 26 percent in 2022. Staff expect inflation to decline to 12 percent by the end of the program period, and then to gradually decrease to 5 percent in the long run, on the back of continued prudent policies.

- ***REER.*** A depreciation of 19 percent in 2020 eliminated the REER overvaluation.[6] In 2021, the REER is projected to appreciate by 4 percent. The REER is then projected to gradually appreciate in the medium term and beyond, by about 0.6 percent on average per year, reflecting the Balassa-Samuelson effect.

- ***Fiscal Balance:*** The primary fiscal balance was -9.7 percent of GDP in 2020 and is projected at -1.3 percent in 2021.[7] Over the medium term, the primary balance would improve substantially to 4.5 percent of GDP under the program. Fiscal policies implemented during the program period will remain at their 2024 bearings until 2035. After the program, the primary balance is projected to converge to 3.5 percent of GDP and remain at this level until 2035. This fiscal path represents the maximum feasible adjustment. The proposed policy adjustment package is very large, and the long-term primary balance is high by both international standards and historical experience in Suriname. This, however, seems to be unavoidable if debt sustainability is to be restored.

Public Debt under No Restructuring Scenario

Despite the significant fiscal consolidation, public debt would remain unsustainable. Total public debt would only decline to about 134 percent in 2024. While public debt would continue to decline, it would be at around 75 percent of GDP by 2035, substantially higher than the debt target of 60 percent (further discussed below). Gross financing needs are projected to remain elevated at 13 percent of GDP on average over 2023–35, reaching a maximum of about 24 percent in 2026, well above the standard MAC DSA threshold of 15 percent.

Public Debt under Restructuring Scenario

6. The goal of debt restructuring, in conjunction with fiscal consolidation, is to put public debt on a firm downward trajectory and achieve the medium- and long-term debt anchors. The overarching objective of the program would be to reduce public debt from 148 percent of GDP

[6] These estimates are based on the weighted average exchange rate (with 70 percent of the weight allocated to the parallel exchange rate and 30 percent to the official exchange rate).

[7] 2021 Year-to-September outturn data shows that the primary balance (cash basis) was about 3.7 percent of GDP.

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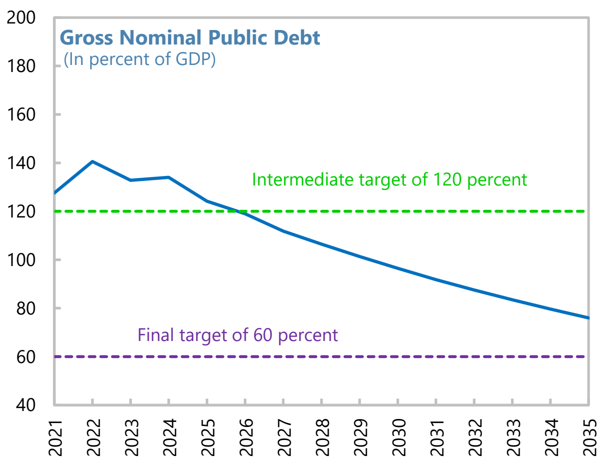
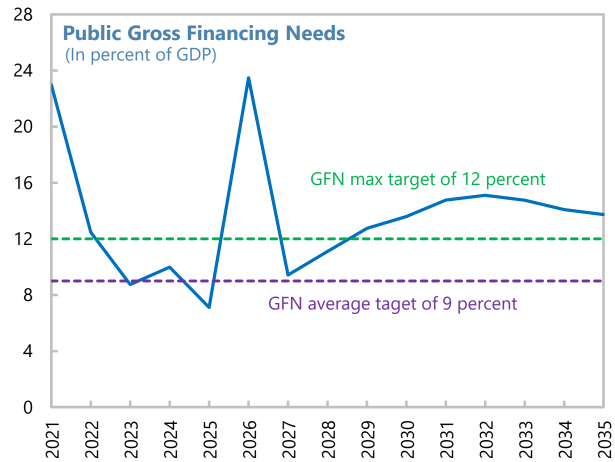
in 2020 to 60 percent of GDP by 2035, with an intermediate debt target of 120 percent of GDP by 2024 (end of program); and reduce GFNs to an average of 9 percent and an upper limit of 12 percent over 2023-2035. These would serve as the long-term anchors of the program. The standard MAC DSA thresholds for EMs are GFN of 15 percent of GDP and a debt stock of 70 percent of GDP. However, given Suriname's vulnerabilities, a buffer is necessary. A 60 percent debt-to-GDP target would be consistent with other recent debt restructurings under IMF-supported programs in the region (for example Barbados and Jamaica).





7. The specific assumptions of the baseline program scenario are as follows:

- ***Debt restructuring***. Under the authorities' preliminary restructuring scenario, the debt perimeter for restructuring covers external commercial and official bilateral debt (including arrears), in total amounting to about 65 percent of GDP as of end-2020. The restructuring is projected to happen at end-2022 with commercial and official debt service due in 2021 and 2022 becoming arrears. Under this scenario, the face value of external commercial debt, including arrears—bonds and non-ECA backed loans—is reduced by 40 percent at end-2022, and the amortization of remaining debt outstanding would be paused for 3 years. In line with program parameters, the scenario envisages that debt from all official bilateral creditors would be restructured on the same terms as the Paris Club creditors. Under the Paris Club stock treatment assumption, there is no face value reduction of ECA-backed commercial debt, including arrears accumulated until end 2022, but amortization of remaining debt outstanding is paused for 8 years. Similarly, there is no face value reduction of official debt, including arrears, and amortization of remaining debt outstanding is paused for 7 years. In addition to the nominal haircut and extension of maturity, the restructuring scenario also assumes interest payments starting in 2023 with reduced average coupon rates of 3.4 percent for non ECA-backed commercial debt and Eurobonds, and around 1.1 percent for official and ECA-backed commercial debt. This restructuring scenario results in NPV reduction of around 36 percent for official bilateral and 45 percent for external commercial creditors at a 5 percent discount rate, and 62 percent for official bilateral and 58 percent for external commercial creditors at a 10 percent discount rate.

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- ***CBvS Debt repayment:*** Some of the program disbursement is programed to repay part of an existing loan to the CBvS over the program period.

- ***Financing:*** Financing requirements are reduced significantly over the medium term due to the external debt restructuring (both through the face-value reduction and coupon reduction on existing external bilateral and commercial debt). Project financing from multilateral creditors is assumed to gradually decline in the long term as Suriname switches to market financing of its capital expenditure. Financing from external private creditors is assumed to resume gradually over the medium and long term. Domestic financing is expected to continue.

- ***External and domestic arrears***. In line with program parameters, the scenario envisages that one quarter of the stock of arrears owed to the official creditors at end-2021 will be settled six months after the restructuring agreement is reached, and another quarter of the arrears will be settled 4.5 years after the agreement. The remaining stock of arrears to the official creditors, as well as the arrears to external private creditors accumulated from 2020 to 2022 are projected to be addressed as part of the debt restructuring. Arrears to multilaterals have been fully cleared and no new arrears will be accumulated going forward. As of September 2021, the government has settled all local currency commercial bank arrears (SRD 58 million) and has repaid some of the private sector arrears (about SRD 127 million) with plans to settle an additional SRD 276 million of supplier arrears by end-2021. Based on the accumulation of supplier arrears until mid-November 2021, staff project an additional accumulation of SRD 606 million in supplier arrears during 2021. Remaining domestic arrears would be repaid over 4 years, starting from 2022.

8. Under this restructuring scenario, public debt is sustainable. Public debt would be placed on a steady downward trend over the medium and long term, falling below 120 percent in 2024, 80 percent in 2030, and 60 percent by 2035. Moreover, GFNs would decline sharply from 21 percent in 2021 to around 7 percent in 2024, rise temporarily to about 12 percent by 2030 (due to debt service to the IMF and repayments of restructured claims), and then gradually decline to 10 percent, remaining at sustainable levels over the long term.

9. The fan charts illustrate the baseline public debt dynamics, along with a symmetric and asymmetric distribution of risks (Figure 1).[8] With a symmetric distribution of shocks, the debt ratio tends to decrease over the medium term, although there are certain shock combinations that increase this ratio. In the asymmetric scenario, the debt ratio remains elevated under most shock realizations.

[8] The bands in the fan charts show how the debt ratio would evolve if shocks to growth, inflation, the exchange rate, and the primary balance were to materialize, where the distribution of the shocks is based on the country-specific historical forecast errors.

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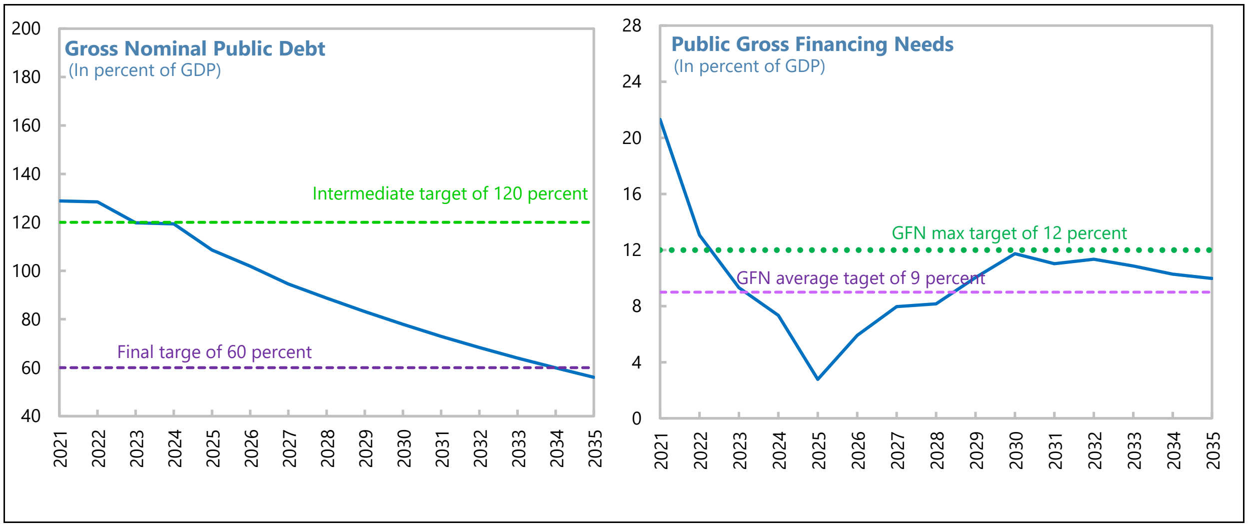

10. The risk assessment identifies all public debt and GFN indicators as a high risk for Suriname under the restructuring scenario (Figure 1). Among the indicators on the debt profile, market perception, foreign currency debt and non-residents' holding of public debt are also at high risk. The external financing requirements is deemed at moderate risk.[9] An additional risk may materialize in the case the domestic banking sector is called upon to meet domestic financing needs in a stress event. The banking sector may need to absorb 16 to 18.2 percent of bank assets of sovereign debt over 2021-26, respectively, 2026-31, which is a risk to the domestic financing requirements and the banks in their current fragile state.

Stress Tests

11. Due to an elevated level of public debt and prolonged adverse effects of COVID-19, the debt path under the restructuring scenario would remain vulnerable to macroeconomic shocks. Suriname's debt-to-GDP ratio exceeds the emerging market debt burden benchmark of 70 percent of GDP in all shocks (real GDP, primary balance, interest rate and real exchange rate), which signals the need for prudent fiscal policies over the medium term to maintain debt levels in check. Box 1 discusses various shocks and their impact on public debt. The macroeconomic shocks with the largest impact are the macro-fiscal shock that combines shocks on primary balance, real GDP growth, real exchange rate, and real interest rates, under which debt would increase by more than 180 percent of GDP by 2026, and real exchange rate shock that would push up debt by about 25 percent of GDP by 2026 (both compared to the baseline). Shocks related to staff's assumptions on larger-than-anticipated recapitalization needs of CBvS and commercial banks, and lower-than-programmed commodity revenues would increase debt by 6-10 percent of GDP by 2026.

12. Suriname's debt sustainability would improve meaningfully if some of the upside risks materialize. Recent oil reserve discoveries in Suriname presents considerable upside potential to its

[9] Under the restructuring scenario, there are no private external financing requirements during the program period (2021-24). However, private external financing requirements would increase to around 4.8 percent of GDP in 2029 before gradually declining to 4.1 percent of GDP in 2035.

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economic outcomes and payment capacity. However, in line with best international practice, the DSA does not incorporate impact of future oil production since available information, so far, does not provide assurances about the economic viability of the reserves.

Box 1. Stress Tests on Different Risks

Stress test analysis explores different types of shocks including macroeconomic shocks, commodity-related revenue shocks, and bank recapitalization shocks, reflecting risks in the program:

- Primary balance shock—Baseline minus half of the 10-year historical standard deviation (i.e., the primary balance is lower by 3.0 percent of GDP on average each year over 2022–23). This shock, which highlights risks from weaker program implementation, would raise public debt to 123 percent of GDP by 2024, declining to 105 percent of GDP in 2026.
- GDP growth shock—Real GDP growth is reduced by 1 standard deviation for 2 consecutive years (i.e., growth is lower by 6.4 percent on average each year over 2022-23). The impact of this shock is similar to the primary balance shock, albeit more pronounced with debt increasing to 139 percent in 2024; it highlights the dependence of debt dynamics on the growth recovery.
- Real interest rate shock—Higher real interest rates, by 500bps, would not lead to large increases in debt over the projection horizon since most of public debt is expected to be program financing.
- Real exchange rate shock—This is a large shock. A more depreciated real exchange rate, by an additional 30 percent than under the baseline, would have a large impact on debt which would jump to 149 percent of GDP in 2024 before declining to about 127 percent in 2026.
- Macro-fiscal shock. This reflects a combination of risks materializing simultaneously. It includes individual shocks discussed above and pushes up debt substantially, to 289 percent of GDP in 2024, remaining at this level in 2026.
- Larger CBvS and commercial banks recapitalization shock—additional 10 percent of GDP in 2022 corresponding to further deterioration of balance sheets of central banks and commercial banks. This shock would shift debt upwards to 129 percent of GDP by 2024, declining to 112 percent of GDP by 2026.
- Commodity-related revenue shock—Commodity-related revenues are reduced by 50 percent for 2 consecutive years (i.e., commodity-related revenues decline by 7 percent of GDP each year in 2022-23). Under this shock, debt to GDP would rise to 126 percent in 2024 and then decline to 108 percent by 2026.

B. External DSA

13. External debt is estimated to be around 165 percent of GDP at end-2020, substantially higher than the 100 percent of GDP at end-2019. The increase in the external debt ratio is largely due to a massive devaluation of the Surinamese dollar and a large output contraction in 2020. Total external debt is forecasted to decline to around 130 percent of GDP at end-2026. It is expected to track public sector external debt, which accounts for about 50 percent of total external debt, over the next few years and decline substantially due to a large fiscal adjustment and public external debt restructuring. In addition, Staatsolie's external debt which accounts for about 20 percent of the total external debt in the country, is expected to be paid down (on a net basis) contributing to sizable decline of the country's external debt over the projection horizon.

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14. While external debt is projected to decline substantially over the medium term, macroeconomic shocks pose significant risks (Figure 6). A depreciation shock to the exchange rate of 30 percent would push up external debt to 159 percent of GDP in 2026, 29 percentage points higher than in the baseline. A permanent shock to the non-interest current account balance (baseline minus half of the 10-year historical standard deviation) would raise external debt to 148 percent of GDP by 2026. A shock of the same magnitude and duration on real GDP growth would result in higher external debt, of 152 percent of GDP by 2026.

15. Continued internal and external adjustment is critical to ensure external sustainability going forward. Fiscal adjustment, public external debt restructuring, and a shift to a flexible exchange rate under a tight monetary framework would help restore stability, eliminate macro-economic imbalances, improve external sustainability and reduce external financing needs.

