INTERNATIONAL MONETARY FUND

IMF Country Report No. 18/376

SURINAME

December 2018

2018 ARTICLE IV CONSULTATION; PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SURINAME

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2018 Article IV consultation with Suriname, the following documents have been released and are included in this package in reverse chronological order to reflect the significant policy developments and the resulting update in staff appraisal after the Staff Report was originally issued to the Board.

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 16, 2018 consideration of the staff report that concluded the Article IV consultation with Suriname.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 16, 2018, following discussions that ended on October 3, 2018, with the officials of Suriname on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 1, 2018.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Suriname.

The following document will be released separately:

- **Selected Issues**

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.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No. 18/432
FOR IMMEDIATE RELEASE
November 16, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2018 Article IV Consultation with Suriname

On November 16, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Suriname.

Suriname's economy has stabilized and is expected to further improve**.** Real GDP grew by 1.7 percent in 2017 after two consecutive years of contraction, supported by higher gold production and a pickup in commodity prices. The unemployment rate has also declined. Inflation has subsided to single digits as the exchange rate has stabilized, and the current account deficit fell to almost zero in 2017 from its 2015 peak. Financial soundness indicators point to an improvement in the banking system, although important vulnerabilities remain. Recent indicators point to further improvements in economic activity this year. Real GDP growth is projected at 2 percent in 2018, followed by a gradual acceleration to 3 percent over the medium term.

This year's Article IV consultation focused on the challenges ahead**.** Fiscal deficits are large, and public debt is expected to rise in coming years unless strong fiscal consolidation is implemented. The slow pace of reforms and a recent step-up in current public expenditures have the potential to worsen the fiscal situation in 2019-2020. The public financial management framework remains weak, although the authorities are taking steps to strengthen it. The monetary framework lacks standard instruments. Despite improvements since 2016, pockets of vulnerability remain in the banking sector. Suriname's economy remains heavily dependent on the mineral sector. This year's Article IV consultation focused on policies to assure fiscal sustainability, strengthen the monetary framework, improve the resilience of the banking system, and boost potential growth through structural reforms.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Suriname's ongoing economic recovery, following the deep recession, that is underpinned by increased commodity exports. However, Directors noted that the economy faces challenges arising from a weak fiscal position, rising public debt, an underdeveloped monetary policy framework, a vulnerable banking sector, and heavy dependence on the mineral sector. They encouraged the authorities to use the current economic environment to build policy buffers, enhance resilience, and promote diversified and sustainable growth.

Directors emphasized that priority should be given to strengthening the fiscal position and reducing public debt. They recommended that adjustment efforts should focus on reducing energy subsidies, containing the public wage bill, implementing a broad-based value-added tax, and continuing to improve tax and customs administration. These measures would put debt on a downward path and create space for public investment. Directors called for a strengthening of the social safety net to protect vulnerable groups.

Directors welcomed the strengthening of the fiscal framework. They emphasized that further efforts are needed to strengthen revenue administration, improve public financial management, and strengthen the public investment system to improve public finances. Directors agreed that a fiscal framework focusing on the non-resource primary balance could help safeguard long-term fiscal sustainability.

While Directors considered the current monetary policy stance to be broadly appropriate, they called for quick absorption of the excess liquidity in the banking system. Directors emphasized the need to strengthen the monetary framework by adopting reserve money targeting and developing open market operations and standing facilities to allow the central bank to effectively conduct monetary policy operations. Directors underscored the need to strengthen both institutional and financial settings of the Central Bank. They agreed that maintaining a flexible exchange rate would support the economy's adjustment to external shocks.

Directors recognized the recent improvements in the financial sector indicators but noted that vulnerabilities remain. They underscored that developing a robust contingency plan and bank resolution framework will help strengthen financial stability. Directors noted the progress so far in the AML/CFT framework and encouraged the authorities to further strengthen this framework in line with the 2012 FATF standards, as it will help mitigate risks regarding the withdrawal of correspondent banking relationships.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors emphasized that structural reforms should focus on boosting productivity and diversifying the economy to foster sustained strong growth. They called for reforms to enhance the business climate and improve the environment for private investment. Priority also needs to be given to investing in education and increasing labor market flexibility while providing a meaningful safety net for the unemployed. Strengthening governance will also support investor confidence and promote growth.

Table 1. Suriname: Selected Economic Indicators

	2016	2017	2018	2019	2020	2021
			Proj.			
Real sector	(Period average percentage change, unless otherwise indicated)					
Real GDP	-5.6	1.7	2.0	2.2	2.5	2.1
Nominal GDP	20.6	16.5	11.6	9.0	8.7	12.0
GDP deflator	27.7	14.6	9.4	6.6	6.1	9.7
Consumer prices	55.5	22.0	7.5	6.5	5.7	9.4
Consumer prices (end of period)	52.4	9.3	7.2	6.7	5.7	9.4
Money and credit	(End of period percentage change, unless otherwise indicated)					
Broad money (constant exchange rate)	5.9	8.6	7.6	8.2	8.2	9.7
Reserve money (constant exchange rate)	8.1	22.2	24.7	12.7	10.8	14.1
Reserve money (percent of GDP)	15.2	16.0	17.9	18.5	18.9	19.3
Private sector credit (constant exchange rate)	-5.7	0.9	-3.9	2.9	5.0	7.6
Private sector credit (percent of GDP)	38.1	33.1	28.6	27.4	26.8	26.2
	(Percent of GDP, unless otherwise indicated)					
Central government						
Revenues and Grants	17.6	23.0	22.7	22.7	22.9	25.0
Expenditures	23.9	29.7	30.2	31.9	32.0	31.8
Of which: Primary expenditures	22.1	25.9	26.5	28.0	27.7	27.3
Statistical discrepancy	-1.8	-1.3	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-8.1	-8.0	-7.5	-9.2	-9.0	-6.8
Primary balance	-6.2	-5.0	-4.1	-5.2	-4.8	-2.3
Non-resource primary balance	-9.4	-11.8	-12.3	-12.9	-12.5	-10.1
Net acquisition of financial assets 2/	13.1	0.3	-9.8	0.0	0.0	0.0
Net incurrence of liabilities	21.2	8.3	-2.4	9.2	9.0	6.8
Net domestic financing	-2.7	5.2	-1.5	4.3	2.6	1.6
Net external financing	23.9	3.1	-0.9	4.9	6.4	5.2
Public (central government) debt 3/	78.5	77.2	69.8	72.7	77.3	78.0
Domestic	21.1	23.0	21.8	22.6	23.6	23.1
External	57.4	54.2	48.0	50.1	53.7	55.0
External sector						
Current account balance	-5.3	-0.1	-2.4	-3.4	-2.5	-1.6
Capital and financial account	16.2	5.8	6.1	3.5	3.7	3.8
Overall balance	1.6	1.4	3.7	0.1	1.3	2.2
Change in reserves (- = increase) 4/	-1.6	-1.4	-3.7	-0.1	-1.3	-2.2
Memorandum items						
GDP at current prices (SRD billions)	19.7	23.0	25.6	27.9	30.4	34.0
Terms of trade (percent change)	9.5	-3.9	-3.9	-3.2	2.0	2.6
Gross international reserves (USD millions)	381	424	552	555	606	700
In months of imports	2.5	2.3	3.1	3.0	3.1	3.5
Real effective exchange rate (percent change, + = appreciation)	-12.6	-3.8	...	...	...	...
Exchange rate (SRD per USD, period average)	6.2	7.5	...	...	...	...
Exchange rate (SRD per USD, eop)	7.4	7.5	...	...	...	...
Gold price (USD per troy ounce)	1,248	1,257	1,261	1,218	1,255	1,304
Oil price (USD per barrel)	42.8	52.8	69.4	68.8	65.7	63.1

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/ The debt-to-GDP ratios are based on IMF's 2014 Government Financial Statistics Manual. They would be different if computed using the definition in the Government Debt Act of Suriname.

4/ Includes valuation changes.

INTERNATIONAL MONETARY FUND

SURINAME

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION

November 1, 2018

KEY ISSUES

Context. Suriname is recovering from the deep recession of 2015-16. Growth has turned positive, inflation has reduced to single digits, real interest rates have turned positive, and the external position has on balance strengthened. Nonetheless, the economy remains heavily dependent on the mineral sector, and faces fiscal, monetary, and banking sector vulnerabilities.

Recommendations. Prompt action is needed to put the fiscal position onto a sustainable path, modernize the monetary framework, strengthen the banking system, and lay the foundations for strong sustained growth. Priorities are to:

- Significantly reduce the fiscal deficit, including by implementing the value-added tax, curtailing electricity subsidies, and improving public financial management.
- Strengthen the monetary policy framework and modernize its instruments consistent with the new reserve money targeting regime. Allow for the exchange rate to operate flexibly as a shock absorber.
- Use regulatory and supervisory tools to ensure that banks meet minimum capital requirements. Upgrade the contingency planning and bank resolution frameworks.
- Implement supply-side reforms to improve productivity and diversify the economy through promoting non-mineral engines of growth.

Approved By
Nigel Chalk (WHD) and Kevin Fletcher (SPR)

Discussions took place in Paramaribo during September 24 - October 3, 2018. The staff team comprised of Mr. A. Alichi (mission chief), and Messrs. T. Dowling, D. Kovtun, I. Shibata (all WHD), and Mr. K. Tanyeri (ITD).

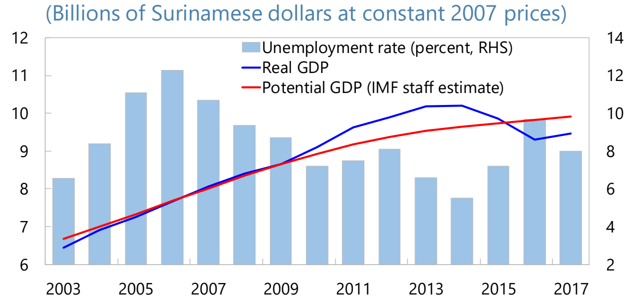
CONTENTS

ANNEXES

INTRODUCTION

1. **The economy has stabilized.** The fall in gold and oil prices, the closure of the bauxite plant, and the near-crisis in 2015-16 resulted in a cumulative GDP contraction of 9 percent during 2015-16 with the unemployment rate reaching 9¾ percent. The recovery of commodity prices and the launch of the Merian gold mine in late 2016 helped return growth to positive territory in 2017, with the unemployment rate falling to 8 percent.

Real and Potential GDP, and Unemployment
(Billions of Surinamese dollars at constant 2007 prices)



Sources: General Bureau of Statistics; National Planning Office; and IMF staff calculations.
Note: Unemployment rate is calculated based on the survey in Paramaribo and Wanica.