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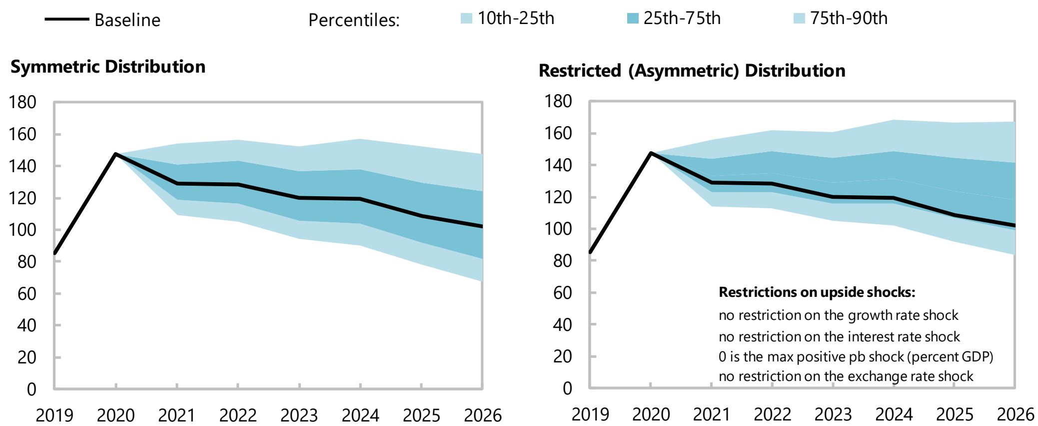
Figure 1. Suriname: Public Debt Sustainability Analysis Risk Assessment for the Restructuring Scenario

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

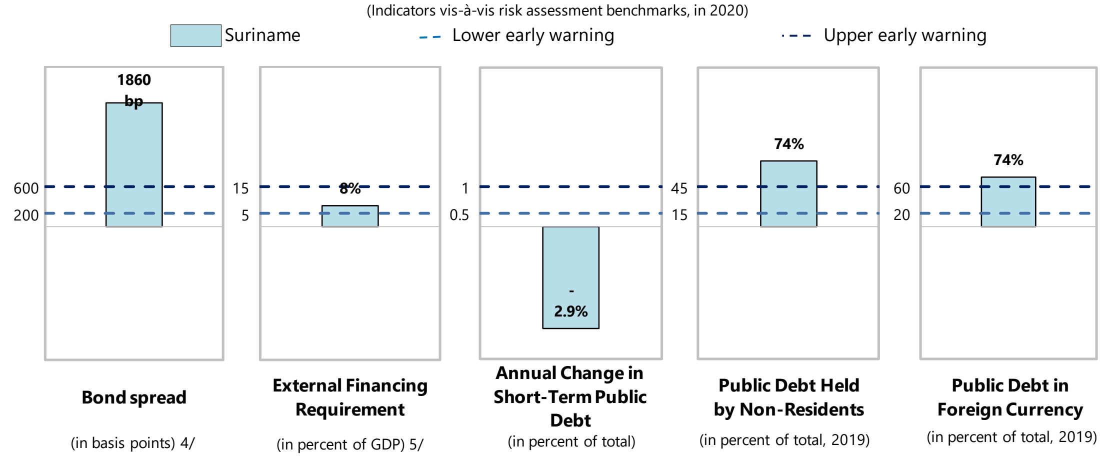
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2020)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ Long-term bond spread over U.S. bonds, an average over the last 3 months, 02-Aug-21 through 31-Oct-21.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

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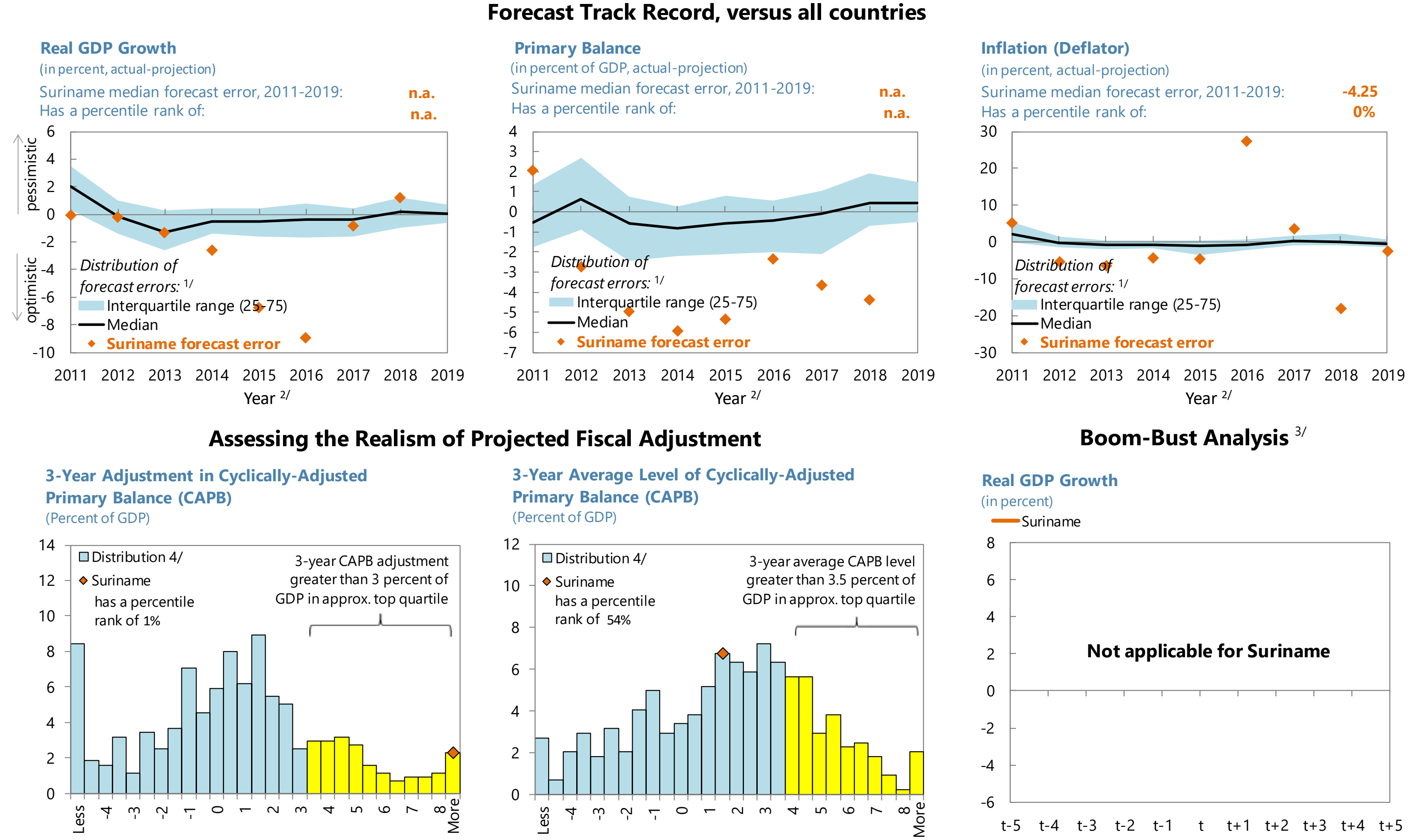
Figure 2. Suriname: Public Debt Sustainability Analysis – Realism of Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Suriname, as it meets neither the positive output gap criterion nor the private credit growth criterion.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

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Figure 3. Suriname: Public Sector Debt Sustainability Analysis – Restructuring Scenario

(In percent of GDP unless otherwise indicated)

Debt, Economic and Market Indicators [1/]

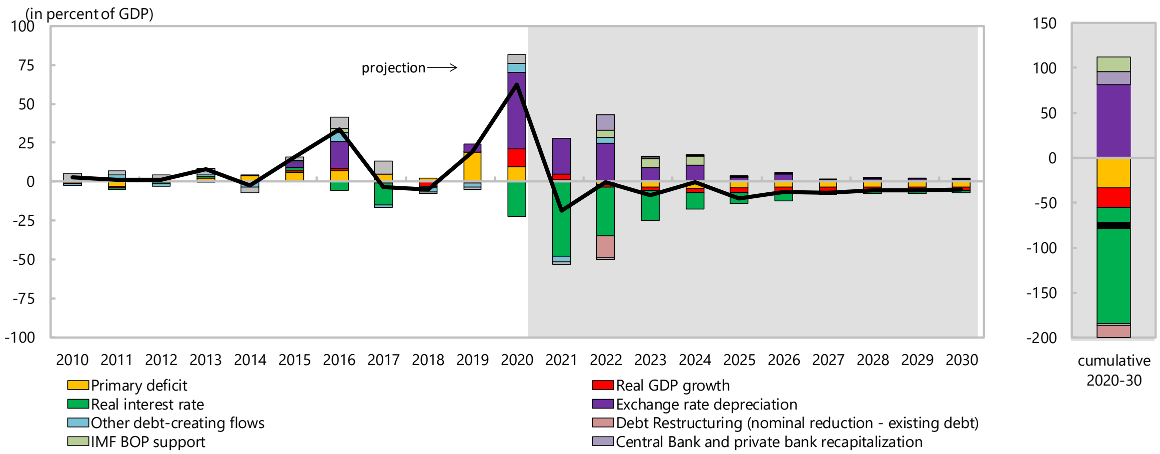
	Actual			Projections									
	2010-2018 [2/]	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Nominal gross public debt	40.3	85.2	147.7	128.9	128.5	119.8	119.4	108.6	101.9	94.6	88.7	83.2	77.9
Public gross financing needs	7.2	28.6	18.3	21.3	13.1	9.3	7.3	2.8	5.9	8.0	8.2	10.0	11.7
Real GDP growth (in percent)	1.7	1.1	-15.9	-3.5	1.8	2.1	2.7	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator, in percent)	9.9	4.4	44.9	52.1	36.1	21.3	12.6	8.6	7.9	5.0	5.0	5.0	5.0
Nominal GDP growth (in percent)	11.7	5.6	21.8	46.7	38.6	23.9	15.6	11.8	11.1	8.1	8.1	8.1	8.1
Effective interest rate (in percent) [4/]	5.6	4.6	5.3	2.5	2.7	2.8	2.6	2.3	2.2	2.9	3.1	3.3	3.6

As of October 31, 2021		
Sovereign Spreads		
EMBIG (bp) 3/		1835
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Caa3	Caa3
S&Ps	D	D
Fitch	RD	RD

Contribution to Changes in Public Debt

	Actual			Projections											
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	5.7	19.1	62.5	-18.8	-0.4	-8.7	-0.5	-10.8	-6.7	-7.4	-5.8	-5.6	-5.2	-69.8	
Identified debt-creating flows	2.6	20.6	53.2	-24.1	-6.9	-15.7	-7.2	-11.4	-7.3	-7.8	-6.2	-6.0	-5.6	-98.1	
Primary deficit	2.6	19.0	9.7	1.3	-1.7	-3.5	-4.5	-4.0	-3.5	-3.5	-3.5	-3.5	-3.5	-30.0	-1.9
Automatic debt dynamics [5/]	0.0	4.6	38.0	-21.6	-8.9	-12.2	-2.6	-7.4	-3.7	-4.3	-2.7	-2.5	-2.1	-68.0	
Interest rate/growth differential [6/]	-2.6	-0.6	-11.4	-44.4	-33.4	-21.3	-13.2	-10.2	-8.7	-5.0	-4.4	-4.0	-3.5	-148.2	
Of which: real interest rate	-2.1	0.1	-22.5	-47.9	-31.7	-19.1	-10.5	-7.0	-5.8	-2.2	-1.8	-1.6	-1.2	-128.7	
Of which: real GDP growth	-0.5	-0.7	11.1	3.5	-1.7	-2.2	-2.8	-3.2	-2.9	-2.8	-2.6	-2.5	-2.3	-19.5	
Exchange rate depreciation [7/]	2.5	5.2	49.4	22.8	24.5	9.2	10.6	2.8	5.0	0.7	1.7	1.6	1.4	80.2	
Other identified debt-creating flows	0.1	-3.0	5.5	-3.8	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	
Debt Restructuring (nominal cut)	0.0	0.0	0.0	0.0	-13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.9	
IMF BOP support	0.3	0.0	0.0	0.0	5.0	5.6	5.5	0.0	0.0	0.0	0.0	0.0	0.0	16.1	
Central Bank and private bank	0.0	0.0	0.0	0.0	10.0	1.0	0.7	0.5	0.5	0.4	0.4	0.4	0.4	14.2	
External arrear accumulation			3.3	6.7	6.4										
Residual, including statistical discrepancies [8/]	3.1	-1.5	6.0	-1.4	-0.9	0.4	0.5	0.1	0.1	0.0	0.0	0.0	0.0	-1.2	

Debt-Creating Flows



Source: IMF staff, Surinamese authorities

1/ Public sector is defined as central government.

2/ Based on available data.

3/ Long-term bond spread over U.S. bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes asset changes and interest revenues (if any).

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

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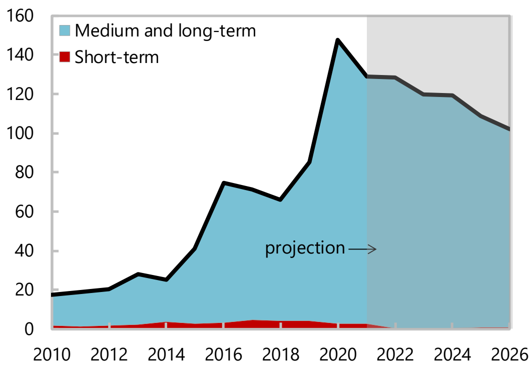
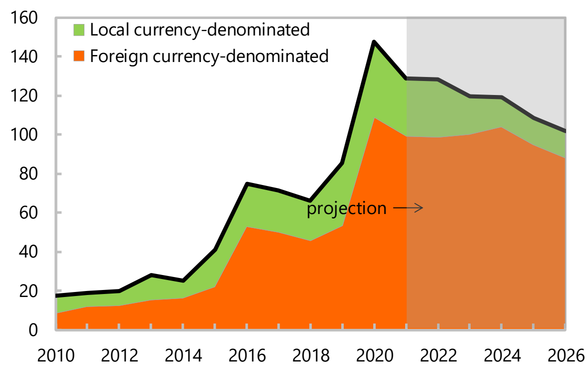
Figure 4. Suriname: Public Debt Sustainability Analysis – Composition of Public Debt Under Restructuring and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



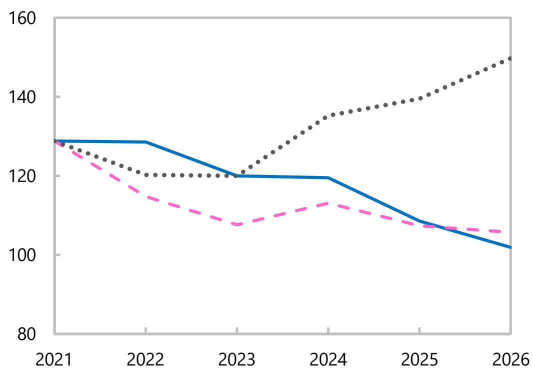
By Currency
(in percent of GDP)



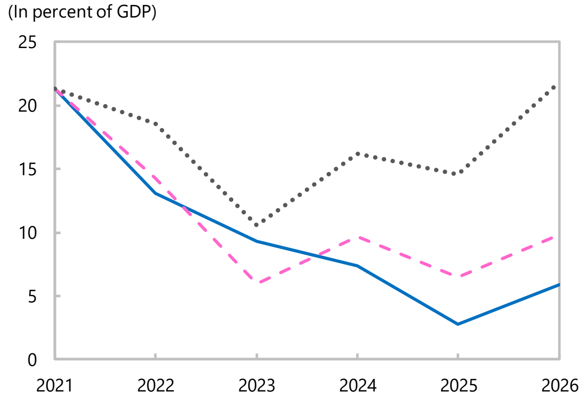
Alternative Scenarios

Baseline   Historical   Constant Primary Balance

Gross Nominal Public Debt
(In percent of GDP)



Public Gross Financing Needs
(In percent of GDP)



Underlying Assumptions
(in percent)

Baseline Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary Balance	-1.3	1.7	3.5	4.5	4.0	3.5
Effective interest rate	2.5	2.7	2.8	2.6	2.3	2.2
Constant Primary Balance Scenario						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary Balance	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3
Effective interest rate	2.5	5.0	2.1	1.9	1.4	1.4

Historical Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	-3.5	-0.5	-0.5	-0.5	-0.5	-0.5
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary Balance	-1.3	-5.3	-5.3	-5.3	-5.3	-5.3
Effective interest rate	2.5	5.0	2.4	3.3	3.8	4.7

Source: IMF staff and Surinamese authorities

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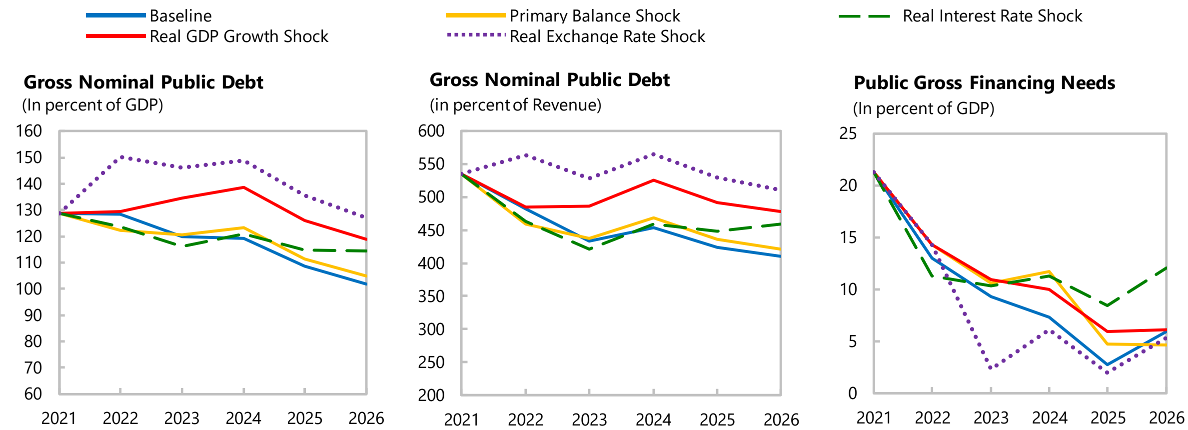
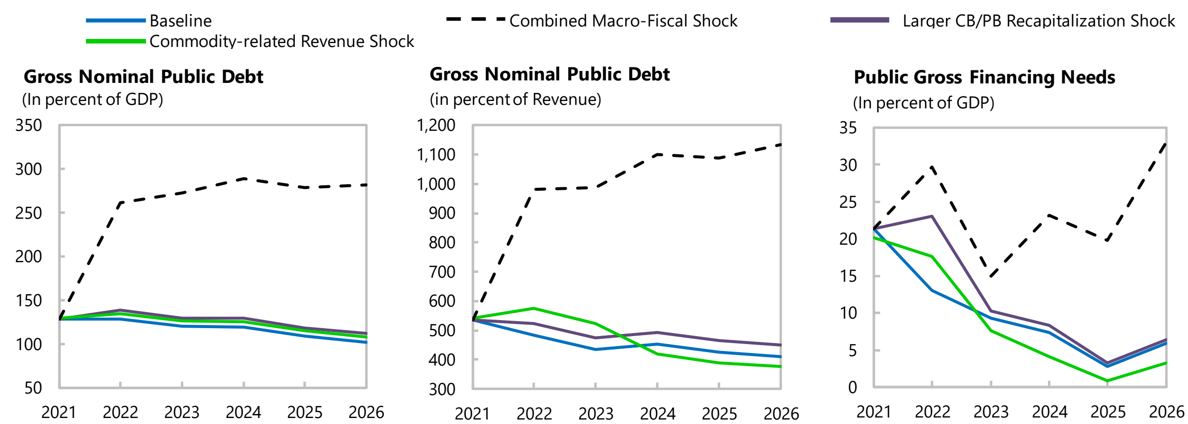
Figure 5. Suriname: Public Debt Sustainability Analysis – Stress Tests under the Restructuring Scenario

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

	2021	2022	2023	2024	2025	2026
Primary Balance Shock						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary balance	-1.3	-1.3	0.5	4.5	4.0	3.5
Effective interest rate	2.5	5.0	2.2	2.2	1.5	1.5
Real Interest Rate Shock						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary balance	-1.3	1.7	3.5	4.5	4.0	3.5
Effective interest rate	2.5	5.0	3.8	5.5	6.5	7.7
Combined Shock						
Real GDP growth	-3.5	-4.5	-4.2	2.7	3.0	3.0
Inflation	52.1	34.5	19.7	12.6	8.6	7.9
Primary balance	-1.3	-1.3	-0.5	4.5	4.0	3.5
Effective interest rate	2.5	10.5	3.5	4.7	5.8	7.2
Larger CB/PB Recapitalization Shock						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary balance	-1.3	1.7	3.5	4.5	4.0	3.5
Effective interest rate	2.5	2.7	2.8	2.6	2.3	2.2

	2021	2022	2023	2024	2025	2026
Real GDP Growth Shock						
Real GDP growth	-3.5	-4.5	-4.2	2.7	3.0	3.0
Inflation	52.1	34.5	19.7	12.6	8.6	7.9
Primary balance	-1.3	-0.3	-0.5	4.5	4.0	3.5
Effective interest rate	2.5	5.0	2.2	2.1	1.6	1.5
Real Exchange Rate Shock						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	124.3	21.3	12.6	8.6	7.9
Primary balance	-1.3	1.7	3.5	4.5	4.0	3.5
Effective interest rate	2.5	10.5	2.1	1.8	1.3	1.2
Commodity-related Revenue Shock						
Real GDP growth	-3.5	1.8	2.1	2.7	3.0	3.0
Inflation	52.1	36.1	21.3	12.6	8.6	7.9
Primary balance	-1.3	-4.6	-2.8	4.5	4.0	3.5
Effective interest rate	2.5	5.0	2.1	1.9	1.4	1.3

Source: IMF staff.

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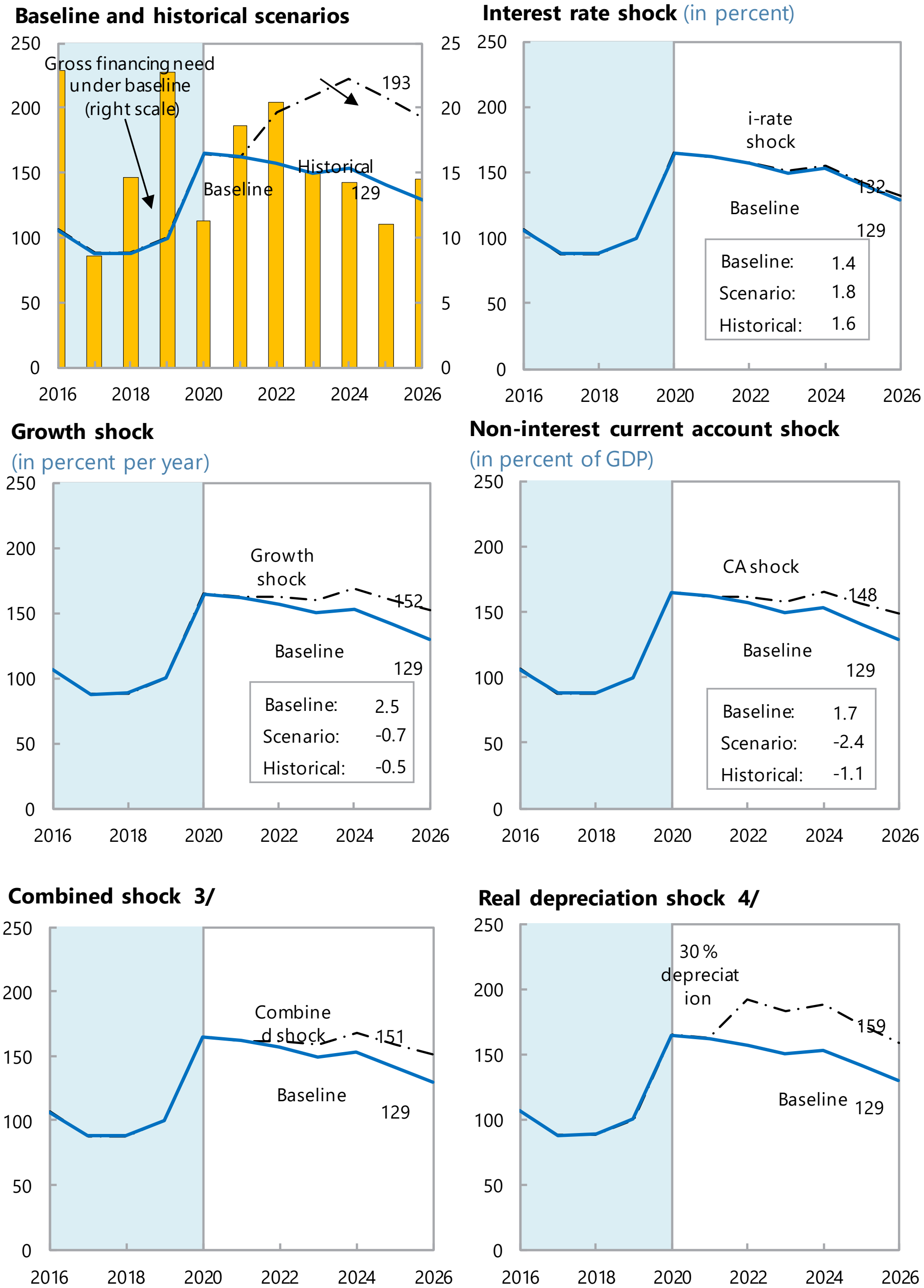
Figure 6. Suriname: External Debt Sustainability: Bound Tests 1/2/

(External Debt in percent of GDP)



Sources: International Monetary Fund; Country desk data; and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2021.

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Table 1. Suriname: Decomposition of Public Debt and Debt Service by Creditor under the Non-Restructuring Scenario, 2020–2024

	Debt Stock in end-2020			Debt Service							
		total	(Percent	2021	2022	2023	2024	2021	2022	2023	2024
	(In US$ mln)	*debt)*	*GDP)*	*(In US$ mln)*				*(Percent GDP)*			
Total	3268	100	148	543	291	263	333	18	10	9	11
External	2086	64	94	337	233	235	188	11	8	8	6
Multilateral creditors	666	20	30	97	67	65	63	3	2	2	2
IMF	21	1	1	21	0	0	0	1	0	0	0
World Bank	5	0	0	0	0	0	0	0	0	0	0
IADB	523	16	24	47	52	52	50	2	2	2	2
Other Multilaterals	117	4	5	29	15	14	12	1	1	0	0
o/w: Carribean Development Bank	66	2	3	8	8	8	8	0	0	0	0
European Investment Bank	27	1	1	0	0	0	0	0	0	0	0
Bilateral Creditors 1/	432	13	20	29	36	42	40	1	1	1	1
Paris Club	35	1	2	4	4	4	4	0	0	0	0
o/w: France	35	1	2	4	4	4	4	0	0	0	0
Non-Paris Club	397	12	18	25	32	37	35	1	1	1	1
o/w: China	385	12	17	22	29	35	35	1	1	1	1
India	11	0	1	3	3	2	1	0	0	0	0
Commercial 2/	921	28	42	197	131	128	86	7	4	4	3
Eurobonds	675	21	31	153	96	91	51	5	3	3	2
o/w: Oppenheimer	675	21	31	153	96	91	51	5	3	3	2
ECA-backed loans	213	7	10	30	29	31	30	1	1	1	1
o/w: China	119	4	5	20	19	18	18	1	1	1	1
India	23	1	1	1	1	2	2	0	0	0	0
Non-ECA backed loans	33	1	2	13	6	6	4	0	0	0	0
Arrears	67	2	3	14	0	0	0	0	0	0	0
Domestic	1182	36	53	205	57	28	145	7	2	1	5
Creditor breakdown											
Held by non-residents, total											
Held by residents, total	1182	36	53	205	57	28	145	7	2	1	5
o/w: Central Bank	567	17	26	0	0	0	0	0	0	0	0
o/w: Local Banks	314	10	14	151	37	22	139	5	1	1	4
o/w: Local Non-Banks	131	4	6	55	21	6	6	2	1	0	0
Arrears	170	5	8	25	0	0	0	1	0	0	0
Instrument breakdown											
T-bills	63	2	3	61	0	0	0	2	0	0	0
Bonds/Loans	1119	34	51	145	57	28	145	5	2	1	5
Memo items:											
Collateralized debt 3/ 4/											
External	0	0	0	0	0	0	0	0	0	0	0
Bilateral Creditors	0	0	0	0	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0	0	0	0	0

Source: Suriname Debt Management Office (SDMO)

1/ External bilateral debt does not include the ECA-backed commerical debt whose guarantees were not called by end-2020

2/ Commerical creditors includes the ECA-backed commerical debt whose guarantees were not called by end-2020.

3/ Only information on collatelized external bilateral and private debt available.

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

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Table 2. Suriname: External Debt Sustainability Framework, 2016–2026

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025	2026	Debt-stabilizing non-interest current account 6/
Baseline: External debt	106.3	87.7	88.0	99.7	164.6			**161.9**	**156.8**	**149.5**	**153.1**	**140.6**	**129.5**	**-2.8**
Change in external debt	56.6	-18.5	0.3	11.7	64.9			-2.7	-5.1	-7.3	3.6	-12.5	-11.1	
Identified external debt-creating flows (4+8+9)	56.3	-7.6	-4.4	14.2	30.4			2.9	2.2	0.7	0.0	-0.7	-0.7	
Current account deficit, excluding interest payments	3.4	-4.2	0.7	9.2	-11.1			-9.0	-2.7	-1.6	-1.6	-1.4	-1.1	
Deficit in balance of goods and services	-99.7	-109.2	-107.7	-117.9	-148.8			-161.8	-167.0	-160.8	-158.1	-154.9	-150.8	
Exports	48.4	59.7	56.0	57.4	84.8			90.3	91.2	87.3	84.9	81.7	78.6	
Imports	-51.3	-49.6	-51.8	-60.6	-64.0			-71.5	-75.8	-73.5	-73.2	-73.2	-72.2	
Net non-debt creating capital inflows (negative)	24.4	2.0	1.5	2.7	1.2			3.7	3.9	3.7	3.6	3.2	2.7	
Automatic debt dynamics 1/	28.5	-5.4	-6.6	2.3	40.2			8.2	1.0	-1.4	-2.0	-2.5	-2.3	
Contribution from nominal interest rate	1.4	2.7	2.3	2.1	2.2			4.3	3.1	1.3	1.5	1.6	1.5	
Contribution from real GDP growth	3.8	-1.5	-3.9	-1.0	21.9			3.9	-2.1	-2.7	-3.4	-4.1	-3.8	
Contribution from price and exchange rate changes 2/	23.3	-6.6	-5.0	1.2	16.1			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	0.3	-10.9	4.7	-2.5	34.5			-5.6	-7.2	-8.0	3.6	-11.8	-10.4	
External debt-to-exports ratio (in percent)	219.5	147.0	157.3	173.8	194.1			179.3	172.0	171.2	180.4	172.0	164.8	
Gross external financing need (in billions of US dollars) 4/	0.8	0.3	0.6	0.9	0.3			0.5	0.6	0.5	0.4	0.4	0.5	
in percent of GDP	22.8	8.6	14.6	22.7	11.3	10-Year	10-Year	18.6	20.4	15.0	14.2	11.1	14.5	
Scenario with key variables at their historical averages 5/								**161.9**	**196.1**	**208.8**	**222.8**	**207.7**	**193.1**	**-4.0**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Nominal GDP (US dollars)	3.3	3.6	4.0	4.0	2.9			2.8	...	...	...	...	...	
Real GDP growth (in percent)	-4.9	1.6	4.9	1.1	-15.9	-0.5	6.4	-3.5	1.8	2.1	2.7	3.0	3.0	
GDP deflator in US dollars (change in percent)	-31.9	6.6	6.0	-1.4	-13.9	-3.3	12.2	1.5	1.0	1.7	1.2	1.2	2.6	
Nominal external interest rate (in percent)	1.8	2.7	2.9	2.3	1.6	1.6	0.8	3.8	2.7	1.0	1.1	1.1	1.2	
Growth of exports (US dollar terms, in percent)	-12.9	33.4	4.3	2.3	7.0	1.7	16.6	4.2	3.8	-0.5	1.0	0.4	1.6	
Growth of imports (US dollar terms, in percent)	-36.5	4.6	16.3	16.6	-23.5	3.2	20.7	9.4	9.0	0.7	3.5	4.2	4.3	
Current account balance, excluding interest payments	-3.4	4.2	-0.7	-9.2	11.1	-1.1	8.2	9.0	2.7	1.6	1.6	1.4	1.1	
Net non-debt creating capital inflows	-24.4	-2.0	-1.5	-2.7	-1.2	-4.8	7.0	-3.7	-3.9	-3.7	-3.6	-3.2	-2.7	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

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Annex III. Capacity Development Overview

The proposal for a program under the EFF for Suriname contains an elaborate set of policies that need to be implemented to put government finances, public debt, the economy, and the financial sector on a stronger footing. The authorities will require technical assistance as they implement these policies. Capacity development efforts by the IMF, International Financial Institutions (IFIs) and bilateral donors will assist authorities in a variety of areas covering different aspects of the Fund-supported Program. This Annex provides an overview of the expected capacity development in some of these areas.

1. **Staff have identified capacity development needs related to fiscal, monetary policy, financial sector, anti-corruption and AML/CFT implementation.** These needs will partially be met by efforts of the various departments at the IMF and the Fund's Caribbean regional technical assistance center (CARTAC). Table 1 provides an overview of the technical assistance that Fund staff expect they may need to provide at this point in time. This includes projects that still need to be confirmed. Further capacity development needs may be identified and provided as the program progresses and is subject to the ongoing needs of the authorities. For instance, regarding potential oil discoveries, debt officials may need training in VRIs, state-contingent debt instruments, and other non-traditional sovereign securities to prepare them for negotiations with bondholders where such securities could play a role.