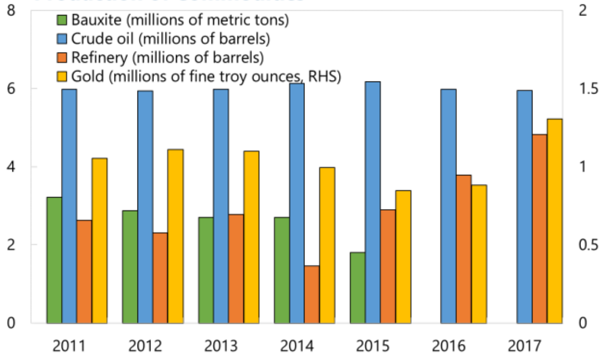
2. **There are multiple challenges ahead**. Suriname remains heavily dependent on the mineral sector, fiscal deficits are large, and public debt has risen significantly.[1] The slow pace of reforms and a recent step-up in current public expenditures have the potential to worsen the fiscal situation in 2019-2020. Public sector financial management has important gaps, the monetary framework lacks standard instruments, and the banking system remains vulnerable. This year's Article IV consultation focused on policies to assure fiscal sustainability, strengthen the monetary framework, improve the resilience of the banking system, and boost potential growth through structural reforms.

RECENT DEVELOPMENTS

3. **Recent indicators point to a rebound in economic activity.** Real GDP grew 1.7 percent in 2017, following two consecutive years of contraction. Growth was led by gold production, which increased by over 40 percent in 2017. New discoveries have further increased expected gold production over the next 3 years. Refined petroleum production increased by 28 percent in 2017 due to refinery upgrades. The overall monthly economic activity index (MEAI) grew 3.7 percent in the 12-month period to March 2018, driven by an expansion in mining, manufacturing, construction, agriculture, and forestry.

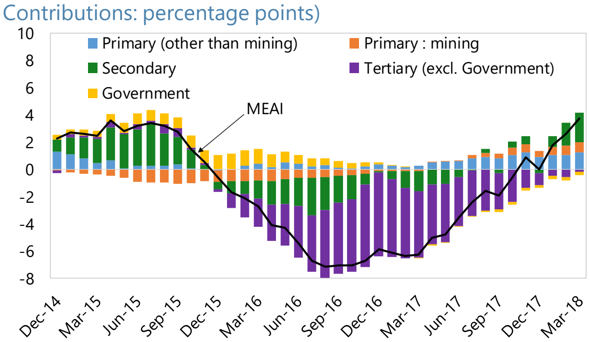
[1] Throughout this report, "public debt" refers to Suriname's central government debt. Statistics for the broader public sector are not compiled.

Production of Commodities



Sources: National Planning Office; Staatsolie; and IMF staff calculations.

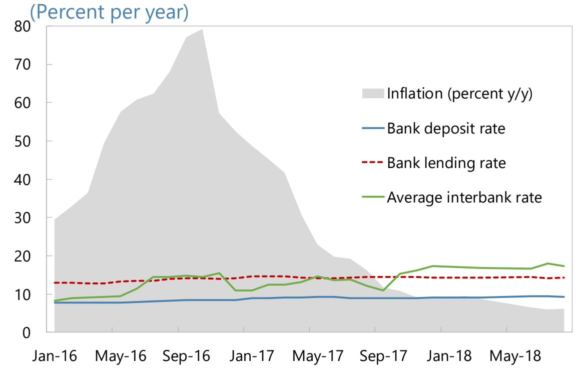
Monthly Economic Activity Indicator and Contributions
(MEAI: 12-m rolling average; percent change y/y - Contributions: percentage points)



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

4. **Inflation has subsided, pushing real interest rates into positive territory**. The inflation rate has declined from a peak of close to 80 percent in 2016 to single digits since late-2017, largely due to the stability in the exchange rate. Low inflation has led to firmly positive (ex-ante) real interbank and lending rates.

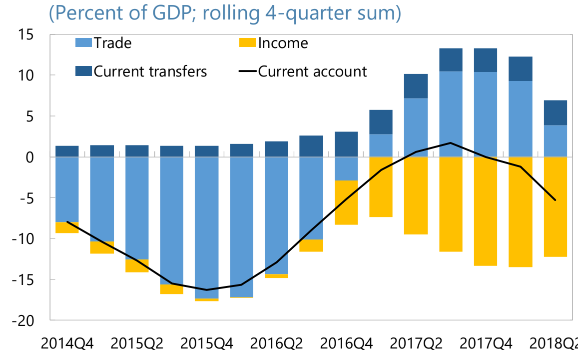
Interest Rates and Inflation
(Percent per year)



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

5. **The external position has on balance strengthened**. The current account deficit fell from 16½ percent of GDP in 2015 to about zero in 2017—a product of significant import compression, an improvement in terms of trade, and higher gold exports. However, in the first half of 2018 there was a current account deficit, largely because the trade surplus fell in Q2 driven by a one-off transaction.[2] This plus large repatriated profits by foreign gold companies outweighed the sum of the international trade surplus and current transfers. International reserves have risen to about 3.1 months of imports after the state oil company (Staatsolie) borrowed an equivalent of 18¼ percent of GDP in a syndicated loan earlier this

Current Account Balance
(Percent of GDP; rolling 4-quarter sum)

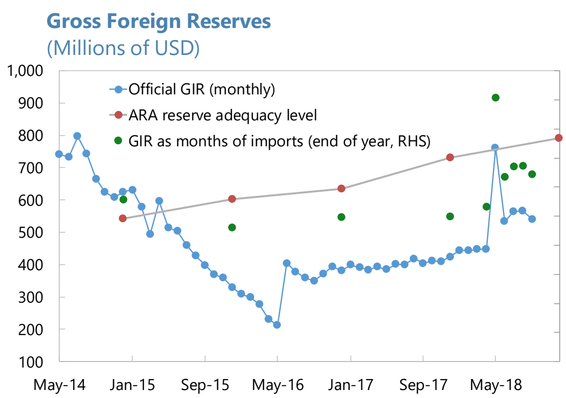


Sources: Central Bank of Suriname; and IMF staff calculations.

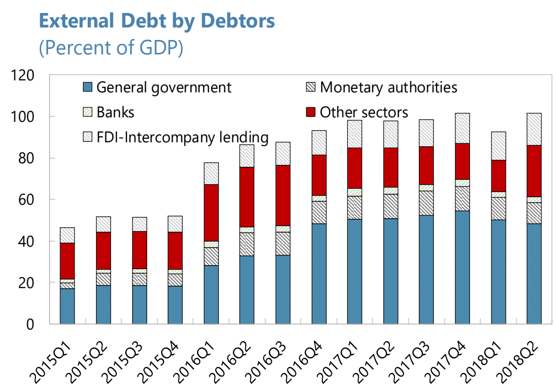
[2] It should be noted that the relatively larger current account deficit in 2018Q2 compared to 2018Q1 shown on the chart was due to a one-off transaction that is expected to be reversed shortly, based on staff's discussions with the authorities. Staff projects the annual 2018 current account deficit at 2.4 percent of GDP.

year (part of which was used by Staatsolie to repay a government loan). External debt, as a percent of GDP, has been above 90 percent of GDP since late-2016.

6. **The external position is judged to be moderately weaker than implied by medium-term fundamentals and desirable policies** (Annex III). This assessment is based on the last year for which annual data is available (2017). While the actual current account was almost balanced in 2017, it still fell short of the current account norm implied by medium-term fundamentals and desirable policies, which staff's estimates suggest would have been a surplus of 1.2 percent of GDP. Similarly, staff's estimates suggest a moderate exchange rate overvaluation of around 2.7 percent. Reserve coverage is inadequate, representing only 55 percent of the Assessment of Reserve Adequacy (ARA) metric at end-2017. So far in 2018, reserve coverage has improved (mostly due to the borrowing in foreign currency by Staatsolie in June), but it is still expected to end the year at around 72 percent of the ARA metric.



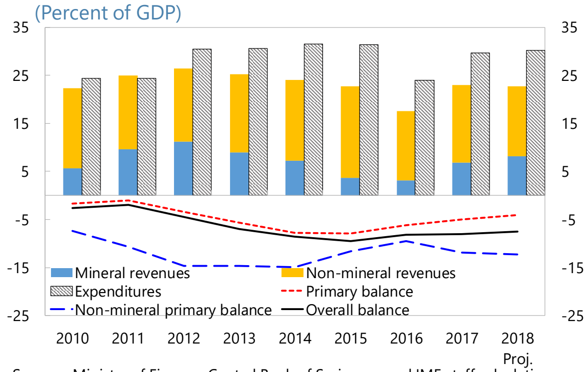
Sources: Central Bank of Suriname; and IMF staff calculations.



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

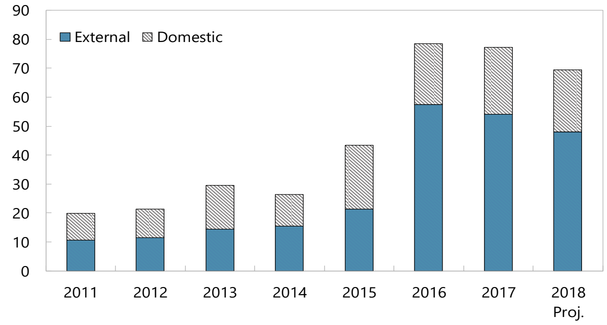
7. **Public debt and fiscal deficits are high.** Public debt has more than doubled since 2014, reaching 77 percent of GDP by end-2017. The primary deficit narrowed from 7.9 percent of GDP in 2015 to 6.2 percent of GDP in 2016, as the authorities counteracted a 5¼ percent of GDP fall in revenues, with an almost 8 percent of GDP reduction in current primary spending. The primary deficit improved further to 5 percent of GDP in 2017 as mineral revenues rebounded. However, the non-resource primary deficit (NRPB) widened (by 2.4 percent of GDP) to nearly 12 percent of GDP in 2017. This was primarily driven by a rise in fuel prices (which fed through to greater public subsidies to the state-owned electricity company, EBS) and higher public investment. Furthermore, public wages for teachers were increased by effectively 35 percent in 2017, followed by a 25 percent wage increase to other civil servants announced in September 2018 to be applied retroactively starting January 2017.

Fiscal Outcomes
(Percent of GDP)



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

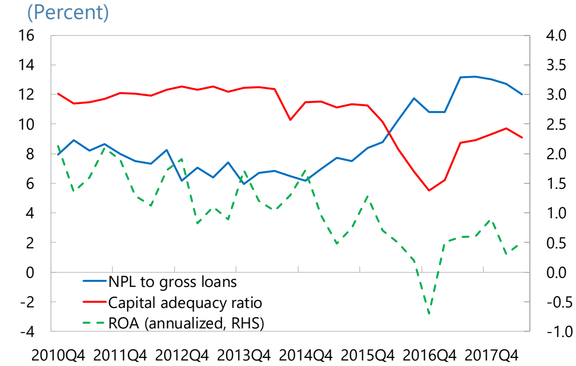
Public Debt
(Percent of GDP)



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

8. **The soundness of the banking system is improving but important vulnerabilities remain.** Following the near-crisis of 2015-16, banks have been actively cleaning up their balance sheets. Financial stability indicators have improved since 2016, but there is wide variability across banks, with the published financial statements of some suggesting they do not meet the minimum regulatory requirements. The average capital ratio rose from 5.5 percent of risk-weighted assets in 2016 to 9.1 percent in June 2018. Nonperforming loans, at 12 percent of gross loans in June 2018, are high and the average return on assets, at 0.5 percent, is relatively low.