Table 1. Suriname: IMF Capacity Development Overview as of July 2021

Policy area	Topic	Indicative timing
Fiscal	Modernizing Treasury function	2022
	Improving fiscal data	2021–2022
	Budget process and preparation	2022
	Cash and debt management, liquidity forecasting	2022
	Improving customs administration	2022
	Enhancing tax administration	2022
	State Owned Entities monitoring	2022
	Public Private Partnership reforms	2023
Public debt management	Debt Management Office legal mandate, processes and procedures	2022
Monetary policy and FX operations	Monetary policy communication	2023–2024
	Governance in Monetary Policy decision-making	2022
	Liquidity forecasting capabilities	2022–2023

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Table 1. Suriname: IMF Capacity Development Overview as of July 2021 (concluded)		
	Development medium term framework for FX operations and market development	2022–2023
Financial	Central Bank accounting practices	2022
	Financial safety net legislation	2021–2022
	Bank supervision procedures and practices	2022–2023
	Financial sector stress testing	2021–2022
	Correspondent banking	2022–2023
Central Bank governance	Central Bank law	2021–2022
	Central Bank audited statements	2022
	Central Bank recapitalization strategy	2022
AML/CFT	Anti-money laundering legal and regulatory framework; beneficial ownership and procurement measures	2022–2023

2. **Part of the capacity development that is necessary, is expected to be provided by IFIs and bilateral donors.** Staff have discussed capacity development needs with the Inter-American Development Bank, Caribbean Development Bank, United Nations Office on Drugs and Crimes (UNODC), Organization of American States (OAS), World Bank, the Dutch Ministry of Finance and the Dutch Central Bank. These institutions are currently providing or considering technical assistance in the areas including monetary policy, taxation, State Owned Enterprises, design of social policies, governance issues, financial inclusion and anti-corruption.

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Appendix I. Letter of Intent

Paramaribo, Suriname
December 8, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Georgieva,

Suriname is facing a severe fiscal and balance of payments crisis that has been exacerbated by the global health crisis. The economy contracted by 15.9 percent in 2020 and the recession is likely to continue this year. The financial position of the government remains very precarious. There are significant pressures on the currency that are feeding into high inflation and usable international reserves were low at around 1 month of imports before SDR allocation contributed to an increase in reserves to around 2 months of imports. The economic crisis has severely hampered the government's ability to respond to the global health crisis, particularly given that medical supplies are almost entirely imported. The current situation is placing a heavy burden on the lives and livelihoods of our citizens, particularly society's most vulnerable.

To address these challenges, the Government of Suriname has embarked on a comprehensive economic plan (*Herstelplan 2020*-2022) that is designed to reverse many years of poorly conceived economic policy and restore stability and prosperity to our country. Given the excesses of the past, a more prudent and efficient fiscal policy will be needed. However, even with the substantial domestic efforts we are planning, the debt that has been accumulated by Suriname simply cannot be paid and an extensive restructuring of both private and official sector debt will be unavoidable. We are conscious that restoring macroeconomic stability has the potential to place a heavy burden on our poorest citizens and so our plan builds in significant steps to provide resources to vulnerable households. We also recognize that our previous monetary and foreign exchange policy has not delivered the intended results. We, therefore, have started implementing a significant shift in approach that will lower inflation, rebuild international reserves, and allow for greater flexibility in both interest and exchange rates. The economic crisis has taken a toll on our financial system and significant efforts will be needed to restore our banks to viability to ensure they are effective intermediaries that serve to support private sector investment and entrepreneurship. Finally, we recognize the significant governance shortcomings that the country faces. The government will not tolerate corruption— we are already taking steps to significantly strengthen our institutions to increase transparency and accountability, and to enhance our anti-money laundering/combating the financing of terrorism ('AML/CFT') framework.

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The government is deeply committed to the goals outlined above and has already taken important steps. First, we have passed in the National Assembly a fiscal package that contains the policy measures necessary to achieve our fiscal goals for this year. Second, we have made substantial progress on a restructuring of the government's obligations. Third, we have begun to implement a system of reserve money targeting, unified the parallel and official exchange rates, and are allowing the exchange rate to be determined by market conditions; we will also allow short-term interest rates to be determined by market conditions. Fourth, we have intervened in our banks by further intensifying supervision, hired an independent reputable international firm to undertake asset quality reviews (AQR) for all the banks and finalized a Terms of Reference for the AQR to get a better picture of the vulnerabilities in our financial system.

To support our efforts, we are requesting an Arrangement under the Extended Fund Facility (EFF) for a period of 36 months, in the amount of SDR 472.8 million (equivalent to 366.8 percent of quota or USD 688 million). We also request that the IMF Executive Board approves to make available SDR 39.4 million (30.6 percent of quota or USD 56.4 million) upon approval of the arrangement, all of which will be used as budget support. We have obtained financial and technical support from other international financial institutions and bilateral partners to underpin our efforts. Finally, we have made progress in our negotiations with both our official and private creditors on the contributions that they will need to make to ensure a sustainable path for our public debt.

The attached Memorandum of Economic and Financial Policies (MEFP) sets out in detail the steps that the government intends to adopt to achieve its policy objectives. The government stands ready, if necessary, to take any additional measures that may be required during the course of the Arrangement in order to achieve the objectives of the program. In such cases, the government will consult in advance with the IMF on the adoption of these measures or revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation, to ensure that the objectives of the government's adjustment program are met.

To strengthen accountability and domestic ownership of our economic plan, we will establish a social partnership—involving members from the private sector, public sector, unions, academia, and civil society—to monitor program implementation and an independent, home-grown assessment of our progress toward our goals.

The government will provide IMF staff with all the relevant information required to complete the scheduled program reviews and monitor performance on a timely basis. The government will observe the standard continuous performance criteria against imposing or intensifying exchange restrictions, introducing or modifying multiple currency practices, concluding bilateral payment agreements that are inconsistent with Article VIII of the IMF's Articles of Agreement, and imposing or intensifying import restrictions for balance of payments reasons.

As part of our communication policy, we intend to publish this letter on the websites of the Ministry of Finance and Planning (MoFP) and the Central Bank of Suriname (CBvS) to keep our citizens and international partners informed about our policy actions and intentions. In that regard, we authorize

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the IMF to publish this letter, its attachments, and the related staff report, including placement of these documents on the IMF website.

Very truly yours,

_________/s/_________
Chandrikapersad Santokhi
President of Suriname

________/s/________
Armand K. Achaibersing
Minister of Finance and Planning
Paramaribo, Suriname

_____/s/_____
Maurice Roemer
Governor, Central Bank of Suriname
Paramaribo, Suriname

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

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Attachment I. Memorandum of Economic and Financial Policies

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 Arrangement under the Extended Fund Facility (EFF).

I. RECENT DEVELOPMENTS

1. Our administration took office in July 2020 inheriting an extremely challenging economic situation, amid the global health crisis. Systemic macroeconomic imbalances have 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 monetary financing, which resulted in surging inflation and a large depreciation of the exchange rate. The Central Bank of Suriname (CBvS) intervened to stem the depreciation, which exhausted international reserves. Weak internal controls, both in the Ministry of Finance and Planning (MoFP) and in the CBvS, have undermined public and market trust in Suriname's economic management and governance. Furthermore, weak institutional capacity and significant governance issues have made efforts to correct the imbalances very challenging.

2. As the global pandemic hit Suriname, the government tightened 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, in part a result of scarce foreign exchange, has exacerbated the suffering of our citizens.

3. Economic mismanagement and the COVID-19 pandemic have left Suriname's economy in a deep crisis. The most recent data shows that the economy contracted 15.9 percent in 2020. The recession lingered in the first half of this year leading to a strong compression of imports. With no financing available, the government has been unable to fully pay its obligations and has been accumulating external and domestic arrears. By end-2021, the government is expected to have accumulated arrears to bilateral creditors (about USD 90 million), private external creditors (about USD 181 million), and domestic debt holders and suppliers (about SRD 3.4 billion). The fiscal imbalance and depreciation of the real exchange rate has pushed public debt to unsustainable levels that cannot be paid by the country. Monetary financing of the fiscal deficit under the previous government has resulted in a 100 percent parallel market premium at its peak with foreign currency severely rationed at the official exchange rate. Despite this rationing, our usable international reserves have fallen to around one month of imports (although the SDR allocation in August doubled our usable reserves). With a large share of transactions taking place at the more depreciated parallel exchange rate, inflation reached nearly 70 percent year-on-year in September. The collapse of domestic demand the real depreciation, together with more favorable commodity prices have moved the current account from a deficit of 11 percent of GDP in 2019 to a surplus of 9 percent of GDP in 2020. Finally, the economic contraction and imprudent past lending have left four banks with insufficient capital to meet regulatory requirements and weakened bank balance sheets

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more broadly. To protect their fragile financial situation, banks have voluntarily introduced and maintained withdrawal restrictions for both local and foreign currency deposits.

II. OUR POLICY OBJECTIVES

4. To counter the macroeconomic imbalances facing Suriname the government has embarked on a home-grown program of reforms that rests on the following pillars:

- Restore fiscal sustainability and strengthen fiscal management.
- Bring debt down to sustainable levels.
- Improve the social safety net to better-protect the most vulnerable.
- Upgrade the monetary policy framework and adopt a flexible, market-determined exchange rate.
- Improve the viability of the financial system (including, where needed, through recapitalization) and develop more effective bank oversight.
- Tackle corruption, strengthen institutions and institutional governance, and enhance Suriname's AML/CFT framework.

III. RETURNING PUBLIC FINANCES TO A SUSTAINABLE PATH

5. Public debt stood at about 148 percent of GDP at end-2020 and the fiscal deficit in 2020 was 13 percent of GDP. After being sworn in last year, the new administration began urgently prioritizing spending and, in doing so, lowered the primary deficit from 19 percent of GDP in 2019 to 9.7 percent of GDP in 2020. Fiscal consolidation continues into 2021 with the year-to-September overall balance (cash basis) and primary balance (cash basis) rising to a surplus of 1.1 percent of GDP and 2.6 percent of GDP, respectively. The fiscal position benefited from the depreciation in the (official) real exchange rate (since FX receipts exceed FX spending requirements).

6. The government will aim for a primary fiscal balance of -1.3 percent of GDP in 2021 rising to a primary surplus of 4.5 percent of GDP by 2024. The parliament has approved the 2021 budget in line with program parameters and has legislated fiscal measures that deliver 2.2 percent of GDP in deficit reduction.[1] The program targets an improvement in the primary balance of 14 percent of GDP over 2021-2024 with discretionary policy measures generating around 10.5 percent of GDP in deficit reduction (the remainder is achieved by an increase in mineral exports receipts and the effects of the real exchange rate depreciation). We have taken important steps already to tap new revenue sources, reduce untargeted subsidies, and contain public sector wages (described in

[1] The revised 2021 budget that was approved by the National Assembly in June envisioned a primary deficit of 1.8 percent of GDP. However, due to subsequent data release, including re-based GDP, the primary deficit target has been revised to 1.3 percent of GDP, largely reflecting an impact from higher nominal GDP on revenues.

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more detail below). We anticipate that these efforts will provide some fiscal space to modestly increase capital spending and expand outlays on social assistance to the poor in 2021.

7. The government will continue the effort to strengthen fiscal position in the 2022 budget. The budget, currently under debate at the National Assembly, envisages a further consolidation of the primary balance to a surplus of 1.6 percent of GDP (about SRD 1,250 million), from the expected primary deficit of 1.3 percent of GDP in 2021.[2] The consolidation is achieved mainly through further compression in primary expenditure including the wage bill (a consolidation of 1.7 percent of GDP) and transfer and subsidies (a consolidation of 2.2 percent of GDP), which would allow an increase in capital expenditure of 1.2 percent of GDP. Revenue collection is projected to strengthen modestly by 0.5 percent of GDP. Nevertheless, we remain committed to implementing the revenue measures identified in the memorandum. We also plan to submit a supplemental budget to the National Assembly by March 2022 to fully align the budget with the program. In addition, the government plans to levy withholding taxes on interest payments, royalty and service fees to curb tax base erosion. The government is currently holding public consultation to determine the scope of the withholding tax. We expect the National Assembly to approve the necessary laws before end-June 2022.

8. A set of ambitious fiscal measures and expenditure limits for the 2021 budget were approved by the National Assembly including:

- A 2-percentage point increase in the sales tax on goods and services (a 2-percentage point increase in the sales tax on imported goods was passed in January and the tax was subsequently unified). The tax was raised further in October by 4 percentage points (to 12 percent) levied on all goods and services.

- A plan to replace the sales tax with a new value-added tax (VAT) on July 1, 2022. To support this change, the government will by December 2021: (i) appoint a MoFP-led Steering Committee to supervise the VAT implementation; (ii) name a full time Implementation Team (including Tax, Customs, and IT officials); (iii) develop a detailed action plan for the transition and a time-bound communications strategy. The government is working to develop regulations, build necessary IT systems, deploy a Taxpayer Advisory Team, and produce manuals for taxpayers. All accompanying laws needed to implement the VAT will be passed by end-March 2020. To ensure a smooth transition from the sales tax regime to the VAT, and as part of the communication strategy, the government has been meeting with business trade groups and consumers protection advocates to provide an update to the implementation status and answer their questions and concerns.

- An increase in the royalty rate (to 7.5 percent) for all gold production. A decree to raise the royalty rate for small-scale gold exporters (from 2.75 to 7.5 percent) was issued in January 2021.

[2] The primary balance targeted in the 2022 draft budget was consistent with the program macroeconomic framework at the time of the budget preparation. Since then the program macroeconomic framework has been revised to reflect major economic and policy development.

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However, implementation has been delayed due to problems in administering the higher tax rate. The government is actively considering measures to expedite the implementation (including through a phased increase to 4.5 percent at the beginning of 2022 before reaching 7.5 percent by June 2022). The government is planning to raise the royalty rate for large-scale (multinational) gold exporters from 6 to 7.5 percent by end-March 2022. If the latter is precluded by contractual agreements with these multinational exporters, the government will seek technical assistance from the Fund and other development partners with a view to developing feasible options for raising applicable taxes and fees on large-scale gold exporters so that additional revenue equivalent to that from a 1.5-percentage point increase in the royalty rate can be achieved by March 2022. Meanwhile, the government has stepped up efforts to improve tax compliance and revenue collection, especially in the mining sector. As a first step, a multi-departmental government task force has been commissioned in November to review the process of revenue collection from small-scale gold exporters. The task force will publish their recommendations to improve the process by April 2022.

- A one-time solidarity tax of 10 percent on household and business income in excess of SRD 150,000 in the 2021 calendar year.

- Limiting the nominal increase in the government's total wage and benefits bill in 2021 to 25 percent. Over the course of the program, the government is committed to further lowering the wage bill to below 7 percent of GDP by 2024. The reduction will be achieved through both workforce reductions and a cap on the nominal growth of an individual's compensation at below the projected inflation rate. We are also in the process of conducting analysis on the existing payroll structure (of about 53,000 workers) to identify public functions that could be streamlined through the non-renewal of temporary contracts, the elimination of ghost workers, and rationalizing employment. To help monitor the reform progress, we will publish our employment rationalization strategy April 2022 including clear quantitative targets to ensure transparency and accountability.

- An increase in the average electricity tariff (through a combination of per-unit tariff rate hikes, adjustments in the base charge, and better targeting of lump-sum consumer subsidies) to achieve full cost recovery by end-2024. This cost recovery tariff would fully eliminate direct and indirect subsidies to *Energie Bedrijven Suriname* (EBS) for electricity generation, transmission, and distribution, as well as ensure the company's long-term financial viability, solvency, and cost efficiency. We increased the average tariff by 103 percent in July and will further raise it by 25 percent in May 2022. Going forward, the government will draw up a financial and operational restructuring plan for EBS by September 2022 and implement the plan by end-2023 with a goal of improving the operational efficiency and financial solvency of EBS. The government also intends to reform the administration of the electricity sector and fully equip the Suriname Energy Authority to serve as an independent and transparent regulatory agency that implements quarterly tariff adjustments aligned with the evolution of energy generation costs (starting in January 2023).

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- A low "social" tariff will be retained for economically vulnerable customers, determined by a means test of income and assets. As a first step to facilitate an appropriate targeting of these social tariffs, recipients who qualify for means-tested cash transfer programs administered by the Ministry of Social Affairs will automatically start receiving the social tariff in their EBS billing accounts by end-2022.

- Improving budget discipline of public agencies that rely on government transfers by reducing untargeted and poorly targeted subsidies. Transfers and subsidies, excluding electricity subsidies, are about 4 percent of GDP. We are committed to bringing these subsidies down to around 3 percent of GDP by 2024 by improving the spending efficiency of public agencies and better targeting these transfer and subsidy programs.

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

- Improving the existing medium-term fiscal framework, with technical assistance from international partners, by end-December 2022 to guide the annual budgeting process.

- Publishing a medium-term fiscal strategy by December 2022 that establishes clear expenditure and debt targets which are consistent with the program. The strategy will define a binding spending envelope for ministries and agencies and the mechanism to ensure this envelope is observed. To lend credibility to the strategy, we plan to publish the strategy on the website of the MoFP after receiving approval from the Council of Ministers, the State Council, and the National Assembly.

- Resuming regular reporting and publication of central government outturn data on the MoFP's website, with a lag of no more than six weeks after the closing of a month (starting in February 2022). The government has already published January 2021 to August 2021 monthly central government outturn data and will publish September and October outturn by end-2021.