Nonperforming Loans and Capital Adequacy Ratio
(Percent)



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

OUTLOOK AND RISKS

9. **Staff's baseline scenario assumes modest fiscal measures will be undertaken in 2019 but that the introduction of the VAT is deferred until 2021.**[3] The authorities submitted the 2019 budget to the National Assembly in September. This budget envisages a significant increase in spending—driven primarily by public investment and higher nominal wages—which, if implemented, would result in a double-digit deficit as a percent of GDP. Staff's baseline, however, assumes the deficit will rise to around 9.2 percent of GDP in 2019, which would be more in line with the policy intentions that were communicated by the authorities, the financing constraints facing the government, and a pattern of past under-execution of the budget. Adjustment measures included in staff's baseline for 2019 include a vehicle tax that was recently approved by the National Assembly.

[3] The authorities have not committed to any specific implementation date but have announced, including in recent months, that preparations for implementation of the VAT are ongoing. Staff's baseline assumption is implementation of the VAT in 2021.

In 2020, electricity subsidies are projected to decline due to the expected transfer of the hydro powerplant to government ownership in late 2019, which will lower input costs for the EBS.[4] Going forward, staff's baseline assumes the introduction of a 15 percent VAT to replace the current sales tax in 2021.[5]

10. **Under this scenario, macroeconomic performance is expected to improve (Tables 1-6).** Real GDP growth is expected to slowly rise to 3 percent over the medium term as the non-mining economy picks up. Inflation is expected to subside to 7½ percent (period average) in 2018 and decline further thereafter. The fiscal deficit is expected to fall to about 6 percent of GDP over the medium term, mostly due to the VAT introduction (in 2021). Public debt is forecast to fall below 70 percent of GDP by end-2018, largely due to early repayment of some debt, using part of the proceeds from the repayment of a 2016 loan by Staatsolie to the government. However, from 2019 onwards public debt as a percent of GDP is expected to resume its upward trajectory, reaching 82 percent of GDP by 2023 (Annex II). The current account deficit is expected to fall from about 2.4 percent of GDP in 2018 to 0.7 percent of GDP in 2023, as the terms of trade improve and the fiscal deficit falls. International reserves are projected to be at about 3 months of imports by end-2018 or 72 percent of the ARA metric, with a modest increase in reserve coverage over the medium term as the balance of payments improves.

11. **Risks to growth are balanced in the short term but to the downside over the medium term** (Annex IV)**.** In the short term, tighter global financial conditions could make debt service more burdensome on public finances, and a shortfall in the availability of external financing could adversely affect Suriname via weaker growth and a deterioration in the external position. In addition, pockets of vulnerability in the banking sector pose risks, especially in the absence of a deposit insurance system and deficiencies in the crisis preparedness and resolution frameworks. Over a longer horizon, the risks associated with a rising public debt—including high share of foreign exchange debt which increases vulnerability to exchange rate shocks—and relatively low levels of international reserves are likely to move to the forefront. The lack of a non-mineral engine of growth could further erode potential growth while higher external debt service or a weaker-than-expected terms of trade could put pressure on the balance of payments. Delays in further strengthening the anti-money laundering/combating the financing of terrorism (AML/CFT) regime pose risks, including the further withdrawal of correspondent banking relationships (CBRs) and the freezing of cash shipments by foreign governments. The government may decide to increase debt-financed spending in the run-up to the 2020 elections—resulting in higher near-term growth at the cost of higher public debt and a slower path of reserves accumulation. The most notable upside risk for Suriname is a great potential for new gold or oil discoveries, which could boost fiscal revenues and GDP growth. In addition, the authorities' program for strengthening the fiscal framework and an

[4] The hydro powerplant is owned and operated by the private aluminum producer Suralco. The power purchase agreement links the price of electricity to the price of hydrocarbons. According to Jacobs report, there is significant scope for savings from ownership transfer to the government as the costs of hydro power are lower than those of a typical thermal plant fueled by hydrocarbons.

[5] This policy change is expected to generate an additional 2 percent of GDP in revenues, have an inflation impact of 5 percentage points at the year of impact (2021), and have a cumulative two-year fiscal multiplier of 0.4.

initiative for energy sector reform—complemented by an ongoing social dialogue—also constitute upside risks for the fiscal position and growth in the medium term.

Authorities' Views

12. **The authorities considered staff's baseline too pessimistic**. They emphasized that their intended spending envelope is much lower than what they have proposed in the 2019 budget that was submitted to the National Assembly in September this year. They also mentioned their intentions to continue to limit spending on goods and services. The authorities highlighted the approval of the new vehicle tax and the widespread administrative fee increases that will be implemented in 2019 and their intention to introduce the VAT once all necessary preparations have been completed. Contrary to staff, the authorities saw risks to growth and the fiscal position as more balanced. They believed that likely future new discoveries of oil and planned gold mining and non-traditional investment activities would counter any downside risks and could boost growth and government revenues.

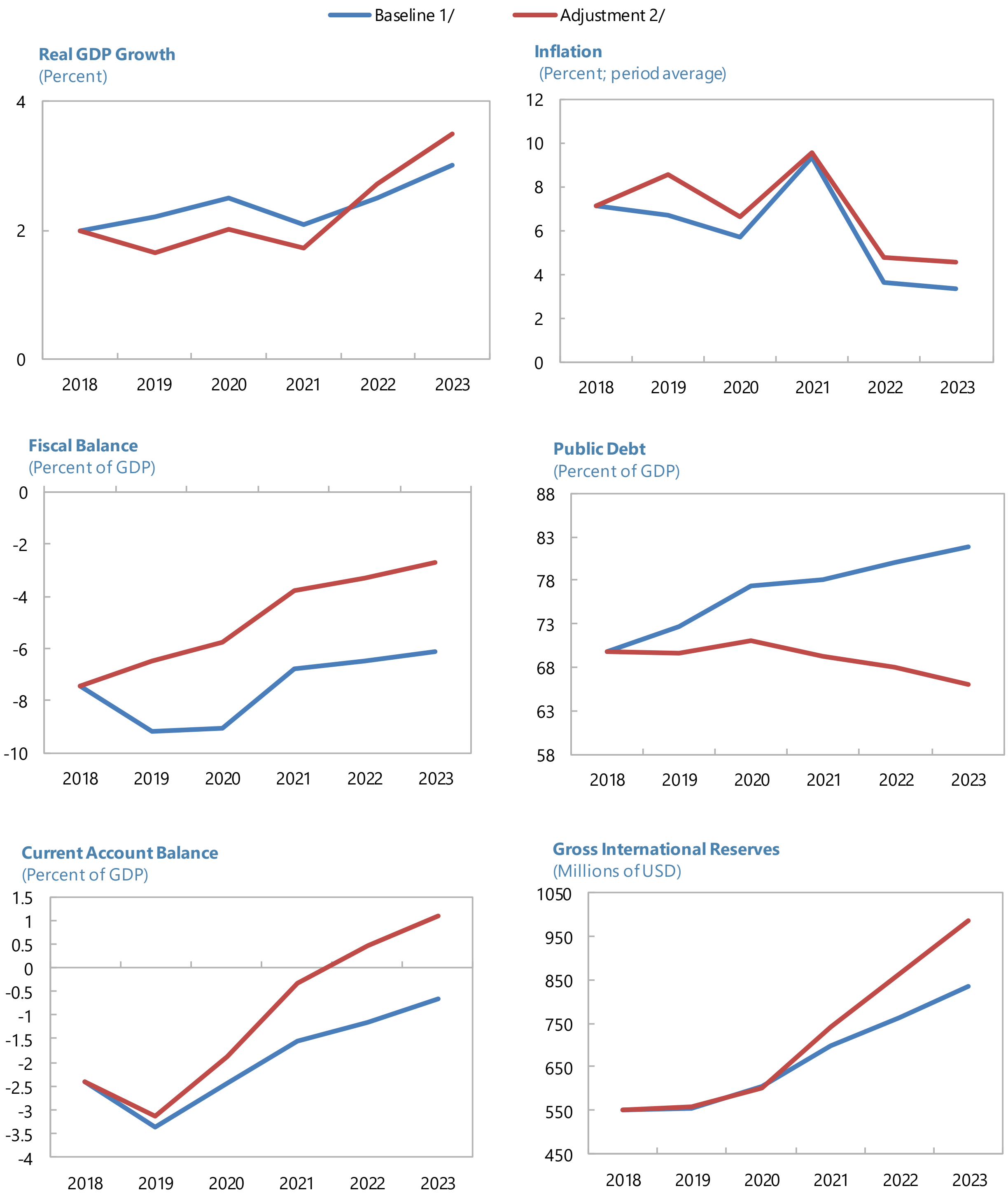
POLICY DISCUSSIONS

A. Putting Fiscal Policy on a Sustainable Path

13. **The authorities are taking important steps to strengthen their fiscal framework.** In 2017, the National Assembly approved legislation for a Saving and Stabilization Fund (SSF), with the objective to operationalize it in 2019. Insofar as the legislation leads the authorities to save part of their mineral revenues, by running fiscal surpluses at times when mineral proceeds are high, this would be an important change in the current conduct of fiscal policy. In addition, the authorities have embarked on a program to strengthen the framework for implementing fiscal policy. This program is supported by a $40 million loan from the Inter-American Development Bank and features three major components:

- *Strengthening revenue administration*. Key measures include developing taxpayer services, strengthening internal revenue operations (including by introducing new tax identification numbers for all taxpayers), improving customs operations (including by adopting new procedures for the eventual implementation of the VAT), and reviewing and updating the legal framework for tax and customs administration. In the longer term, the tax department will be transformed into a modern, semi-autonomous revenue agency that uses a risk-based approach to collect revenues.
- *Improving public financial management.* To improve budget planning and execution, the authorities have introduced a new public financial management law to the National Assembly. They have introduced a new procurement law harmonized with the Caribbean Community (CARICOM) that will improve competition and transparency in public contracting. Besides upgrading the legal framework, the Ministry of Finance intends to improve its business model for budget planning, bolster the medium-term fiscal framework, strengthen treasury operations, and improve internal controls.

Figure 1. Suriname: IMF Staff's Baseline and Adjustment Scenarios

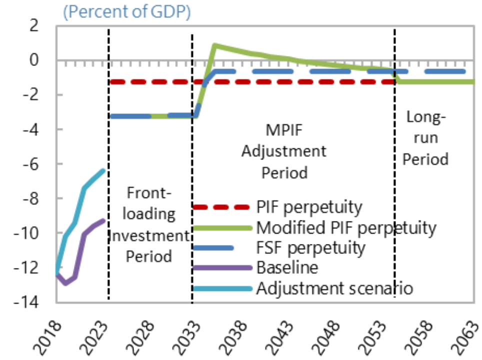


Source: IMF staff calculations and projections.
1/ IMF staff's projections are based on policy intentions expressed by the authorities.
2/ IMF staff's adjustment scenario assumes policies recommended by IMF staff.