- Publishing annually audited central government financial statements. The government will begin this process by publishing audited annual central government financial statements for FY2017-FY2021 on the website of the MoFP by end-June 2022.

- Creating a large taxpayer unit to increase taxpayer compliance by end-June 2022.

- Undertaking a comprehensive review of work processes and the legal framework for tax administration processes. A time-bound plan to implement identified improvement measures will be published by end-September 2022.

- 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 publish a time-bound improvement plan by end-September 2022.

- Increasing the accountability of SOEs by defining the scope of the MoFP's financial control over the decisions of public corporations and establishing regular reporting and monitoring of the

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financial performance and quasi-fiscal activities of SOEs. This will include publishing the audited financial reports for FY2017-FY2021 of the ten largest state-owned enterprises (by asset size) by December 2022, including identifying the main fiscal risks that these enterprises pose and the steps being taken to mitigate these risks.

- Reforming and modernizing the Treasury function in the MoFP and adopting the international best practices of cash and liquidity management. To this end, we will implement the recommendations received from our international partners to streamline all treasury functions into a Treasury Single Account (TSA).[3] To help monitor progress, we will publish a time-bound improvement plan by end-January 2022. We will continue to partner with our international technical assistance providers to further improve our capacity for liquidity forecasting, debt management, cash planning, arrear monitoring and commitment control.

- Developing a term of reference, with technical assistance from international partners, by end-January 2022, to commence an audit of all outstanding supplier arrears by end-April 2022. To avoid recurrence of arrears accumulation, we will also conduct a comprehensive review of the expenditure control systems, with technical assistance from international partners, to diagnose weaknesses and options for strengthening the expenditure control framework. We will draw up a time-bound reform plan based on the finding of the review.

- 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 end-June 2022).

- Resuming monthly publication of central government obligations on the SDMO's website starting in January 2022, based on a data template agreed with IMF staff and with a lag of no more than four weeks after the closing of a month. SDMO will publish monthly central government debt information from January to December 2021, based on a data template agreed with IMF staff, also by end-January 2022.

- Commencing monthly publication on the SDMO's website, starting in December 2022, that provides data on the full scope of public sector obligations.

- Creating a public investment and Public-Private Partnership (PPP) unit within the MoFP (by end-June 2023) that would systematically undertake full cost-benefit reviews of all ongoing investment projects, fully cost and provide feasibility studies for all new public investments and PPP projects, introduce a gateway process for PPPs, establish limits on PPP stocks and flows, ensure proper monitoring of the guarantees associated with PPPs, and publish beneficial ownership information for companies that receive public contracts for capital projects.

[3] CARTAC has provided two technical assistance missions to modernize the treasury function, accounting, and financial reporting.

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IV. RESTRUCTURING PUBLIC DEBT

10. The government is committed to putting public debt onto a sustainable path.

- This will require debt relief from creditors and the government has approached both official and commercial creditors to initiate orderly restructuring discussions. The government appointed financial and legal advisors in September 2020 to negotiate the restructuring of the privately-held external debt.

- We are committed to reducing public debt to below 120 percent of GDP by 2024 and, further, to 60 percent of GDP by 2035. We will lower our gross financing needs to an average of 9 percent of GDP in 2023-35 (and no higher than 12 percent of GDP in any one year). Our program ensures the fiscal position is fully financed from 2022-2024.

- We have followed best practices in sovereign debt restructuring, including taking into consideration inter-creditor equity and comparability of treatment of all official bilateral creditors. We have engaged with private creditors in good faith, by engaging in an early dialogue with creditors, sharing relevant, non-confidential information with all creditors on a timely basis and providing creditors with an early opportunity to give input on the design of restructuring strategies. We are committed to continue working with all creditors to achieve a debt treatment consistent with program parameters, and recognizing that servicing debt on the original terms would not be consistent with debt sustainability, Paris Club creditors have provided specific and credible assurances that they will provide debt relief in line with program parameters. China and India have also provided assurances, although less specific than those provided by the Paris Club creditors, that they intend to work with us towards a debt restructuring that will restore sustainability. China has provided consent to Fund financing notwithstanding arrears to them. India has requested more time to consider consenting to Fund financing notwithstanding these arrears. We will continue working with all creditors with a goal to achieve a suitable debt treatment consistent with program parameters and commit to resolving debt to all official bilateral creditors on comparable terms. Suriname will refrain from making payments on its other official debt until a debt treatment can be agreed that ensures comparability of treatment with other official bilateral creditors.

- As part of the commitment to restore debt sustainability, the government will repay some of the legacy debt owed to CBvS by June 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 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). So as not to unduly influence the domestic FX market or complicate the reserve money targeting framework, the CBvS will discontinue the issuance of new FX-linked or FX-denominated debt.

- 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.

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V. STRENGTHENING THE SOCIAL SAFETY NET

11. Poverty rates have increased significantly over the past few years with an estimated 26 percent of the population living in poverty as of 2017[4]. The economic crisis has likely pushed more people into hardship and exacerbated inequalities but unfortunately timely and reliable data on the extent of poverty is not available. To protect our most vulnerable citizens, in July, we expanded the existing targeted cash transfer system to ensure that economically vulnerable citizens are compensated for the increase in cost of living and the reductions in subsidies. Administrative and digitalization efforts are ongoing to identify eligible recipients that are currently not receiving benefits as well as to eliminate duplication. We intend to expand eligibility of the existing food assistance programs during the course of 2022. As a sign of our commitment to enhancing social support measures in the coming years, we are committed to maintaining social spending on major cash transfer programs above 1.9 percent of GDP per year. We intend to review the income thresholds of our mean-tested social assistance programs and broader design features to improve efficiency and quality of social spending.

VI. UPGRADING MONETARY POLICY AND EXCHANGE RATE MANAGEMENT

12. We have adopted a new monetary policy framework to bring down inflation and restore macroeconomic stability. The CBvS has announced a new reserve money targeting regime with the intention of setting the monthly growth in reserve money at a level that is well below the expected growth in nominal GDP. Our reserve money targeting system aims to lower inflation to 12 percent 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 has started draining liquidity through the weekly issuance of certificates of deposit and/or term deposits using fixed quantity/variable rate auctions. Interest rates have increased (from 12 percent in July to 68 percent in early December) to the levels higher than the expected inflation for end-2021 but may need to rise further to support the achievement of the CBvS' reserve money objectives. We are committed to allow interest rates to move freely, in line with market conditions and consistent with the focus on monetary aggregates in our monetary policy framework. The CBvS has introduced partial reserve averaging for local currency reserve requirements with a two-weeks reserve averaging period so as to help smooth the functioning of the interbank market. The CBvS will remunerate local currency reserve requirements by mid-2022, depending on the functioning of the interest rate mechanism, as expected under the RMT framework, and any impact on the CBvS' financial position due to the remuneration will be addressed by the planned recapitalization of the CBvS (see ¶26).

13. The CBvS has put in place a standing lending facility and is working towards developing an emergency liquidity assistance (ELA) framework for banks. Banks have unrestricted access to the facility but the CBvS intends to initiate supervisory investigations (and, if needed, supervisory actions) for any bank that is a recurrent and sizeable user of the standing

[4] Based on the 2017 Suriname Survey of Living Conditions.

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lending facility. The facility is 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 lending facility will be fully sterilized through the issuance of CBvS certificates of deposits and/or term deposits so as to ensure the supply of reserve money is consistent with the CBvS' reserve money targets. The CBvS is developing an ELA framework to provide emergency liquidity to banks which it intends to have in place by April 2022.

14. The CBvS has stepped up efforts to improve its liquidity monitoring and forecasting capabilities to ensure the smooth functioning of the reserve money targeting framework. The CBvS and the MoFP have formalized a regular data exchange arrangement (codified in a Memorandum of Understanding (MoU) that has been signed by the Governor of the CBvS and the Minister of Finance) in order to improve the CBvS forecasting of government expenditure and revenue inflows.

15. The CBvS has unified the foreign exchange market rates and is committed to a fully flexible exchange rate. The official exchange rate was devalued in September 2020 as well as in March and May 2021 (the devaluations in March and May reflect the upper bands of the two-band system that was in place in March-May). The currency was fully floated in June 2021, unifying the official and parallel exchange rates. The cumulative depreciation has been around 180 percent over the past year. The CBvS has now fully ended the past practice of mandating economic agents to use a CBvS determined exchange rate. Banks and *cambios* can set exchange rates without any restrictions. On June 7, the CBvS started publishing (three times a day) the official exchange rate fixing based on a weighted average rate from actual executed trades in the FX market. The unified and market-determined exchange rate will help facilitate Suriname's adjustment to external shocks and underscore the primacy of reserve money as the nominal anchor. 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 June 2022).

16. To facilitate a steady rebuilding of international reserves, the CBvS will refrain from foreign exchange interventions, except in cases of disorderly market conditions. All foreign currency sales and purchases by the CBvS will be undertaken with banks and cambios through transparent fixed allotment/variable price auctions (by end-December 2021). Over-the-counter sales or purchases to/from state-owned enterprises or private sector entities have been discontinued. FX surrender regulations will be amended to redirect FX inflows from exporters to the interbank market (instead of to the CBvS) and to remove the FX surrender requirements for banks and *cambios.* The government will sell all net FX receipts (including from IFI budget support) to the CBvS only, at the prevailing market exchange rate, and receive a counterpart deposit in domestic currency. The CBvS will fully repay the long-term loan to commercial banks in line with the agreed schedule.[5] Foreign currency sales by the CBvS will be permitted only in the event that the SRD-USD exchange rate

[5] This is an FX denominated loan (USD 160 million) with the maturity of eight years.

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records an intraday depreciation in excess of 2 percent. In such circumstances, the CBvS will have an option to sell up to USD 2 million in the course of the day (via competitive auctions). These sales would not be sterilized and would lead to a one-for-one reduction in reserve money. Gross FX sales by the CBvS are further capped at USD 20 million per quarter. The CBvS does not see the need, in the foreseeable future, to purchase FX in the market since reserves will be rebuilt at a sufficient pace from government sales to the CBvS of FX budget support. In case private FX inflows are larger than expected, the CBvS would have the option to intervene to purchase this FX in transparent, pre-announced fixed allotment/variable price auctions and build reserves at a faster pace. The CBvS would sterilize these purchases.

VII. BOLSTERING THE BANKING SYSTEM

17. There are significant vulnerabilities in the banking system. Although the reported combined capital adequacy ratio per September 2021 comes in at 12.4 percent, several banks are under-capitalized and non-performing loans are high (12.4 percent of gross total lending respectively 8.7 percent of net total lending as of September 2021) and likely to continue rising in the coming months as the impact of the economic contraction crystalizes. Foreign currency loans are a particular vulnerability given that they make up around 55.5 percent of total lending and prior to 2016 have been extended to individuals and businesses without a natural FX hedge or with an insufficient 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 a Terms of Reference agreed with Fund staff. An asset quality review for the largest two banks will be completed by September 2022. Further asset quality reviews, covering the remainder of the banking system, will be completed by December 2022.

19. The government will develop a roadmap for financial sector restructuring and governance reform of banks. The document, to be finalized by May 2022, will set out scenarios developed by the CBvS for triaging the banks depending on the outcome of the asset quality reviews. In line with this roadmap, reviewed banks will be required to submit plans with time-bound actions to address any breaches of prudential requirements and ensure their viability going forward. These plans will include, where appropriate, a business, recapitalization and restructuring plan dealing with the root causes of the difficulties and setting out implementation milestones. The CBvS will review these plans to verify their credibility and, if found credible, oversee their implementation. In parallel, the government in its capacity as shareholder, will catalyze governance reforms to ensure that publicly owned banks are run at arm's length and on a commercial basis. The CBvS will take appropriate action regarding banks experiencing difficulties, including by intensifying supervision and imposing prompt, corrective actions. Given the increased level of vulnerabilities, the CBvS has increased the intensity of its supervision of all banks.

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20. To enable the 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 State Council by January 2022 with a view to adoption by the National Assembly by September 2022. This will increase the 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 to directly intervene in a bank. To implement the new mandate, a new Bank Resolution Unit within the CBvS will be operationalized by February 2022 with appropriate governance arrangements, staffing, funding, and clear internal guidelines on how the unit would undertake crisis management and enforcement actions.

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

- Operationalizing by January 2022 a new Financial Stability Committee—made up of representatives from the MoFP and the CBvS—to diagnose risks to financial stability and develop concrete plans to manage and mitigate those risks.

- Submitting to the State Council by January 2022 the revised Banking and Credit Supervision Act with a view to adoption by the National Assembly by July 2022. This revision will help facilitate risk-based supervision of banks including by providing the CBvS the powers to assess banks' business strategies, governance, risk management (including provisioning policies), capital planning, budget forecasting, valuation of collateral, and profit and loss projections. This will allow supervisors to better determine a bank's compliance with regulatory requirements.

22. The government is prepared to take further actions to safeguard financial stability. For the foreseeable future, the commercial banks intend to keep in place the existing limits on cash withdrawal of both foreign currency and domestic deposits (although electronic payments within the system are fully permitted). However, the CBvS is prepared, in consultation with Fund staff, to introduce further measures to stabilize pressures on the balance of payments. In the event that such measures give rise to restrictions on current transactions, the authorities will request a waiver for non-observance of the performance criteria on exchange restriction/MCPs and will work with Fund staff to adapt the program and provide a clear roadmap toward the gradual elimination of such exchange restrictions/MCPs.

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

VIII. IMPROVING FISCAL AND MONETARY GOVERNANCE

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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. These audits will be conducted at each test date to confirm the data underlying the performance criteria. In addition, the CBvS has contracted a consultant to co-source the internal audit function and to commence internal auditing. Finally, the CBvS is planning to publish on its external website the FY 2016-2018 audited financial statements by end-December 2021. FY 2019 statements will be published by February 2022 and the audited FY 2020 and 2021 financial statements will be prepared in line with International Financial Reporting Standards and published by end-June 2022.

25. The government is committed to strengthen the CBvS' mandate, governance, and financial autonomy. To this end, a new MoU between the Governor of the CBvS and the Minister of Finance was signed to preclude all new, direct or indirect, gross CBvS financing of the government. 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, and internal audit; and (iv) introducing a reporting mechanism to the Board and its committees. This roadmap was published in June and its implementation is being monitored by the Supervisory Board. The first quarterly review by the Supervisory Board was conducted in September, after which a report and an updated Plan were published on the CBvS website. We are also committed to promptly implement other safeguards recommendations. By end-January 2022 the National Assembly will pass amendments to the CBvS Act to permanently prohibit monetary financing of the government and improve the governance structure of the CBvS by:

- Clarifying and strengthening the mandate of the CBvS.
- Bringing the 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 MoFP 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 plan will be completed by end-September 2022 following the FY 2020 and FY2021 audits of the CBvS financial statements.

IX. 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

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capacity, implementation gaps, and a generalized lack of transparency, accountability, 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 received the National Assembly's approval of the ratification of UNCAC, with a view to finalizing the ratification by end-January 2022. The government also intends to amend the Anti-Corruption Act (by June 2022) to ensure the criminalization of all corrupt acts (in line the with the requirements of the UNCAC). Amendments to the anti-corruption legal framework will subsequently allow for the routine verification of income and asset declarations for high-level and high-risk public officials. This information will be provided to the public and there will be proportionate sanctions for non-compliance. By March 2022, the government will operationalize the Anti-Corruption Commission (as was required by the 2017 Anti-Corruption Act).

28. The government is committed to improve the transparency of public sector procurement. This will be achieved by enacting, by end-June 2022, 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 end-August 2022, the government will 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.

29. The AML/CFT framework needs to be improved. Suriname's AML/CFT framework is currently being assessed by the Caribbean Financial Action Task Force (CFATF). The government carried out a National Risk Assessment (NRA) exercise in 2019 which has been finalized with technical support from the IDB. The NRA report has identified important gaps in Suriname's AML/CFT framework, including technical compliance deficiencies and challenges related to effective implementation. Going forward, the government will take steps to address the findings and recommendations of the NRA report. They will also amend the AML/CFT legislation (and other relevant laws and regulations) by end-August 2022 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).

30. The government is committed to improving transparency of the beneficial ownership information available in Suriname. To ensure a uniform approach to beneficial ownership, authorities will ensure that requirements for transparency of beneficial ownership are in line with the FATF international-AML/CFT standard, including by considering 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, and ensuring that there are measures for verification of this information as well as proportionate and dissuasive sanctions for non-compliance.

31. 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, with an upcoming report for fiscal year 2018 scheduled to be published shortly. The government intends to step up efforts to address the EITI

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recommendations including: (i) reforming the mining law to reduce room for discretion in investor incentives and strengthen the framework for mining titles; and (ii) legally compel companies in the extractive industry to disclose their beneficial owners. Work is currently underway with respect to these measures.

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.