Box 1. Options for a Fiscal Anchor

Suriname would benefit from replacing its current fiscal anchor with a clearer and more credible one. The new anchor should focus on the non-resource primary balance (NRPB) rather than the overall balance to smooth out fluctuations in revenue due to swings in international commodity prices, avoid procyclicality, and support the safeguarding of mineral wealth for future generations. Such an anchor would provide a clearer measure of the underlying fiscal policy effort and should be calibrated to the length of the proven resource horizon—which is relatively short in Suriname—to ensure long-term fiscal sustainability while taking into account Suriname's development needs.

Non-resource primary balance
(Percent of GDP)

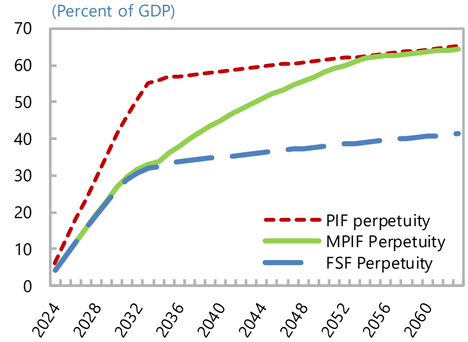


Sources: IMF staff calculations.

Estimating long-term fiscal sustainability benchmarks under several alternative frameworks underscores the need for significant fiscal adjustment to accumulate savings:

- ***A permanent income framework (PIF)***. In the basic PIH framework, the benchmark corresponds to the sum of the real return on already accumulated net financial wealth and the implicit return on the net present value of future resource revenues. Under the assumption of no new mineral discoveries, a NRPB of -1¼ percent of GDP would be needed (implying an adjustment of about 10½ percent of GDP relative to the 2017 NRPB).

Cumulative financial savings
(Percent of GDP)



Source: IMF staff calculations.

- ***A modified permanent income (MPIF)*** **framework**. This framework incorporates the possibility of scaling up public investment in an initial period, followed by an adjustment in the medium term. Under this framework, a frontloaded spending (of an additional 2 percent of GDP on capital expenditures) in the initial period would have to be compensated by achieving a modest NRPB surplus (of up to 1 percent of GDP percent of GDP) in the adjustment period.

- ***A fiscal sustainability framework (FSF).*** This would assume that productive government spending can raise the growth rate of the non-resource economy and generate proportionally higher non-mineral revenues. In this framework, adding an extra 2 percent of GDP to capital expenditures in the frontloaded investment period would permanently increase non-resource revenues requiring the NRPB to be reduced to a small (½ percent of GDP) deficit in the adjustment period.

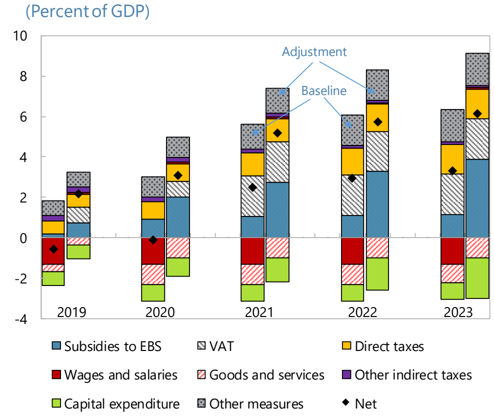
In all three frameworks outlined above, a substantial fiscal adjustment would be needed to start accumulating financial savings to preserve at least a part of natural resource wealth for future generations.

- *Strengthening the public investment system.* The authorities' objective is to prioritize investment projects by establishing a public investment and public-private partnership (PPP) unit and introducing an operational plan for planning, pre-investment and feasibility studies in public infrastructure and PPPs.

14. **Nonetheless,the fiscal framework needs a credible medium-term anchor.** The current medium-term fiscal anchor is based on the Debt Act, which stipulates a public debt ceiling of 60 percent of GDP. However, the 2017 amendment to that Act introduced an escape clause for the debt limit and allowed for an annual fiscal deficit of 6.5 percent of GDP in 2017 and 5 percent of GDP in 2018-2021.[6] A more appropriate medium-term fiscal anchor for Suriname would be to limit the non-resource primary balance (NRPB) as a share of GDP so as to make the fiscal position sustainable, as well as achieve a more equitable intergenerational allocation of resources (especially given the relatively short span of Suriname's oil and gold reserves, Box 1).[7] Options include (i) a permanent income approach that stabilizes the net present value of public sector assets by replacing natural resources over time with a build-up of financial assets, (ii) a modified permanent income framework that allows higher spending in the initial years to meet development needs, followed by subsequent adjustment to safeguard savings from natural resources, and (iii) a broader framework that uses resource revenues to build up infrastructure assets so as to put growth on higher trajectory and, as a consequence, enhance the government's non-resource revenues. Regardless of the fiscal framework chosen, placing the public debt on a downward path remains the near-term priority.

15. **To sustainably put debt-GDP on a downward path would require measures of about 6¼ percent of GDP by 2023**. Such an effort would reduce the non-resource primary deficit by half (to about 6½ percent of GDP). The authorities' fiscal adjustment measures of about 3¼ percent of GDP (as reflected in staff's baseline; mostly achieved through the VAT implementation) are steps in the right direction, but an additional fiscal effort of close to 3 percent of GDP in the next 5 years (relative to staff's baseline) will be required. The main measures could include:

Fiscal Measures: Staff's Baseline vs Adjustment Scenarios
(Percent of GDP)



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

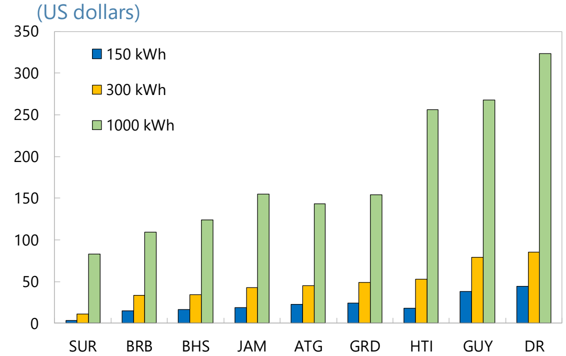
- Introducing a VAT at 10 percent in 2019, with a subsequent rate increase to 15 percent in 2021. The VAT should be single-rate and broad based with minimal exemptions.

[6] It should be noted that the fiscal deficit in the authorities' budget includes certain loans and repayments above the line as revenue and expenditure items and, therefore, is not comparable to staff's fiscal presentation based on the Government Finance Statistics Manual.

[7] Given the absence of statistics on non-resource GDP, the anchor could be set as a ratio of the NRPB to overall GDP.

- Reducing energy subsidies through raising average electricity tariffs each year by 15 percent during 2019–20 and 20 percent during 2021-23 to bring Suriname's electricity tariffs closer to regional averages. The tariff structure should avoid imposing an undue burden on low-income users (e.g., by not changing tariffs for the lowest consumption bracket). Additional measures should be taken to improve efficiency so as to increase cost recovery from the current 30 percent to an average of 90 percent.

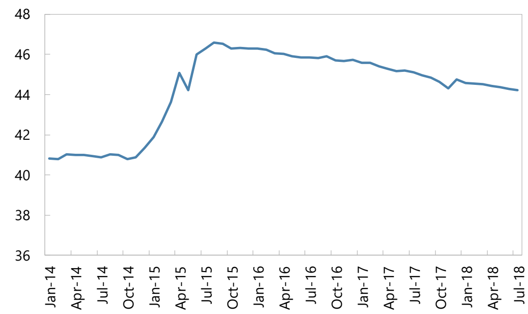
Monthly Household Utility Bill for Electricity
(US dollars)



Source: 2016 Jacobs Report on EBS.

- Moderating the wage increases and largely preserving the reduction in the wage bill achieved in 2016, including by reducing public employment, primarily through tackling fraud and continuing with limits on hiring to return the number of central government employees to the pre-2015 levels. Greater differentiation in public salaries could help attract and retain a more skilled public workforce.

Number of Central Government Employees
(Thousands)

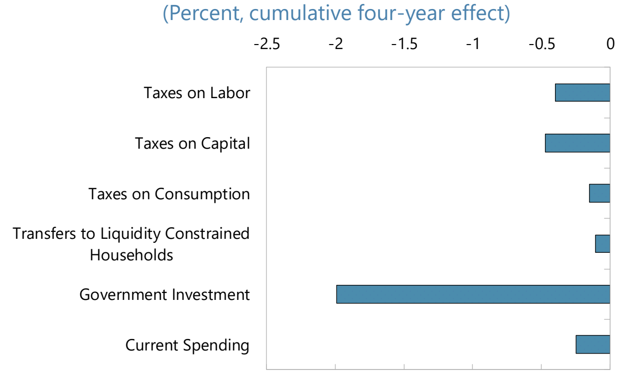


Sources: Ministry of Finance; and IMF staff calculations.

- Raising infrastructure spending by an additional 1¼ percent of GDP (compared to staff's baseline) by 2023. This would bring infrastructure spending from an annual average of 3 percent of GDP during 2015–17 to 4.5 percent of GDP, in line with its annual average during 2005-14. This amount would include the implementation of investment projects financed by the International Financial Institutions (IFIs) and would help both boost potential growth and support domestic demand.

- Strengthening the social safety nets to lower the impact of fiscal adjustment on vulnerable groups.

Real GDP Cost of Fiscal Consolidation
(Percent, cumulative four-year effect)



Sources: IMF staff calculations using GIMF model.

16. **Staff's fiscal consolidation package would have a modest real GDP cost**. Simulations suggest that staff's consolidation plan would provide an only-modest drag on growth, particularly as compared with a blunter strategy that relies more heavily on cuts to infrastructure spending.[8]

Authorities' Views

17. **The authorities considered the staff's adjustment scenario projections close to their own baseline scenario**. They disagreed with staff's assessment that Suriname lacks a credible fiscal

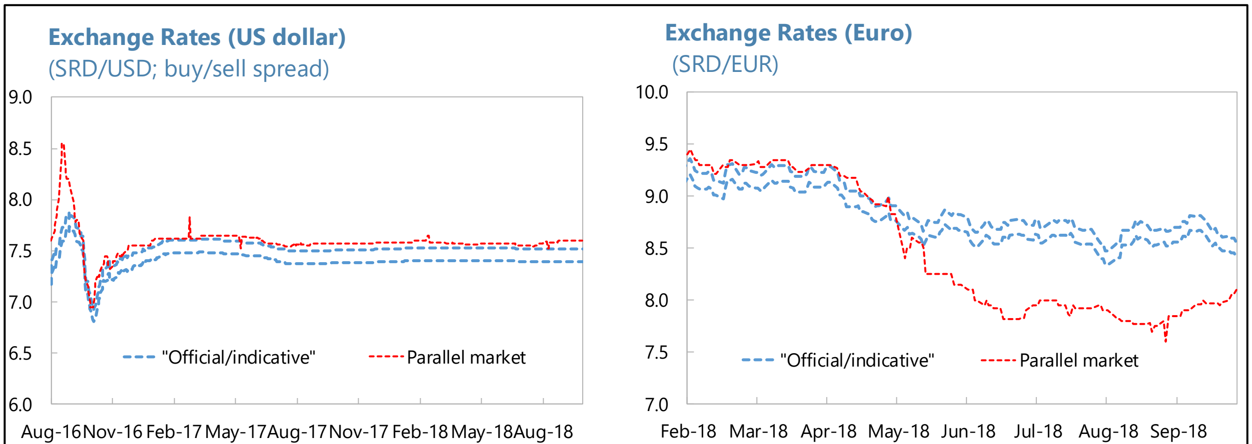
[8] See the accompanying Selected Issues Paper, "Suriname: Fiscal Multipliers of Government Spending".

anchor but agreed that the fiscal anchor could be improved along the lines that staff has suggested. They noted that the gradual reduction of the deficit is being bolstered by recent amendments to the legal and institutional frameworks, including the agreement to eliminate monetary financing and the establishment of the revenue-stabilizing SSF, which will support efforts to limit sources of volatility and limit growth in allowable spending. They mentioned that they are committed to strengthening the fiscal position and reducing public debt and underscored that their program for strengthening fiscal institutions would provide tangible results. The authorities also pointed to their efforts to reorganize the electricity sector, which will underpin their efforts to reduce electricity subsidies, and believed that subsidies could be phased out faster than projected in staff's adjustment scenario. They reiterated that they are committed to introducing the VAT.

B. Improving the Monetary Policy Framework

18. **The central bank (CBvS) switched its nominal anchor from the exchange rate to the monetary base in 2016.** The CBvS also stopped monetary financing of the budget and introduced processes to monitor and forecast liquidity to manage the growth of reserve money. However, the CBvS continues to lack the standard tools to undertake open market operations and does not have in place standing facilities that are common to most central banks. Instead, the CBvS relies on various *ad hoc* instruments (such as foreign exchange swaps and occasional loans to banks) to manage liquidity.[9]

19. **The current monetary framework needs to be strengthened to make clear that reserve money is the nominal anchor**. This would be achieved by setting explicit quarterly targets for reserve money and achieving them through open market operations and (infrequent) changes in reserve requirements. There should also be standing facilities to meet short-term overnight liquidity needs (i.e., lending facilities) and to absorb banks' excess liquidity (i.e., deposit facilities).

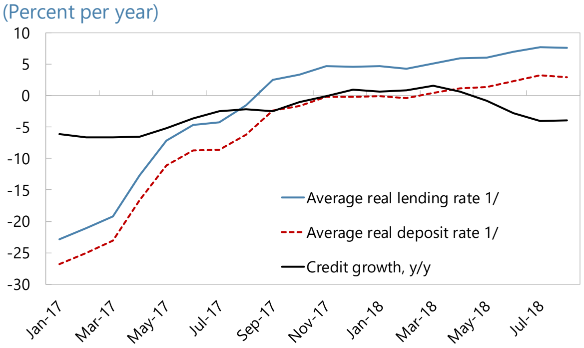


Sources: Dagblad Suriname; Central Bank of Suriname; and IMF staff calculations.

[9] The CBvS's main tool of monetary policy is the reserve requirement, which has remained 50 percent on foreign currency and 35 percent on the domestic currency base since November 2015. However, the effective rate is lower due to concessions given. Banks are permitted to on-lend a certain part of their required reserves for private residential construction.

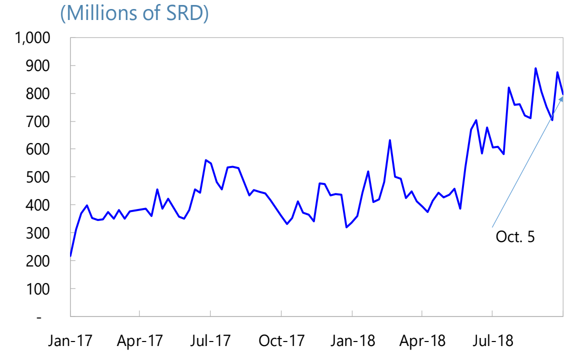
20. **Monetary policy conditions are mostly appropriate, although the recent pickup in excess liquidity needs to be addressed.** Ex-ante real interest rates have increased and turned positive as inflation decreased to single digits and credit to the private sector has contracted (due to both supply and demand-side factors). However, a recent pickup in excess liquidity in the system, propelled by fiscal operations and reduced lending, may create pressure on both the exchange rate and inflation. As such, this excess liquidity should be absorbed.

Bank Interest Rates in Real Terms and Credit to Private Sector
(Percent per year)



1/ Average nominal interest rates adjusted for inflation over the past 12 months.
Sources: Central Bank of Suriname; and IMF staff calculations.

Bank Excess Reserves at CBvS (Weekly Data)
(Millions of SRD)



Source: Central Bank of Suriname.

21. **Policies are needed to insitutionally strengthen the CBvS**. The first safeguards assessment of the CBvS was completed in June 2016. It found significant risks in the areas of governance, central bank legislation, financial reporting, and the external audit of the central bank. Legislation should be quickly submitted to recapitalize the CBvS and to align its institutional structure with international best practices. To improve transparency, the CBvS should finalize and publish its audited financial statements for 2015–2017 and commit to their timely publication going forward.

22. **Since early 2017 the bilateral US dollar exchange rate has been remarkably stable implying a *de facto* stabilized arrangement.**[10] This stability reflects moral suasion by the CBvS and a mechanism for regular coordination among key market participants that aligns the supply and demand of foreign exchange at a broadly constant rate. In addition, the CBvS continues to provide foreign exchange directly to the private sector for the purchase of fuel and other specific imports. The exchange rate should be allowed to move flexibly (to avoid the current perception by many analysts and market participants that the exchange rate is the country's nominal anchor) and the CBvS should target a steady accumulation of international reserves. A more liquid foreign exchange

[10] The parallel rate for US dollars is very close to the official value. However, the parallel rate for Euro has decreased because banks face problems of shipping their cash Euros abroad due to the European authorities' concern about sources of cash.

market with meaningful price discovery would create incentives for market participants to gather information, form views, correctly price foreign exchange, and manage exchange rate risks.

Authorities' Views

23. **The authorities considered the monetary policy stance as appropriate**. They believed the swift reduction of inflation to single digits is proof of this assessment, and that this reduction had been achieved to a large extent on the basis of strongly prudent fiscal policies, including the reduction of fiscal deficits and non-monetary financing. They thought that the risks of spillovers of excess liquidity into foreign exchange market are limited but emphasized that they are prepared to sterilize it if needed through unwinding of foreign exchange swaps or offering term deposits. The authorities emphasized the need to develop the interbank market to facilitate a market-based transmission mechanism. They mentioned that they maintain their commitment to a flexible exchange rate and attributed the stability of the exchange rate to exchange rate stabilization measures taken in the previous years and a strong preference among market participants for a stable exchange rate in the presence of ample foreign exchange availability.

C. Strengthening the Banking System

24. **The CBvS should continue to closely monitor the banking sector and take firm supervisory actions when and where needed.** The CBvS should ensure proper classification and provisioning of banks' nonperforming loans (NPLs)—including, for instance, through an asset quality review—and develop a timebound plan for removal of any remaining forbearance. Banks should also be required to develop ambitious action plans to resolve NPLs (including by loan restructuring, write offs, and collateral or loan sales) and to build capital where necessary by attracting investors, precluding dividends, and cutting operational costs.

25. **The CBvS is working on a new bank resolution law and on strengthening bank supervision (Annex V)[11].** The goals of the legislation are to introduce a robust contingency planning framework and an effective banking resolution regime, both of which are urgently needed. This would include (i) establishing a coordination framework between the Ministry of Finance and CBvS on financial stability issues, (ii) developing a rules-based framework for emergency liquidity support, (iii) regularly testing and updating contingency plans (including by requiring banks to provide liquidity contingency plans to the regulator), (iv) introducing a new bank resolution system consistent with international best practices. This work is urgent and should be expedited. The CBvS is also working on strengthening banking supervision (Annex V).

26. **The authorities should continue to strengthen Suriname's AML/CFT regime in line with the revised (2012) Financial Action Task Force (FATF) standards.** The authorities have taken steps to strengthen their AML/CFT framework in recent years (Annex V). However, more remains to be done, including ensuring effective implementation of the AML/CFT regime to mitigate identified

[11] Annex V contains information regarding various measures taken by the Surinamese authorities to strengthen banking supervision along with the country's AML/CFT regime.

ML/TF risks and effectively communicating the government's efforts to foreign correspondent banks. Conducting a National Risk Assessment for AML/CFT in 2019 will be critical in that regard and will help Suriname to prepare for the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation in 2020. Bringing cambios (foreign exchange houses) under the supervisory umbrella of the CBvS's Banking Supervision Department in 2018 was an important step forward.

Authorities' Views

27. **The authorities expressed their commitment to closely monitor the financial system, take firm actions when needed, improve its soundness and resilience, and strengthen the legal frameworks.** They pointed to significant improvements in the soundness of the financial system since 2016 despite large variability across banks. They are planning to strengthen the financial safety nets and the crisis resolution framework: a draft law for deposit insurance has been prepared, and the Bank Resolution Law, the Bank Act, as well as an amendment to the 2011 Bank Supervision Law are expected to be submitted to the government by the end of 2018. The authorities are closely monitoring the banking sector and require banks that do not meet a certain standard to present a plan to overcome the shortcomings and periodically report to the CBvS. The CBvS uses the *directive* (Aanwijzing) to enforce improvements. The authorities also reiterated their commitment to strengthening the AML/CFT framework in line with the 2012 FATF standards and closely monitoring the withdrawal of CBRs.

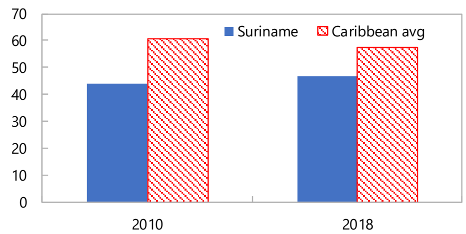
D. Laying the Foundations for Sustained Strong Growth

28. **The Surinamese economy heavily depends on the mineral sector.** This creates an important vulnerability to external shocks and stifles potential growth.

29. **Suriname also scores low on several indicators of ease of doing business.** These include starting a business, enforcing contacts, and getting credit. Some measures have been taken such as the Reform of the Companies Act (which will simplify starting a business); passing the Business and Professions Licensing Law to simplify business licensing; establishing a National Trade Facilitation Committee to meet World Trade Organization (WTO) commitments; and passing the Electronic Transactions Law that grants legal status to electronic documents and signatures. In 2017, the National Assembly passed a development plan for 2017–21 to address business and investment deficiencies and a new investment law is underway to level the investment playing field.

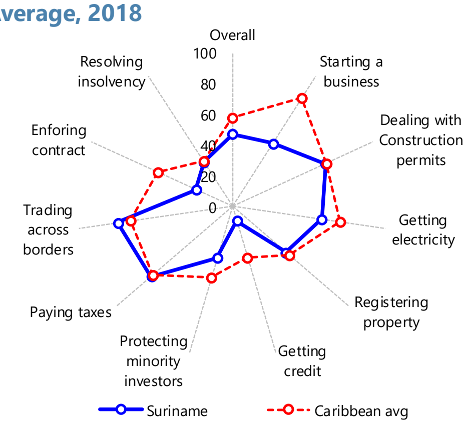
30. **The Law on Financial Statements adopted in 2017 mandates the use of International Financial Reporting Standards (IFRS) in annual reports of Surinamese companies starting from 2020.** This will increase the budgetary discipline of companies and institutions by improving transparency and timely preparation of their tax liabilities.