X. 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, especially for the Consumer Price Index, fiscal sector statistics and public debt data, ensuring that they are consistent with other data sources (e.g., monetary accounts and fiscal flows in the balance of payments). 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.

XI. 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-December 2021, and end-March, end-June, end-September, and end-December 2022, as well as indicative monthly targets for end-January, end-February, end-April, end-May, end-July, end-August, end-October, and end-November 2022. Reviews are scheduled to be completed on a quarterly basis beginning on or after March 15, 2022

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

(In millions of Suriname dollars, unless otherwise indicated)

	2020	2021	2022											
	end-Dec.	end Dec.	end-Jan.	end-Feb.	end Mar.	end-Apr.	end-May.	end Jun.	end-Jul	end-Aug.	end-Sep.	end-Oct.	end-Nov.	end-Dec.
	Act.	PC	IT	IT	PC	IT	IT	PC	IT	IT	PC	IT	IT	PC
Quantitative Performance Criteria														
Fiscal/debt targets														
1. Primary fiscal balance (cash basis) of central government (floor) 2/	-2,321	-719	110	221	331	442	552	663	773	884	994	1,105	1,215	1,326
2. New natural resource revenue-collateralized 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	0
3. New central government guaranteed debt (continuous ceiling)		0	0	0	0	0	0	0	0	0	0	0	0	0
4. Non-accumulation of central government external debt arrears (continuous ceiling)		0	0	0	0	0	0	0	0	0	0	0	0	0
Monetary targets														
5. Gross credit to the central government by the central bank (continuous ceiling) 3/4/	10,157	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Net international reserves of the central bank (floor) (millions of U.S. dollar) 2/3/	-154	348	11	103	114	118	122	156	158	160	192	194	196	226
7. Net domestic assets of the central bank (ceiling) 2/3/	8,777	-343	-6	-1,134	-1,137	-1,040	-941	-1,263	-1,142	-1,016	-1,316	-1,193	-1,063	-1,332
8. Direct purchases/sales of FX by the central bank and/or central government from/to SOEs and private sector (continuous ceiling)		0	0	0	0	0	0	0	0	0	0	0	0	0
Indicative Targets														
1. Social spending of central government (floor) 2/	549	1,070			371			742			1,112			1,483
Memorandum items														
Reserve money	12,817	18,294	18,629	19,061	19,597	20,248	20,714	21,136	21,510	21,888	22,213	22,540	22,871	23,191
Reserve money (local currency portion only)	7,342	9,188	9,341	9,494	9,647	9,801	9,954	10,107	10,260	10,413	10,566	10,718	10,871	11,024
Reserve money (constant exchange rates)	12,817	14,838	14,991	15,144	15,297	15,450	15,604	15,757	15,910	16,063	16,215	16,368	16,521	16,674
NFA (constant exchange rates)	4,039	6,403	6,563	7,844	8,000	8,056	8,110	8,585	8,617	8,644	9,097	9,127	9,150	9,572
Gross international reserves (millions of U.S. dollar)	585	968	979	1,071	1,139	1,143	1,147	1,238	1,240	1,242	1,331	1,333	1,335	1,421
Usable international reserves (millions of U.S. dollar) 5/	118	501	513	604	673	677	681	771	774	776	865	867	868	955
Program exchange rate	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018	14.018

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/ The actual stock is for end-June 2021. Cumulative flows for 2021 are from end-June 2021. Cumulative flows for 2022 are from beginning of the year.

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

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

Measure	Target date/status 1/	Objective
Prior Actions		
Fiscal		
Enactment by the National Assembly of (i) a 2021 budget that is consistent with the parameters of the program, and (ii) key fiscal measures (i.e. 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; limiting a nominal wage and benefit increase in 2021; and a timeline to phase out electricity subsidies).	Met	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.	Met	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.	Met	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.	Met	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).	Met	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.	Met	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.	Met	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.	Met	Reduce vulnerabilities to corruption and promote investment and growth.

Measure	Target date/status	Objective
Structural benchmarks		
Exchange rate/monetary/safeguards		
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.	December 2021	Ensure the CBvS has a mechanism to intervene in the FX market.
Publish on the CBvS's external website the FY 2016 - 2018 audited financial statements.	December 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) bring CBvS' institutional, financial, and personal autonomy into line with international best practice; (iii) increase transparency, accountability and oversight; (iv) define clear requirements on accounting, profit distribution, reserves and eventual recapitalization of the CBvS and (v) introduce strict limits on monetary financing (with transitional rules).	January 2022	Strengthen the CBvS's mandate, autonomy, governance, and accountability and transparency.
Establish an electronic trading platform for inter-bank/cambio FX trading.	June 2022	Create a consolidated FX market.
Publish on the CBvS's external website the FY 2020-2021 audited IFRS financial statements.	June 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.	September 2022	Protect the CBvS's financial autonomy.
Financial/crisis preparedness		
Submit to the State Council the Credit Institutions Resolution Act to increase CBvS' powers and tools for early intervention, recovery, and resolution of financial institutions.	January 2022	Strengthen the CBvS's role in crisis management.
Submit the revised Banking and Credit Supervision Act to the State Council to facilitate risk-based supervision through expanding CBvS' assessment powers to determine bank compliance with regulatory requirements.	January 2022	Solidify oversight over the financial sector.
Operationalize the Financial Stability Committee, composed of representatives from the MoF and CBvS.	January 2022	Improve coordination on financial sector issues.
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.	February 2022	Strengthen the CBvS's role in crisis management.
Finalize the roadmap for financial sector restructuring and governance reform of banks.	May 2022	Improve strenght of 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).	September 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).	December 2022	Diagnose the financial sector and potential recapitalization needs.
Fiscal		
Publish a time-bound plan to implement recommendations from technical assistance programs provided by the IMF to streamline treasury functions through the Treasury Single Account (TSA)	January 2022	Improve governance and increase transparency.
Develop a term of reference, with techncial assistance from international partners, for hiring specialists to audit outstanding supplier arrears.	January 2022	Improve governance and increase transparency; improve fiscal data reporting.
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).	March 2022	Ensure fiscal adjustment in line with program parameters.
Passage of laws needed to implement the VAT by the National Assembly.	March 2022	Ensure fiscal adjustment in line with program parameters.

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

Measure	Target date	Objective
Structural benchmarks		
Commence an audit on outstanding supplier arrears.	April 2022	Improve governance and increase transparency; improve fiscal data reporting.
Pass laws and issue relevant decrees if needed to 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.	June 2022	Improve debt data reporting.
Create a large taxpayer unit to increase taxpayer compliance.	June 2022	Improve tax administration.
Publish the audited financial reports for FY2017-FY2021 of the 10 largest state-owned enterprises by total assets and a report that identifies and quantifies the principal fiscal risks created by these enterprises.	December 2022	Contain fiscal risks.
Governance (anti-corruption)		
Ratify the United Nations Convention Against Corruption (UNCAC).	January 2022	Reduce vulnerabilities to corruption and promote investment and growth.
Operationalize 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.	March 2022	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.	June 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.	June 2022	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 2022	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).	August 2022	Mitigate the adverse effects of criminal economic activity and promote integrity in financial markets.

Source: IMF staff.

1/ The target dates for all structural benchmarks are the end of the month.

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Attachment II. Technical Memorandum of Understanding

This Technical Memorandum of Understanding (TMU) sets out the understanding between the Surinamese authorities and the IMF staff regarding the definition of quantitative performance criteria (QPC) and indicative targets (IT). It also sets out the QPC and IT adjusters and data reporting requirements for the duration of the Arrangement under the Extended Fund Facility (EFF), as described in the authorities' Letter of Intent (LOI) dated December 8, 2021 and Memorandum of Economic and Financial Policies (MEFP). This TMU describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. As is standard under all Fund arrangements, we will consult with the Fund before modifying measures contained in the LOI/MEFP or adopting new measures that would deviate from the goals of the program. We are also committed to providing Fund staff with the necessary information for program monitoring.

1. The QPC and IT are shown in Table 1 of the MEFP. Prior actions and structural benchmarks are listed in Table 2 of the MEFP.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program accounting exchange rates" as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates. Unless otherwise indicated, U.S. dollar denominated components of the balance sheet of the Central Bank of Suriname (CBvS) will be valued at the official exchange rate of the Surinamese dollar to the U.S. dollar of 14.0180 set by the CBvS as of December 31, 2020. Amounts denominated in other currencies will be converted for program purposes into U.S. dollar amounts using the following cross-rates as of December 31, 2020: the Euro valued at 1.2281 U.S. dollars, Pound Sterling valued at 1.3600 U.S. dollars, the Chinese Yuan valued at 0.1532 U.S. dollars, the Special Drawing Right (SDR) valued at 1.4403 U.S. dollars. Official gold holdings were valued at 1,892.0 U.S. dollars per fine ounce.

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

3. **Definition of central government**: The central government (CG), for the purposes of the program, consists of the set of institutions and government units currently covered under the state budget. Newly formed public sector entities will be examined and included within the CG perimeter if adjudged to meet the definition of a CG unit per the Government Finance Statistics Manual 2014.

4. **Definition of State-Owned Enterprises (SOE)**: State-Owned Enterprises (SOE), for the purposes of the program, consists of the set of corporations that i) the CG is a shareholder or ii) are controlled by the CG directly or indirectly through other government-controlled entities. The control by the CG can be established through legislation or equity participation.

5. **Definition of debt**. External debt is determined according to the residency criterion (and, as such, would encompass nonresident holdings of Suriname law local currency and foreign currency

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debt). The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the PV (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

6. Under the definition of debt set out in previous paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

7. For program purposes, a debt is considered contracted when all conditions for its entrance into effect have been met, including approval by the National Assembly. Contracting of credit lines with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

8. The fiscal year is the calendar year, starting on January 1 and ending on December 31.

A. Primary Fiscal Balance (Cash Basis) of Central Government (Floor)

9. Definitions: The primary fiscal balance (cash basis) of the CG is calculated as the cumulative CG interest payments minus total net borrowing requirements from the beginning of the year. Net borrowing requirements (NBR) are measured at official (current) exchange rates and are defined as the sum of:

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iv. The change in net CBvS credit to the CG, including changes in the government deposit position at the CBvS;

v. The change in net credit from depository corporations (as defined by the inclusion in the monetary survey), which includes changes in CG deposits and the net issuance of treasury bills, lending, and other CG securities held by commercial banks;

vi. The change in net non-bank credit to the CG, which includes net issuance of Treasury bills and other CG securities to non-banks, and other CG claims and debts vis-à-vis nonbank institutions;

vii. New external loan disbursements net of external loan amortization;

viii. Net repayments of external arrears and gross repayments of domestic arrears;

ix. Privatization receipts received.

10. Definition: CG Interest payments are defined on a cash basis as interest paid on CG domestic and external debt obligations.

11. Definition: Mineral revenue is defined as the government's tax and non-tax proceeds from state-oil company Staatsolie Suriname and from gold companies. This includes corporate tax, wage tax (including old age fund contributions), dividend tax, indirect taxes, dividends, royalties and others. Royalties from small scale gold mining are also included in mineral revenue (Table 1).

12. The QPC for the fiscal balance is calculated based on the projected official exchange rate. Reporting (and adjustments, as defined below) will be made using the current official exchange rate.

Table 1. Suriname: Total Mineral Revenues of CG

	(Millions of SRD)
Cumulative flows from the beginning of the fiscal year	
End-December 2021	6308
End-January 2022	819
End-February 2022	1638
End-March 2022	2458
End-April 2022	3277
End-May 2022	4096
End-June 2022	4915
End-July 2022	5734
End-August 2022	6554
End-September 2022	7373
End-October 2022	8192
End-November 2022	9011
End-December 2022	9830

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Table 2. Suriname: Budget and Project Financing in FX (Baseline Projection)

Cumulative flows from the beginning of the fiscal year	(In millions of US$)
External loans from IFIs for budget financing 1/	
End-December 2021	0
End-January 2022	0
End-February 2022	80
End-March 2022	80
End-April 2022	80
End-May 2022	80
End-June 2022	110
End-July 2022	110
End-August 2022	110
End-September 2022	140
End-October 2022	140
End-November 2022	140
End-December 2022	168
External debt from bilateral and private creditors for budget financing 2/	
End-December 2021	0
End-January 2022	0
End-February 2022	0
End-March 2022	0
End-April 2022	0
End-May 2022	0
End-June 2022	0
End-July 2022	0
End-August 2022	0
End-September 2022	0
End-October 2022	0
End-November 2022	0
End-December 2022	0
External loans for project financing	
End-December 2021	39
End-January 2022	3
End-February 2022	6
End-March 2022	9
End-April 2022	12
End-May 2022	15
End-June 2022	18
End-July 2022	28
End-August 2022	30
End-September 2022	33
End-October 2022	36
End-November 2022	39
End-December 2022	42

1/ Excluding IMF disbursements.
2/ Including international capital markets.

13. Reporting: Fiscal data will be provided to the Fund with a lag of no more than six weeks after the end of the month.

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14. **Adjusters**: The floor on the cumulative primary cash balance of the CG will be adjusted:

1. downward (upward) to the full extent that cumulative project loans, relative to December 31, 2020, are more (less) than project loans given in Table 2.
2. upward to the extent of any rise in mineral revenue above the cumulative baseline projections, relative to December 31, 2020, given in Table 1.

B. New Natural Resource Revenue-Collateralized Debt Contracted by or on Behalf of the Central Government and/or State-Owned Enterprises (SOE) (Continuous Ceiling)

15. **Definition**: The ceiling on new natural resource revenue-collateralized debt (domestic and external) contracted on a gross basis by or on behalf of the CG and/or SOEs will be a continuous performance criterion throughout the program period. Natural resource revenue-collateralized debt is external or domestic debt, which involves creating a security interest, charge or lien over any natural resource, natural resource receivables, or the proceeds from the sale or lease of natural resources. The use of a collection account (e.g., for natural resources receivables or the proceeds of the sale of natural resources) where no charge or lien is created over such account is excluded from this definition. External debt contracted due to external debt restructuring, to be agreed between the authorities and its creditors, is excluded from this definition. The ceiling also applies to prefinancing arrangements (where debt is contracted against future sales of natural resources). The official exchange rate will apply to all non-SRD denominated debt.

16. **Reporting**: Data will be provided to the IMF on a continuous basis. This would include any new debt contracts that are entered into by the CG and/or SOEs to verify they do not include a security interest, charge, or lien over any natural resource.

C. New Central Government Guaranteed Debt (Continuous Ceiling)

17. **Definition**: The ceiling on new CG guaranteed debt (domestic and external) will apply to the amount of guarantees issued by the CG for debt contracted by any agency or entity outside the CG. For program purposes, the guarantee of a debt arises from any explicit legal or contractual obligation of CG to service a debt owed by a debtor outside the CG (involving payments in cash or in kind). The official exchange rate will apply to all non-SRD denominated debt.

18. **Reporting**: Data will be provided to the IMF on a continuous basis.

D. Non-Accumulation of Central Government External Debt Arrears (Continuous Ceiling)

19. **Definition**: The non-accumulation of arrears by the CG on contractual debt obligations owed to non-resident creditors will be a continuous performance criterion throughout the program period. External payments arrears for program monitoring purposes are defined as external debt

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obligations of the CG, which have not been paid within 30 days after the contractual due date (taking into account any contractual grace periods). Arrears resulting from the nonpayment of debt service, for which a rescheduling or restructuring agreement is being sought, based on good faith negotiations, are excluded from this definition.

20. The stock of external arrears of the CG will be calculated based on the schedule of external payment obligations reported by the Ministry of Finance and Planning (MoFP). Data on external arrears will be reconciled with the relevant creditors, and any necessary adjustments will be incorporated as they occur.

21. **Reporting**: Data will be provided to the IMF on a continuous basis.

E. Gross Credit to Central Government by the CBvS (Continuous Ceiling)

22. **Definitions:** The ceiling that applies on the change in gross credit provided to the CG by CBvS (including any provision of overdrafts) will be a continuous performance criterion throughout the program period and will be measured from end-June 2021 for 2021 and from beginning of the year for 2022. Coins and notes issued by the MoFP are excluded from the definition. The stock of gross credit will be valued at fair value and at program exchange rates. Changes in the stock of the COVID-19 Fund approved by Parliament in 2020 would constitute gross credit from the CBvS to the CG. Rolling over CG principal and interest payments due to the CBvS does not constitute gross credit.

23. **Reporting**: Data will be provided to the IMF on a continuous basis.

F. Net International Reserves of the CBvS (Floor)

24. **Definitions**: The floor applies to cumulative flows from the beginning of the year. For program monitoring purposes, net international reserves (NIR) of the CBvS are defined as the U.S. dollar value of the difference between reserve assets and reserve liabilities, as defined in what follows. The change is measured relative to the end-December 2020 level of NIR.

- **Reserve assets** are readily available claims on nonresidents denominated in foreign convertible currencies. They include: (i) foreign exchange (foreign currency cash, deposits with foreign correspondents, holdings of foreign securities), (ii) monetary gold, (iii) IMF reserve position, and (iv) SDR holdings. Excluded from foreign assets are any assets that are pledged, collateralized, or otherwise encumbered (e.g., pledged as collateral for foreign loans or through forward contracts; ring-fenced reserves from domestic banks' foreign reserve requirements), CBvS claims on resident banks and nonbanks, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, illiquid swaps, and any reserve assets that are not readily available for intervention in the foreign exchange market.

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- **Reserve liabilities** are defined as: (i) all short-term foreign liabilities of the CBvS vis-à-vis nonresidents denominated in convertible foreign currencies with an original maturity of one year or less; (ii) all outstanding credit from the IMF resulting from purchases; (iii) the nominal value of all derivative positions (including swaps, options, forwards, and futures) of the CBvS, implying the sale of foreign currency or other reserve assets; and (iv) all foreign exchange liabilities of the CBvS to resident entities (e.g., claims in foreign exchange of domestic banks, non-ring-fenced reserve requirements of domestic banks on their foreign currency deposits, reserve requirements of domestic banks on their foreign currency deposits that are ring-fenced in Suriname's sovereign bond in the amount of USD 10.283 million, and CBvS credits in foreign exchange from the domestic market) excluding foreign exchange liabilities to the CG.

- The stock of foreign assets and liabilities shall be valued at fair value and converted at program exchange rates. As of December 31, 2020, the stock of NIR amounted to USD-154.3 million (at the program exchange rates).

Table 3. Suriname: International Reserves

(US$ Million, unless otherwise specified)

	31-Dec-20
Reserve assets	**128.9**
IMF reserve position	2.8
IMF SDR	1.1
Foreign currency cash and deposits with foreign banks	125.0
Reserve liabilities	**283.1**
IMF program disbursements outstanding	20.9
Other liabilities with non-residents	0.1
Liabilities with residents	262.2
Reserve Requirements (non-ringfenced)	5.6
Reserve Requirements (the ring-fenced sovereign bond)	10.3
Working balance accounts of commercial banks	69.0
Long-term loan to commercial banks	177.3
Other	0.0
Net international reserves	**-154.3**

Source: Central Bank of Suriname.

25. **Reporting**: Data on foreign reserves and the foreign exchange cash flow will be provided by the CBvS to the Fund once a week. Data on the statistics indicated in Table 3 will be provided to the Fund on a monthly basis, in both official and program exchange rates, with a lag of no more than two weeks after the end of the month. At each program test date, the quarterly data on net international reserves submitted by the CBvS to the IMF will be audited by the CBvS external auditors in accordance with International Standards on Auditing, to ensure conformity with the program definition and calculation methods. Reports from the external auditors should be submitted to the CBvS, with a copy to the IMF, no later than 60 days after each test date.

26. **Adjusters**: NIR targets will be adjusted:

1. upward (downward) by the full amount of the cumulative surplus (shortfall) in program loan disbursements from IFIs relative to the baseline projections reported in Table 2. Program

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loan disbursements are defined as external loan disbursements from official creditors that are usable for the financing of the CG.

2. upward (downward) by the full amount of the cumulative surplus (shortfall) in loans from official bilateral and private creditors (including international capital markets) relative to the baseline projections reported in Table 2.

3. upward (downward) by the full amount of the cumulative surplus (shortfall) in mineral revenues in foreign exchange that are transferred to the CG account at the CBvS relative to baseline projections reported in Table 4.

4. downward by the amount of FX sales by the CBvS insofar as these sales occur via competitive auctions in response to the intraday depreciation in the exchange rate versus the U.S. dollar that is more than 2 percent and are less than USD 2 million per day. This adjustor is capped at USD 20 million per quarter.

Table 4. Suriname: FX Mineral Revenues of CG Transferred to CBvS (Baseline Projection)

Cumulative flows from the beginning of the fiscal year	(In millions of US$)
End-December 2021	211
End-January 2022	14
End-February 2022	28
End-March 2022	43
End-April 2022	57
End-May 2022	71
End-June 2022	85
End-July 2022	100
End-August 2022	114
End-September 2022	128
End-October 2022	142
End-November 2022	156
End-December 2022	171

G. Net Domestic Assets of the CBvS (Ceiling)

27. Definitions: The ceiling applies to cumulative flows from the beginning of the year. The CBvS' net domestic assets (NDA) are defined as the difference between reserve money (as defined below) and net foreign assets (NFA, as defined below). Items in foreign currencies will be valued at fair value and at program exchange rates. Thus defined, the stock of NDA amounted to SRD 8,777.1 million as of December 31, 2020 (Table 4).

- **Reserve money at program exchange rates** is defined as currency in circulation, commercial banks' deposits in correspondent accounts at the CBvS, and statutory cash reserve requirements against prescribed liabilities in SRDs and foreign currency held by commercial banks at the CBvS, other commercial banks' deposits at the CBvS in national and foreign currency, other demand deposits in national and foreign currency, and gold certificates (Table 4). Reserve money

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excludes balances in deposit auctions and commercial banks' term deposits at the CBvS. The definition is consistent with the measure of reserve money published on the CBvS' website. As of December 31, 2020, reserve money amounted to SRD 12,816.6 million.

- **The value of NFA at program exchange rates** is calculated as the difference between foreign assets and foreign liabilities, defined as follows:
  - **Foreign assets** are claims on nonresidents denominated in foreign currencies. They include foreign exchange (foreign currency cash, deposits with foreign correspondents, holdings of foreign securities), monetary gold, IMF reserve position, and SDR holdings.
  - **Foreign liabilities** are defined as liabilities of the CBvS vis-à-vis nonresidents denominated in foreign currencies; all outstanding credit from the IMF resulting from purchases under arrangements and SDR allocation; the nominal value of all derivative positions (including swaps, options, forwards, and futures) of the CBvS, implying the sale of foreign currency or other reserve assets.

28. Thus defined, NFA amounted to SRD 4,039.5 million as of December 31, 2020 (Table 5).

29. **Reporting**: Data will be provided to the IMF with a lag of no more than two weeks after the end of the month. At each program test date, the quarterly data on net domestic assets submitted by the CBvS to the IMF will be reviewed by the CBvS external auditors, to ensure conformity with the program definition and calculation methods. Reports should be submitted to the CBvS, with a copy to the IMF, no later than 60 days after each test date.

30. **Adjusters**: Consistent with the NIR target adjustment mechanism defined above, NDA targets will be adjusted:

1. downward (upward) by the full amount of the cumulative surplus (shortfall) in program loan disbursements from IFIs relative to the baseline projections reported in Table 2.

2. downward (upward) by the full amount of the cumulative surplus (shortfall) in loans from official bilateral and private creditors (including international capital markets) relative to the baseline projections reported in Table 2.

3. downward (upward) by the full amount of the cumulative surplus (shortfall) in mineral revenues in foreign exchange that are transferred to the CG account at the CBvS relative to baseline projections reported in Table 4.

4. Downward by the full amount of the CBvS' cumulative purchases of foreign exchange from the market relative to the baseline projections reported in Table 6.

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31. For the purposes of calculating adjusters, these flows will be valued at program exchange rates.

Table 5. Suriname: NFA, NDA, and Reserve Money
(SRD Millions)

	31-Dec-20
Net foreign assets	4039.5
Foreign assets	8243.5
Foreign liabilities	-4204.0
Net domestic assets	8777.1
Net claims on the government	8234.0
Claims on the government in local currency	9833.7
Liabilities to the government in local currency	-446.8
Claims on the government in foreign currency	144.1
Liabilities to government in foreign currency	-1297.0
Net claims on commercial banks	-2495.6
Claims on commercial banks in local currency	2.2
Liabilities to commercial banks in local currency	-200.0
Claims on commercial banks in foreign currency	187.0
Liabilities to commercial banks in foreign currency	-2484.7
Other items net	3038.7
Reserve money	12816.6
Reserve money in local currency	7342.2
Reserve money in foreign currency	5474.4
Memorandum item	
Program exchange rate	14.018

Source: Central Bank of Suriname.

Table 6. Suriname: CBvS's Purchases of FX (Baseline Projection)

Cumulative flows from the beginning of the fiscal year 1/	(In millions of US$)
End-December 2021	0
End-January 2022	0
End-February 2022	0
End-March 2022	0
End-April 2022	0
End-May 2022	0
End-June 2022	0
End-July 2022	0
End-August 2022	0
End-September 2022	0
End-October 2022	0
End-November 2022	0
End-December 2022	0

1/ Except for 2021 which is a flow for December only.

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H. Direct Purchases/Sales of FX by the CBvS and/or Central Government from/to SOEs and Private Sector (Continuous Ceiling)

32. Definitions: The ceiling on direct purchases/sales of FX by the CBvS and/or central government from/to SOEs and private sector will be a continuous performance criterion throughout the program period. The following purchases/sales of FX by the CBvS from/to the FX market are excluded from this definition:

- Purchases/sales of FX with banks and cambios undertaken through fixed allotment/variable price auctions.
- Sales of FX to (former) CBvS employees for children's overseas study and livelihood purposes, overseas pension transfers, overseas salary transfers and overseas travel expenses up to a maximum amount of USD 100.000 per quarter or an equivalent thereof in another convertible currency.
- Purchases of EUR banknotes from banks and cambios in exchange for USD banknotes.

33. Reporting: Data on direct purchases/sales of FX by the CBvS and/or central government from/to SOEs and private sector will be provided by the CBvS to the Fund daily.

II. OTHER CONTINUOUS PERFORMANCE CRITERIA

34. During the period of the Arrangement under the EFF, Suriname will not: (i) impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) introduce or modify multiple currency practices; (iii) conclude bilateral payments agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payments reasons.

III. INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Social Spending of Central Government (Floor)

35. Definition: Social spending of central government includes all the spending of the Ministry of Social Affairs and Public Housing (Ministerie van Sociale Zaken en Volkshuisvesting) on social protection programs. The floor on CG social spending is cumulative from the beginning of the year and is defined as the sum of spending on the following cash transfer programs:

- General old-age pension.
- General Child benefit.
- Financial assistance for persons with disabilities.

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- Financial assistance for weak households.

36. Reporting: Data will be provided to the IMF with a lag of no more than six weeks after the end of the quarter.

III. INFORMATION REQUIREMENTS

37. To ensure adequate monitoring of economic variables and reforms, the authorities will provide the following information:

38. Daily/Semi-weekly

- Official nominal exchange rates.
- Volumes and nominal exchange rates (inclusive of any fees, commission, or other types of charge) of foreign exchange transactions (purchases and sales) by banks and cambios.
- Volumes and nominal exchange rates of direct purchases/sales of foreign exchange by the CBvS and/or central government from/to SOEs and private sector.
- Monitoring Template IMF (no. 25[1]) - Deposits including largest 5 depositors in accordance with the Enhanced Supervision framework, within one week after the reporting period.
- Monitoring Template IMF (no. 26) – Liquid assets held by banks in accordance with the Enhanced Supervision framework, within one week after the reporting period.
- Liquidity Coverage SRD template (no. 30) in accordance with the Enhanced Supervision framework, within one week after the reporting period.
- Liquidity Coverage FX template (no. 31) in accordance with the Enhanced Supervision framework, within one week after the reporting period.
- Net Foreign Currency Position (Net Open Position) template (no. 27) for banks in accordance with the Enhanced Supervision framework. [For cambios this ratio will also be reported], in both cases within one week after the reporting period.

39. Weekly/bi-weekly

- CBvS liquidity assistance to financial institutions, by institution.

[1] References to template numbers as used in the Enhanced Supervision framework data reporting templates agreed with CBvS.

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- Reports on large exposures by bank that are equal or exceed 10 percent of Tier 1 Capital (template no. 28) in accordance with the Enhanced Supervision framework, within two weeks after the reporting period.
- Large deposits that are equal or exceed 10 percent of Tier 1 Capital (template no. 29) in accordance with the Enhanced Supervision framework, within two weeks after the reporting period.
- Liquidity forecast and realization (templates no. 15, 17 and 19) in accordance with the Enhanced Supervision framework, within two weeks after the reporting period.
- Liquidity stress testing (templates no. 10-13) in accordance with the Enhanced Supervision framework, within two weeks after the reporting period.
- Lending availability in SRD and USD (templates no. 21 and 22) in accordance with the Enhanced Supervision framework, within two weeks after the reporting period.
- Table on monitoring of banking sector benchmarks in accordance with the Enhanced Supervision framework on a bi-weekly basis, within two weeks after the reporting period.
- CBvS purchases and sales of foreign currency (FX cash flow table). FX auction amounts, auction bids, highest and lowest prices, cut-off and weighted average prices, FX rate before the auction.
- Information on auction results for open market operations no later than the day after the auctions, including on: instrument type, total open market operations auction volume, settlement date, expiration date, the number of total bids, total amount of bids, the number of total allocated bids, total amount of allocated bids, the minimum bid rate, the cut-off interest rate, the highest bid rate, and the weighted average allotted interest rate.
- Weekly submission of daily transactions and rates for the following: interest rates on domestic debt securities by maturity; required and excess reserves of the banking sector in local and foreign currency; total liquidity assistance to banks through normal lending operations, standing facilities, and ELA. Interest rates on OMOs, standing facilities, and ELA by maturity.

40. Monthly

- CG operations (revenues and expenditure) data in GFS format within six weeks of the end of the month.
- CG detailed revenues data from the tax office by revenue category, including: (i) direct tax by item, (ii) indirect tax by item, and (iii) non-tax revenues by item within six weeks of the end of the month.
- Mineral tax and non-tax revenue of major commodity companies and small gold miners, by revenue item and type of commodity (and separately for large-scale gold companies and small-scale gold miners). Data is to be provided within four weeks of the end of the month.

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- Number of public civil servants and total wage bill by Ministry within six weeks of the end of the month.
- CG authorized spending data by Ministry within four weeks of the end of the month.
- CG subsidies data by Ministry and programs within six weeks of the end of the month.
- CG balance from the financing side by sources and by currency, with a lag of no more than six weeks after the end of the month.
- CG domestic and external debt stock, including by: (i) creditor, (ii) currency, (iii) instrument; (iv) collateralized by natural resources revenue; and (v) guaranteed. The reporting lag should not exceed four weeks after the end of the month.
- Amortization payments of CG and government guaranteed debt by creditor, instrument, and currency. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution should be provided. The reporting lag should not exceed four weeks after the end of the month.
- Interest payments and fees on CG and government guaranteed debt by creditor, instrument, and currency. The reporting lag should not exceed four weeks after the end of the month.
- Stock of CG expenditure arrears, separately including payment of existing arrears and creation of new domestic arrears including the currency of the arrears. The reporting lag should not exceed four weeks after the end of the month.
- Stock of CG domestic and external debt arrears, including the currency of arrears. The reporting lag should not exceed two weeks after the end of the month.
- New debt contracts (official or private) entered into by the CG and/or SOEs. The reporting lag should not exceed two weeks after the end of the month.
- Holdings of domestic T-notes and T-bills (SRD-denominated and foreign currency-denominated) by investor, maturity, and currency. The reporting lag should not exceed four weeks after the end of the month.
- Legal measures that affect the revenue of the CG, such as tax rates, import tariffs, and exemptions. The reporting lag should not exceed six weeks after the end of the month.
- Balance sheet of the CBvS within two weeks of end of the month.
- A summary of the monetary survey of the banking system (including CBvS and deposit-taking institutions). This information should be received with a lag of no more than six weeks after the end of the month.

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- Income statement of the CBvS on a cash and accrual basis, with a lag of no more than three weeks from the end of the month.
- Projections of CBvS purchases and sales of foreign currency (FX cash flow table, 12 months ahead).
- Information on interconnectedness of the financial sector and related party lending (templates no. 6 and 37) in accordance with the Enhanced Supervision framework, within four weeks after the end of the month.
- The deposit funding structure of the banks (template no.8) in accordance with the Enhanced Supervision framework, within four weeks after the end of the month.
- Information on measures taken by the banks in the context of the COVID-19 pandemic (templates no.33-35), within four weeks after the end of the month.
- Banks' claims on the government and State-owned Entities with breakdown by type (debt types, loan types including the gross amount of overdrafts) within four weeks after the end of the month.
- The Monthly Returns as reported to the CBvS, within four weeks of the end of the month.
- A written update on the progress of the Asset Quality Review (until the review has been concluded) that includes any issues encountered by CBvS and/or their advisor and any remedial actions taken.
- Data on foreign reserve assets and foreign reserve liabilities for NIR target purposes (Table 2) evaluated at both official and program exchange rates, within two weeks of the end of the month.
- Data on NDA, NFA, and reserve money (Table 4) evaluated at both official and program exchange rates, within two weeks of the end of the months.
- Data on foreign reserve assets split into ring-fenced and non-ring-fenced assets evaluation at official exchange rates, within two weeks of the end of the months.
- Monthly outturns in open market operations against projections and revised projections for the new months.
- Consumer price index, including by sub-components of the CPI index within four weeks after the end of the month.
- Cash flow of EBS showing government transfers to cover the gap between the average electricity tariff and EBS recovery cost within eight weeks after the end of the month.