Doing Business Distance to Caribbean Average, 2010 vs 2018 1/



Source: World Bank Doing Business Report 2010 and 2018.
Note: An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier, which is the best performance observed on each of the indicators across all economies in the DB sample since 2005.
1/ These indicators are survey based and should be interpreted with caution due to a limited number of respondents, a limited geographical coverage, and standardized assumptions on business constraints and information availability.

Doing Business Distance to Caribbean Average, 2018



31. **Supply-side reforms will be essential to develop non-mineral engines of growth and bolster productivity**. Priorities include:

- ***Improving the environment for private investment.*** The authorities should promote investment, including foreign direct investment (FDI), by strengthening investors' legal protections and updating the investment law. These efforts should aim to encourage investment in needed infrastructure and enhance competitiveness in non-mining areas that Suriname has comparative advantages in, such as agriculture.

- ***Investing in education***. While raising teachers' salaries will help attract applicants, policies should expand access to education, revise the curriculum to better connect to modern labor market demands, enhance teacher training and coaching, and renovate schools and teacher training centers to build human capital.

- ***Increasing labor market flexibility alongside introducing unemployment insurance.*** Suriname's employment protection regulations are stringent and discourage job creation while bolstering the informal sector. Under these laws, contract workers must be converted to permanent employees after 6 months, and there are restrictions on hours worked that make staffing 24-hour operations difficult. There is no unemployment insurance system, and social programs focus mainly on helping the very poorest segments of society. As such, the cost to an individual worker from being dismissed is severe (creating political resistance to any effort to reduce employment protections). Reductions in employment protections need, therefore, to go hand-in-hand with a well-designed system of unemployment insurance. In addition, active labor market policies should provide (i) employment services to improve the matching process between workers and employers and (ii) vocational training to help workers build skills.

- ***Strengthening governance***. Some areas of governance weakness that should be addressed include fiscal governance, investors' legal protections, and the ease of doing business. Stronger governance in these areas will promote investment and growth.

Authorities' Views

32. **The authorities pointed out that that improving the business climate and diversifying away from mining would be in the long-term best interest of the Surinamese economy**. They mentioned the launch of InvestSur and updates to the legal and regulatory frameworks with assistance from the IDB and World Bank as steps toward improving the business climate as well as seeking potential investors in Suriname, particularly in non-traditional sectors. The authorities are also strengthening tourism and agriculture, as they believe Suriname has abundant untapped potential in these sectors. They noted that many programs for innovation and development in these sectors are being undertaken with external expertise and financing.

STAFF APPRAISAL

33. **Suriname's economy has stabilized after a deep recession, opening a window of opportunity to address long-standing challenges.** The economy returned to growth in 2017, aided by greater gold production and a pickup in commodity prices. Inflation has also subsided to single digits as the exchange rate stabilized. The economy's stabilization presents a chance to address the central challenges facing the country: a weak fiscal position and high public debt, pockets of vulnerability in the banking sector, a lack of economic diversification, and structural impediments to growth.

34. **The external position has improved due to the increase in exports of gold but remains vulnerable.** International reserves remain well below 100 percent of the Fund's (ARA) reserve adequacy metric, and the external position is moderately weaker than medium-term fundamentals and desirable policies would imply. External debt, at more than 90 percent of GDP, represents an important source of vulnerability.

35. **Risks to the outlook are balanced in the short term but to the downside over the medium term.** On the downside, risks include: rising public debt and debt service; a high share of foreign-currency denominated debt; lack of financing for fiscal deficits; banking sector vulnerabilities; relatively low levels of international reserves; delays in further strengthening of the AML/CFT regime, which could prompt further withdrawals of CBRs; and lack of a non-mineral engine of growth, which could further erode potential growth. On the upside: new discoveries of gold or oil could boost growth and improve the fiscal and external position. Faster implementation of fiscal or energy sector reforms could also help improve the fiscal position and provide space for growth-friendly policies.

36. **Strengthening the fiscal position and reducing public debt should be the government's priority.** Total fiscal measures of about 6¼ percent of GDP over the next 5 years—consistent with reducing the non-resource primary deficit to 6½ percent of GDP—are needed to put public debt on a downward path. Efforts should be focused on reducing the subsidies to the electricity sector, containing the wage bill, bringing forward the introduction of the VAT, and

continuing to improve tax and customs administration. If implemented, these measures should provide the space for additional capital expenditure and strengthening of social safety nets.

37. **The fiscal framework needs to replace its current anchor with a credible anchor that takes into account exhaustibility of the country's natural resources.** A simple, permanent income benchmark argues for going beyond simply reducing the debt but to start building financing assets to replace the country's natural resource wealth. This will require an increase in the NRPB to close to balance over the longer-term.

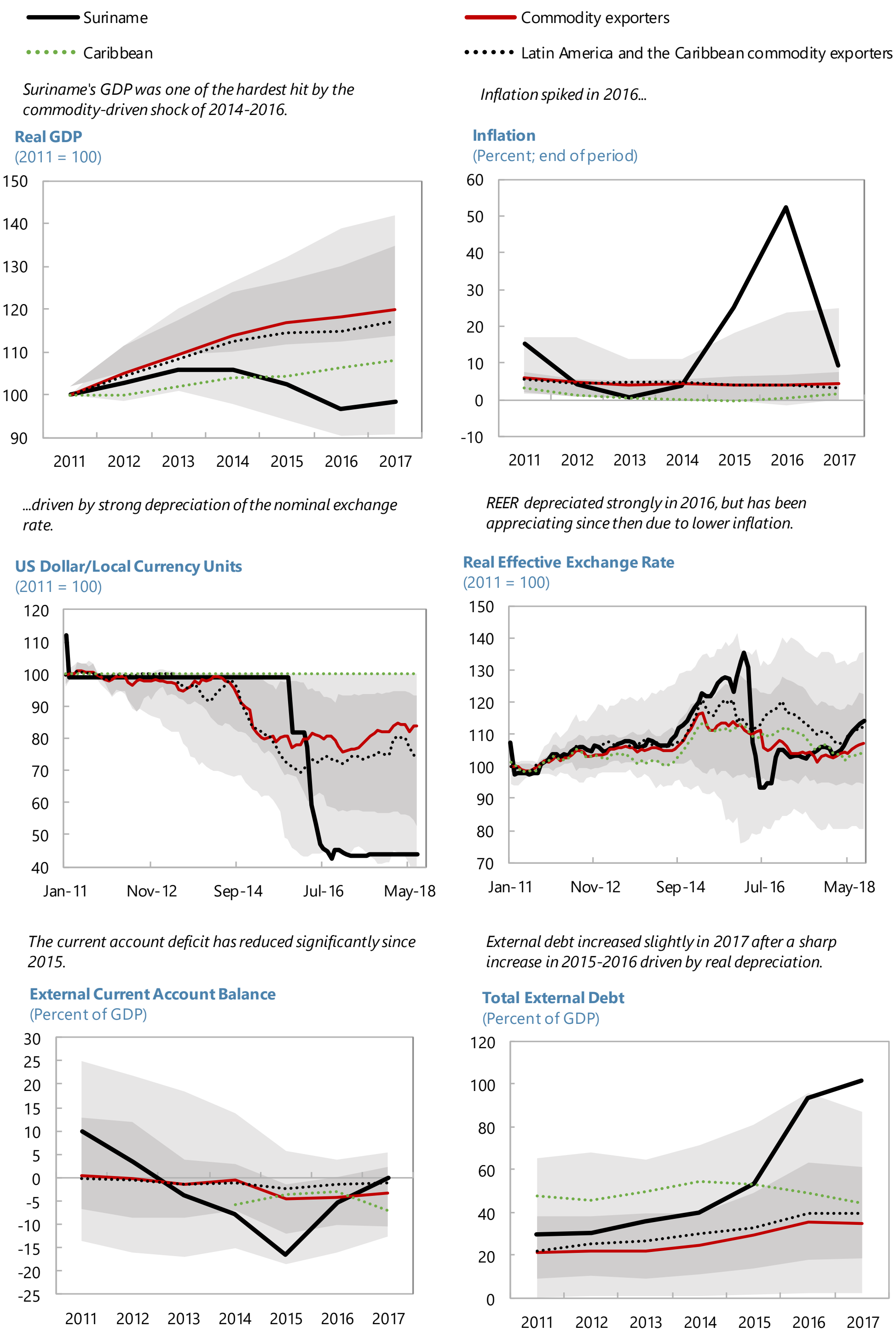
38. **The monetary policy settings need to be further strengthened.** The current monetary policy stance is mostly appropriate but the excess liquidity in the system should be sterilized. The current monetary framework needs to be strengthened by setting reserve money targets and developing open market operations and standing facilities to allow the central bank to effectively absorb the excess liquidity sitting in the banking system. The CBvS should be recapitalized and the central bank's charter should be updated to improve governance and financial reporting. The exchange rate should be allowed to move flexibly to play the role of a shock absorber.

39. **Risks in the banking system have fallen since 2016 but important pockets of vulnerability remain.** Strong oversight is needed to address weaknesses and ensure financial stability, and the CBvS should implement measures to require all banks to hold capital buffers that are at least equal to the regulatory minimum. Adopting a robust contingency planning framework and an effective banking resolution regime would help contain risks. The AML/CFT framework should be brought in line with the 2012 FATF standards and the withdrawal of CBRs should be closely monitored.

40. **Structural reforms are needed to strengthen Suriname's prospects for sustainable growth.** Diversification away from natural resources would enhance the economy's resilience to commodity price shocks and boost potential growth. Addressing the high costs of doing business and reforming the investment framework are first steps to catalyze the business environment. Investment in education will help prepare workers for new businesses and offset brain drain. Labor market reforms targeted to increase flexibility while providing a meaningful safety net for the unemployed will also help attract investment. Strengthening governance will support investor confidence and promote growth.