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- Electricity average tariff, total electricity consumption volume, total billing and amount collected (in SRD) to be provided by consumption categories (household, commercial, and industrial) and by consumption volume. This information should be received with a lag of no more than eight weeks after the end of the month.

- Electricity costs including: (i) production costs: fuel costs, Staatsolie electricity costs, hydropower costs, separately, (ii) other operational costs: personnel costs and financing costs, and (iii) investment costs. This information should be received with a lag of no more than eight weeks after the end of the month.

- EBS committed and executed payments to Staatsolie for purchases of fuel and electricity. This information should be received with a lag of no more than eight weeks after the end of the month.

41. Quarterly

- Detailed balance of payments data within 60 days after the end of the quarter.

- Detailed International Investment Position data within two months after the end of the quarter.

- Projections regarding banks' balance sheets and profit and loss statement (template no. 2 and 3) in accordance with the Enhanced Supervision framework, within four4 weeks after the end of the quarter.

- Liquidity forecast and realization (templates no. 14, 16 and 18) in accordance with the Enhanced Supervision framework, within four weeks after the end of the quarter.

- Progress reports of the banks on inspection items identified by CBvS, within six weeks after the end of the quarter.

- A full set of quarterly Financial Soundness Indicators (FSI) calculated by the CBvS within 60 days after the end of the quarter.

- CG spending on social protection programs, by program, as defined for the indicative target on social spending. The reporting lag should not exceed six weeks after the end of the quarter.

42. Annual

- Financial statements of EBS within six months of year end.

- Nominal GDP and real GDP within eight months of year end.

- Labor market statistics (including the unemployment rate and labor participation ratio) within twelve months of the year end.

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Statement by the Staff Representative on Suriname
December 22, 2021

This statement provides an update on India's consent to the IMF financing since the issuance of the staff report on December 9, 2021 for the request for disbursement under the EFF. This information does not alter the thrust of the staff appraisal.

1. **Lending into Official Arrears.** As noted in the staff report, India requested more time to consent to the IMF financing notwithstanding Suriname's arrears owed to India. Since then, consent was received from India on December 14, 2021.

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Statement by Mr. Bevilaqua, Executive Director of Suriname, Mr. Saraiva, Alternate Executive Director of Suriname, and Mr. Eckhorst, Government-Provided Advisor to the Executive Director
December 22, 2021

On behalf of our Surinamese authorities, we thank staff for the extensive and constructive policy dialogue and for the comprehensive report supporting the request for an Extended Arrangement under the Extended Fund Facility (EFF). We are particularly grateful to Mr. Alichi, mission chief until October, and Mr. Ding, mission chief since then, and their dedicated team for the diligence and perseverance to finally bring this program request to the Executive Board. The new Administration that took office in July 2020 was confronted with a severe economic downturn resulting from the combination of economic mismanagement by the previous Administration and a rapidly deteriorating situation due to the COVID-19 pandemic, as economic activity in many sectors came to a halt. As the pandemic worsened worldwide, a sharp fall in global demand caused Suriname's exports and tourist arrivals to plummet by more than 50 percent. Before the new Administration took office, the overall fiscal deficit reached 21 percent of GDP and the debt- to-GDP ratio peaked at 160 percent, one of the highest among emerging markets and developing economies.

Reinstating sound macroeconomic management

Even before the pandemic, the economic situation in Suriname was under distress and heading towards collapse due to economic mismanagement, weak institutions, and a rapidly increasing and unsustainable debt burden. The new Administration took office in the second semester last year and soon thereafter reached out to the IMF to engage staff in discussions to establish the basis for a strong Fund-supported adjustment and reform program to restore macroeconomic stability and bring the economy back to a path of sustainable and inclusive growth.

The authorities designed and started to implement a home-grown Recovery Plan (RP), which was approved by parliament in June 2021. Swiftly after taking office, the new Administration introduced measures to reverse the rapid economic downturn and mitigate its negative impact on vulnerable households. The comprehensive programmatic approach was discussed with Fund staff and presented to other IFIs to seek financial and technical support. A robust set of macroeconomic and structural reform measures was devised to curb the fiscal deterioration, restore debt sustainability, bring inflation down, build buffers, stabilize the economy, and create the conditions for strong, sustainable, and inclusive growth.

In addition, on September 15, 2021, the Government of Suriname established a Special Tripartite Consultation to engage in meaningful discussions with the main labor unions and employers' organizations. The goal was to reach a formal agreement (Tripartite Agreement of Social Contract) to create a stable financial-economic environment and conditions for economic recovery in a way consistent with the RP and the EFF arrangement. The Tripartite Consultation also provides a forum for ongoing discussions on the country's social and economic situation. The Social Contract demonstrates that the Government is fully aware of the circumstances and has

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been able to gain enough trust from important stakeholders to continue its reform policies.

This programmatic approach – translated in a comprehensive set of quantitative targets, structural benchmarks, and indicative targets – was the basis of the staff-level agreement (SLA) reached on April 29, 2021. Since then, the Administration reached out to local organizations (e.g., trade unions and businesses' associations) and experts (e.g., Association of Economists) to build broad consensus around the program. In addition, the World Bank, the Inter-American Development Bank (IDB), and the Caribbean Development Bank were approached to join the comprehensive framework led by the authorities and supported by the Fund. We take positive note of the IFIs' confidence that this set of measures, in conjunction with substantial restructuring of the external public debt, will steer the economy towards macroeconomic stability and debt sustainability. In any event, the Government stands ready to deploy well-crafted contingency measures to compensate for possible shortcomings.

Important steps have already been taken to foster prudent and transparent management and eliminate distortive, unsound practices. Overhauling an economy that is in disarray is not trivial nor costless in economic, social, and political terms. The authorities have allowed the exchange rate to move freely, started conducting weekly auctions of central bank term deposits, substantially reduced the level of domestic payments arrears, interrupted retroactive payments on wages and the continuation of tax credits, among other measures. The Administration has worked diligently and consulted extensively to bring all stakeholders on board, overcoming resistance to specific measures which entailed short-term costs. Despite the very challenging environment, the Administration has remained steadfastly committed to promote the needed adjustment and reforms and has shown strong ownershipof the measures included in the RP.

Fiscal Policy

Since August 2020, the Ministry of Finance and Planning (MFP) has undertaken effective fiscal consolidation. FY2019 was a pre-election year marked by an extraordinarily high overall fiscal deficit (21 percent of GDP). Even before inauguration, the newly elected Administration was confronted with a strongly misaligned budget combined with a rapidly deteriorating situation due to COVID-19 that led to a sharp fall in economic activity. The new Administration immediately took drastic measures to rein in the primary fiscal deficit as soon as they were in the driver's seat. They also reached out to creditors to start good faith negotiations for the restructuring of Suriname's public external debt.

Restoring fiscal sustainability is the main fiscal policy objective. The quick reversal of the primary fiscal balance from deficits to surpluses will be crucial to unleash a favorable debt dynamic moving forward. During the program, the primary fiscal balance will improve continuously to surpluses ranging from 3.5 percent of GDP to 4.5 percent of GDP from 2023 onwards – more than sufficient to cover projected interest expenditures. This strong fiscal stance will contribute to putting public debt on a clear downward path throughout the program period and beyond. Nonetheless, given Suriname's extremely high debt levels, obligations to private and official external creditors must also be restructured to enhance resilience to shocks and ensure public debt sustainability within the projection period.

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Bold actions to lower expenditures and increase revenues led to a turnaround in the public finances already in 2021 and laid the foundations for further fiscal consolidation.Among these measures, the following should be emphasized:

- **Doubling electricity tariffs and phasing-out subsidies to the electricity company**. In September 2020, electricity tariffs in Suriname were among the lowest in the world. The Government took the politically difficult decision to double tariffs last July, with a further 25 percent increase projected for 2022 and subsequent adjustments to reach cost recovery levels by 2024. By eliminating direct and indirect subsidies, ample space will be created for targeted subsidies to protect vulnerable groups against further erosion of disposable income. At the same time, institutional reforms should increase efficiency and lower generation and transmission costs.

- **Upgrading the Treasury Department to enhance its scope beyond cash management and with a view to establish a Treasury Single Account**. The Cash Management Department, with many treasury responsibilities, has been established prior to the SLA and is in the process of streamlining all treasury functions into a Treasury Single Account with technical assistance from the Fund.

- **Introducing a Solidarity Levy of 10 percent on the highest public and private sector wages**. This temporary measure, that will lapse in January 2022, was an emergency action taken by the new Administration to generate additional revenue to address the downward spiraling fiscal situation.

- **Initiating a gradual reduction of fuel subsidies, which have traditionally been used to curb price pressures, given its high inflation pass-through**. With the increase in global fuel prices, there is no fiscal space to accommodate these regressive subsidies. The Government is currently phasing out these untargeted subsidies, while exploring ways to support vulnerable groups through targeted public transportation subsidies.

- **Engaging in good faith negotiations with all creditors, private and official, to limit the enormous pressures from debt obligations and presenting proposals for debt restructuring consistent with debt sustainability requirements**. The dialogue with creditors resulted in a temporary stand-still of debt and interest payments, creating temporary fiscal space for the Government to address some dire and urgent economic, social and health needs aggravated by the pandemic. Further negotiations with all creditors are ongoing and will adhere closely to the debt restructuring parameters under the Fund-supported program.

- **Reprofiling local debt to banks, domestic suppliers, contractors, and others**. A strong effort to cope with the domestic debt overhang resulted in payments and agreements in“good faith.” This approach was validated by several construction businesses restarting public works that were halted due to large domestic payments arrears and high debt. Negotiations are still ongoing to reach a final settlement.

- **Protecting the most vulnerable by increasing old age pensions, child support,and support to vulnerable households**. Starting in late 2020 through 2021, social benefits increased

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significantly. We are committed to maintaining social spending above 5 percent of GDP per year. However, since inflation continues to be elevated, the authorities remain attentive to the impact on the well-being of the most vulnerable and will adjust socialbenefits in a fiscally responsible manner.

This wide array of fiscal measures has allowed for a dramatic budget overhaul. The authorities now expect the primary fiscal balance to reach a surplus of 2.6 percent of GDP in 2021 (instead of the projected deficit of 1.3 percent of GDP). Moreover, the ongoing reforms will significantly mitigate the dependence of fiscal revenues on commodity prices. Diversification of tax and non-tax sources of revenue will also benefit from the modernization of the Tax and Customs administration, supported by Fund, CARTAC, and IDB technical assistance. The authorities express their appreciation to the technical assistance that has been provided and welcome further support in those areas.

The Government has settled a substantial amount of domestic arrears and other obligations. Accumulated arrears, dating back to 2018, reached SRD 1.3 billion. In September 2021, the Government started to pay a significant amount of these arrears. Approximately SRD 400 million was paid to domestic creditors. In addition, SRD 411 million was paid to the Central Bank as part of the outstanding interest payments on the Government's Legacy Debt with the Central Bank. The Government also settled a (mid-2020) SRD 400 million loan from commercial banks that was used to pay civil servants' salaries during the transition to the new Administration.

The authorities will continue to pursue its ambitious fiscal consolidation strategy to restore a path of strong, sustainable, and inclusive growth, while mitigating the immediate social costs, especially on the most vulnerable. The combined impact of exchange rate devaluation, sales tax increase, and electricity tariff and fuel price hikes has resulted in inflation rising from 35 percent in 2020 to around 60 percent in 2021. The authorities understand that the only way to sustainably increase disposable income is to curb inflation and restore fiscal sustainability. The Social Contract provides a clear understanding to balance the efforts in achieving fiscal sustainability with securing existing social investments and creating additional safety nets, while trying to restore real wages. The authorities are fully convinced that they are on the right track to deliver a better future to the Surinamese people.

External balance and international reserves

Through mid-2021, international reserves dropped to critically low levels, jeopardizing continued confidence in the stability of the exchange rate. Previous attempts to defend an overvalued currency contributed to the low levels of international reserves. As the preparations for the operationalization of the reserve money targeting regime were well underway, and after two devaluations in March and May 2021, the monetary authorities adopted a flexible exchange arrangement on June 7, 2021, which is consistent with and required under the new monetary regime. In July, the Central Bank implemented the new monetary policy framework, with weekly multiple-pricing auctions of Central Bank term deposits. Subsequently, the new reserve money targeting regime was implemented with term deposits sterilizing around SRD 2.6 billion. The realignment of the exchange rate, term deposit auctions in combination with strong fiscal measures

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curbed domestic demand significantly and contributed to the absence of exchange rate spikes.

The decision to float the exchange rate was driven also by the understanding that it could work as a shock absorber and help the country rebuild buffers. With a low level of international reserves, the Central Bank could not continue resorting to foreign exchange interventions to manage the exchange rate. With the financial support from the Fund, and the pledges by the IDB, the World Bank, and the Caribbean Development Bank, international reserves are expected to strengthen to adequate levels. Meanwhile, the current account balance in 2021 should present a more modest surplus of around 4 percent of GDP, as compared to 2020, when the 9 percent of GDP surplus was mainly driven by import compression and subdued economic activity from the lockdown measures to deal with the pandemic.

Monetary and financial polices

Monetary policy will continue to focus on domestic price stability. With the introduction of a reserve money targeting regime, the Central Bank switched the nominal monetary anchor after decades of using the nominal exchange rate for that purpose. Operationalization of this regime is through open market operations, whereby term deposits are offered by the Central Bank to commercial banks as short-term investment vehicles to attract excess liquidity and as such mitigate demand, therefore reducing pressures on the exchange rate and domestic prices while maintaining flexibility in the foreign exchange market. At the same time, the Central Bank Act has been revised comprehensively to guarantee its operational independence.

The MFP and the Central Bank have signed a memorandum of understanding (MoU)to stop monetary financing of budget deficits. The authorities made clear from the onset that monetary financing should be discontinued and gradually shifted away from that practice. While the authorities discussed extensively with Fund staff the possibility of excluding COVID-19 emergency financing from this MoU, they agreed that within the EFF- supported program there would be enough funding to cover this and other emergency needs. By end-January 2022, the National Assembly will pass amendments to the Central Bank Act to permanently prohibit monetary financing of the government and improve the governance structure of the Central Bank.

The Central Bank has taken major steps to strengthen its regulatory and supervisory framework and support financial stability. Several legislative initiatives are in the pipelineto be sent to parliament for approval. The revised Banking and Credit Supervision Act and the Credit Institutions Resolution Act are cases in point. At the same time, a new Financial Stability Committee will become operational in January 2022. To further support financial stability, the Central Bank is conducting an asset quality review (AQR) of all banks, starting with the two largest banks in the third quarter and finalizing the remaining banks in the fourth quarter of 2022. The Central Bank will also join the Government in designing a recapitalization plan to strengthen the Central Bank's capital and its capacity to function independently.

Structural reforms, governance, and institutional strengthening

The authorities are strongly committed to continue implementing broad and deep structural

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reforms. Many of the measures in the RP and Multi-Annual Development Program aim at enhancing the business climate and improving the ease-of-doing-business. Besides cutting "red tape" to increase access to permits, the Government is working on measures to facilitate access to bank credit and alternative forms of financing. The authorities established a new Investment and Export Promotion Agency (FDI Suriname) to attract foreign direct investment (FDI) with high spin-off potential and ability to trigger the creation of linkages to support industrial development in Suriname. Also high on the Government's agenda is the implementation of the Public-Private Partnership policy to facilitate privatization and foster job creation.

The Administration is committed to enhancing the existing framework and creating new institutions to strengthen governance. The Government plans to follow-up on the Extractive Industries Transparency Initiative (EITI)'s recommendations to reform the mining law, especially on aspects that deal with mining titles and establishing the obligation for companies to disclose beneficial ownership.

Important progress has already been achieved in improving the AML/CFT regime. Suriname is not on the Financial Action Task Force (FAFT)'s list of countries that have been identified as having strategic AML/CFT deficiencies. The National Risk Assessment was conducted, finalized, and presented by the taskforce to the authorities. Suriname was commended for demonstrating its commitment to the international community and taking ownership in strengthening the country's AML/CFT frameworks. In addition, a critical step for Suriname's ratification of the United Nations Convention Against Corruption (UNCAC) was taken with the approval by the National Assembly. The ratification will be completed very shortly.

Conclusion

The authorities are fully committed to the IMF-supported program and confident that Fund support through the three-year Extended Arrangement will help restore macroeconomic and financial stability, debt sustainability, and improve the living standards of the Surinamese people over the medium term. The authorities are also strongly committed to maintaining social cohesion and protecting society's most vulnerable. Finally, the authorities wish to express their gratitude for the financing assurances provided by the official creditors and reaffirm their commitment to proceed with swift, good-faith negotiations with all creditors to regain debt sustainability in line with the program parameters.

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