41. **Staff recommends that the next Article IV consultation with Suriname be held on the standard 12-month cycle.**

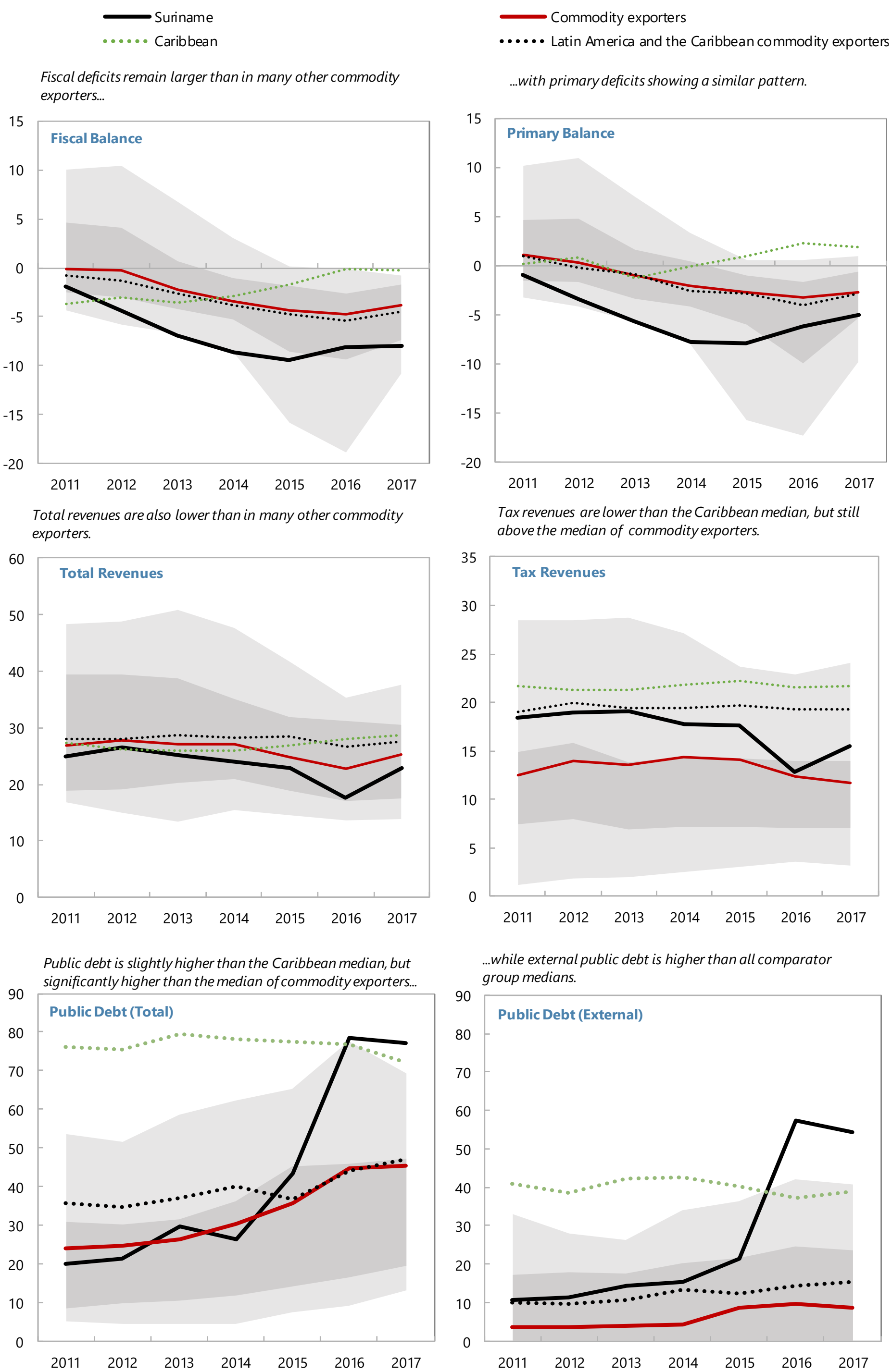
Figure 2. Suriname, Caribbean, and Other Commodity Exporters: Real and External[1/]



Sources: IMF World Economic Outlook; IMF Information Notice System; and IMF staff calculations.
1/ Figure reports median for all Caribbean countries, all fuel and non-fuel primary commodity exporters excluding Suriname, as well as the subgroup of commodity exporters in Latin America and the Caribbean (LAC). Interquartile range (dark shading) and 10th to 90th percentile range (light shading) are for all fuel and non-fuel primary commodity exporters excluding Suriname.

Figure 3. Suriname, Caribbean and Other Commodity Exporters: Government Balance, Revenues, and Debt[1/]

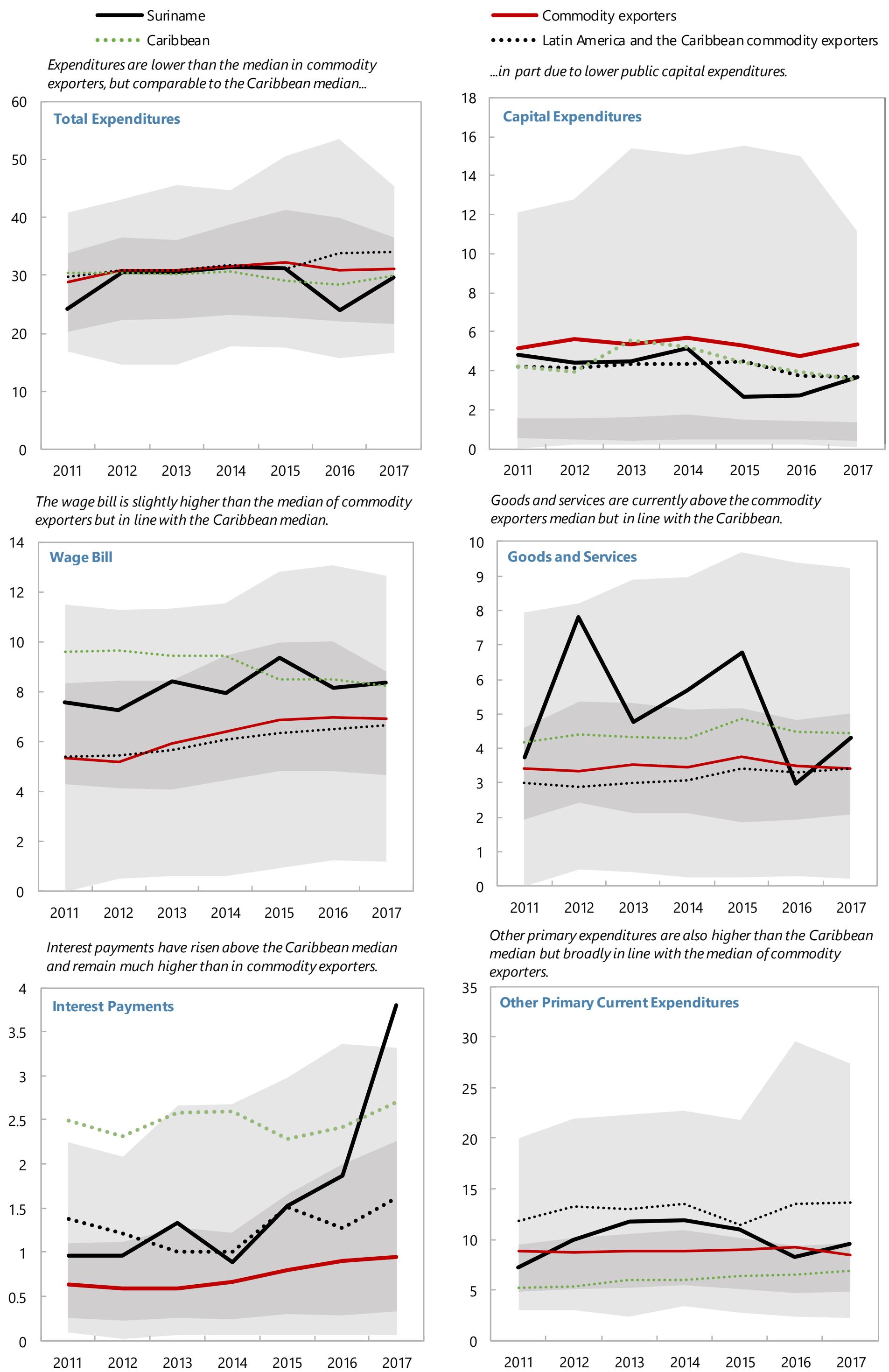
(Percent of GDP)



Sources: IMF World Economic Outlook; and IMF staff calculations.
1/ Figure reports median, interquartile range (dark shading) and 10th to 90th percentile range (light shading) for all fuel and non-fuel primary commodity exporters excluding Suriname, as well as the subgroup of commodity exporters in Latin America and the Caribbean (LAC).

Figure 4. Suriname, Caribbean and Other Commodity Exporters: Government Expenditures[1/]

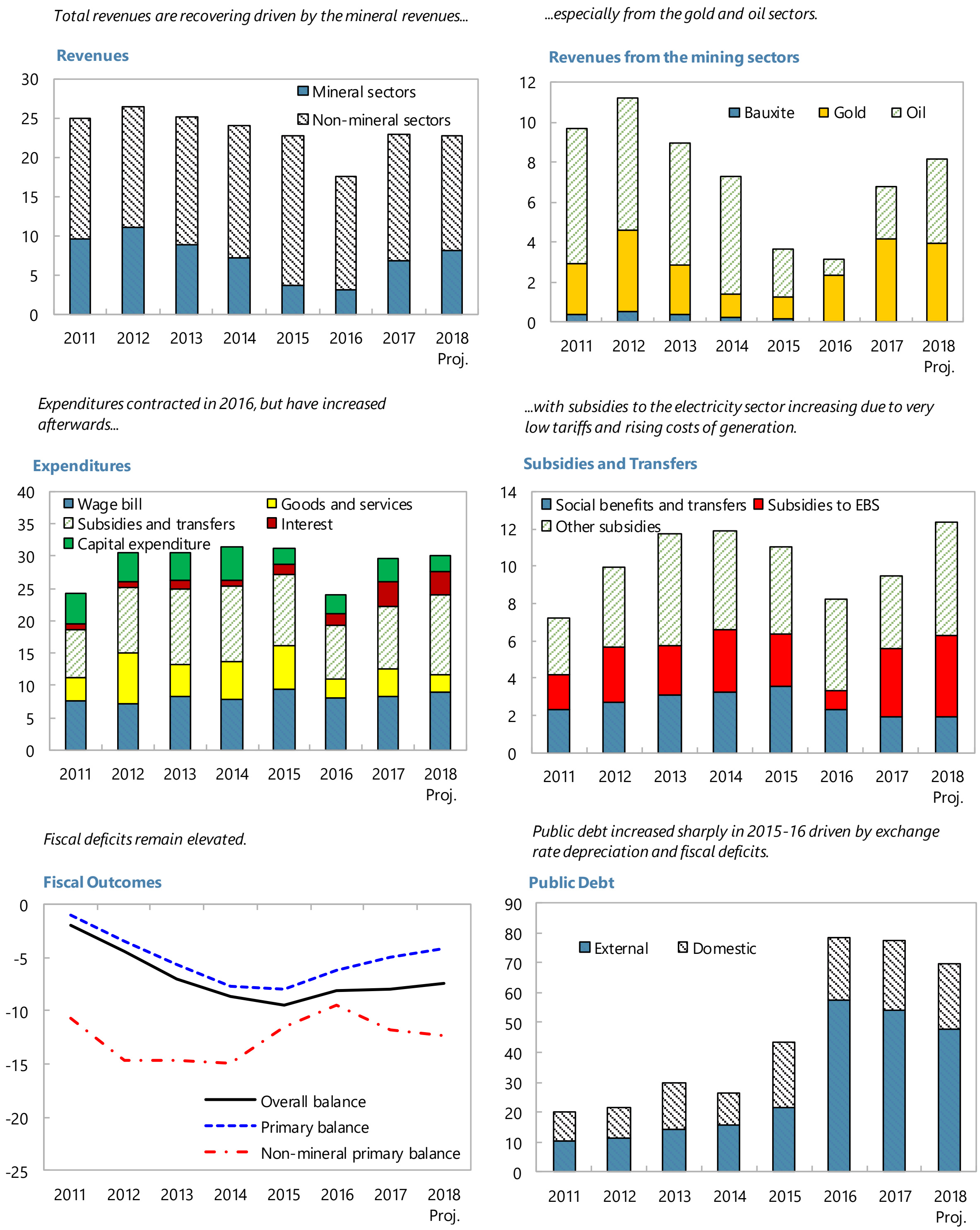
(Percent of GDP)



Sources: IMF World Economic Outlook; and IMF staff calculations.
1/ Figure reports median, interquartile range (dark shading) and 10th to 90th percentile range (light shading) for all fuel and non-fuel primary commodity exporters excluding Suriname, as well as the subgroup of commodity exporters in Latin America and the Caribbean (LAC).

Figure 5. Suriname: Fiscal Developments, 2011–18

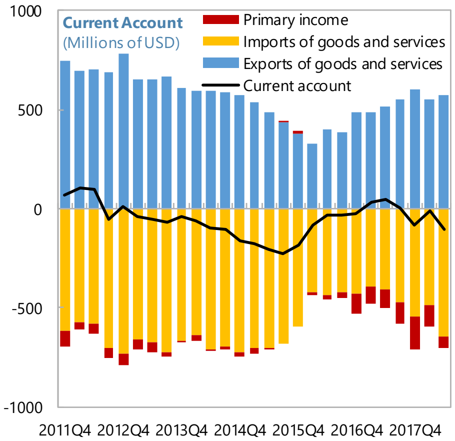
(Percent of GDP)



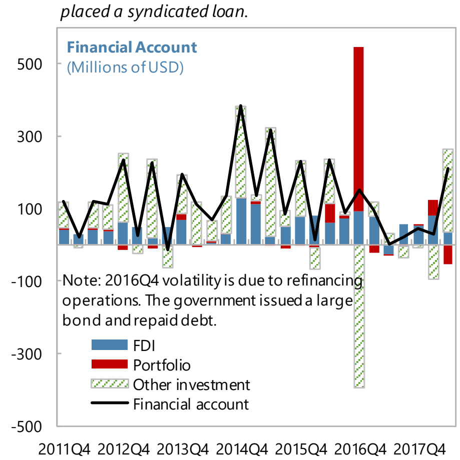
Sources: Ministry of Finance; and IMF staff calculations and projections.

Figure 6. Suriname: External Sector Developments

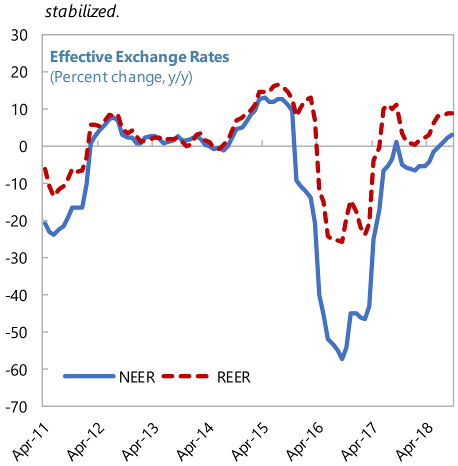
The current account balance improved in 2017 due to a sharp increase in gold exports...



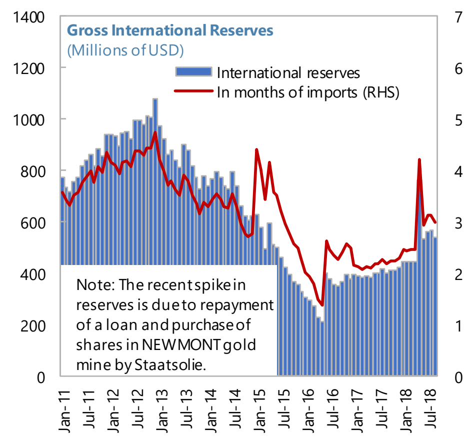
...while the financial account weakened in 2016-17, 2018Q2 saw a net increase in liabilities as Staatsolie placed a syndicated loan.



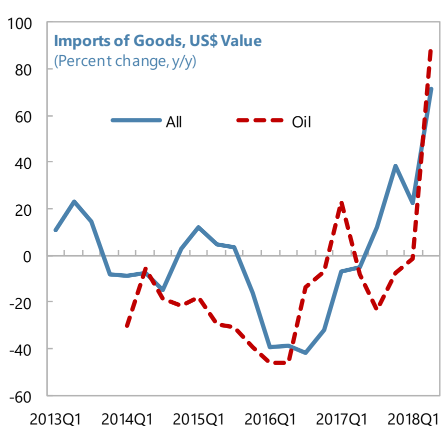
REER depreciated significantly following the change in the monetary regime in 2016 but has recently stabilized.



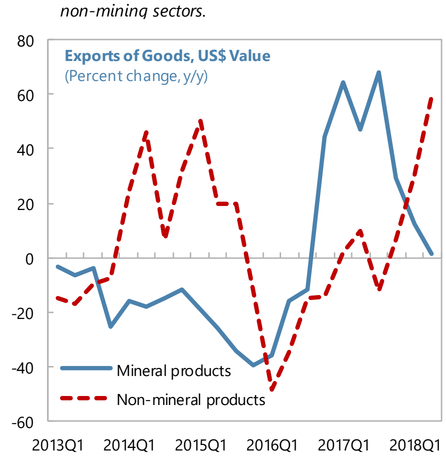
Reserves were bolstered by a smaller current account deficit and one-off inflows.



Imports of goods have recovered with stable exchange rate...



...as have exports of goods of both mining and the non-mining sectors.

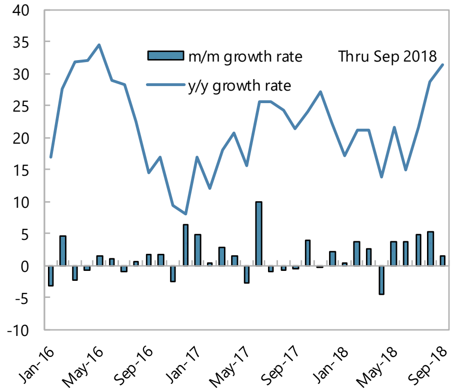


Sources: International Financial Statistics (IFS); Central Bank of Suriname; and IMF staff calculations.

Figure 7. Suriname: Money and Credit

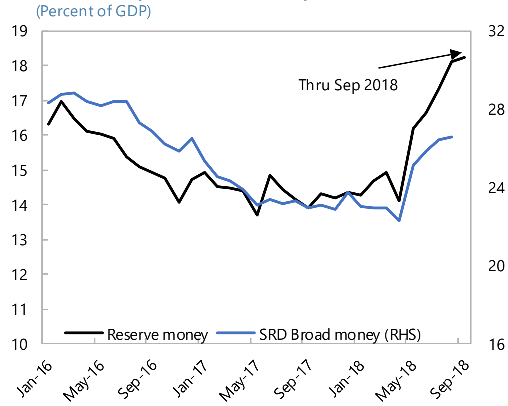
After a reduction in 2016 H2, reserve money growth has increased and remained volatile.

Reserve money at constant exchange rate
(Percent)



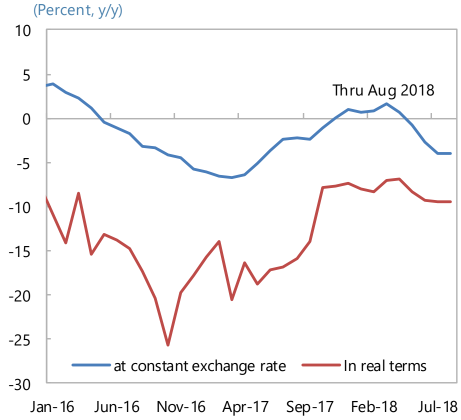
As a share of GDP, however, the reserve money stabilized since late 2016 and started to pick up in the recent months.

Reserve money and SRD broad money
(Percent of GDP)



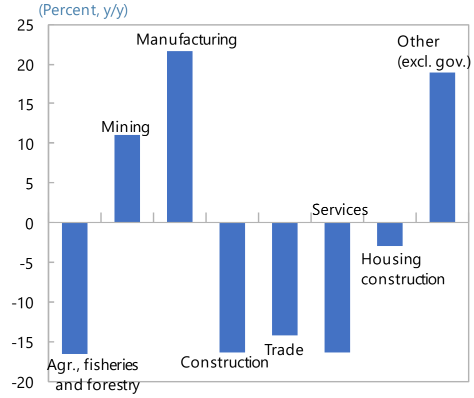
Credit to private sector is contracting in both nominal and real terms...

Credit to private sector
(Percent, y/y)



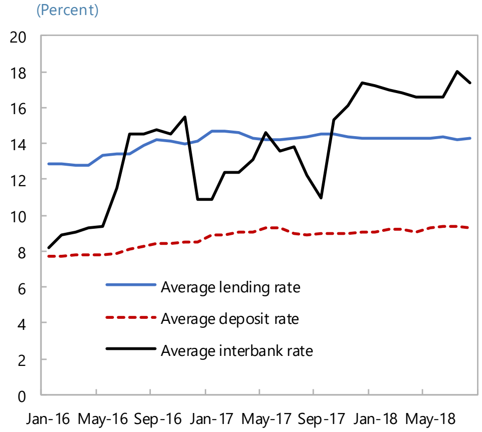
...with substantial differentials across sectors.

Credit by economic activity, Aug 2018
(Percent, y/y)



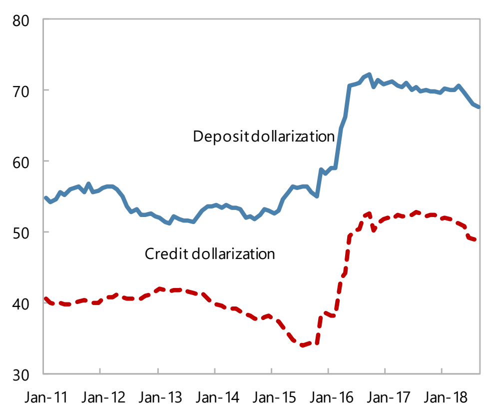
Average deposit and lending interest rates increased marginally in 2017, but have been stable afterwards.

Interest Rates
(Percent)



Dollarization indicators spiked in 2016, principally due to the valuation effect, and have stabilized afterwards.

Dollarization Indicators
(Percent of total)



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

Table 1. Suriname: Selected Economic Indicators

			Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023
Real sector	(Period average percentage change, unless otherwise indicated)							
Real GDP	-5.6	1.7	2.0	2.2	2.5	2.1	2.5	3.0
Nominal GDP	20.6	16.5	11.6	9.0	8.7	12.0	7.2	7.0
GDP deflator	27.7	14.6	9.4	6.6	6.1	9.7	4.6	3.9
Consumer prices	55.5	22.0	7.5	6.5	5.7	9.4	4.0	3.4
Consumer prices (end of period)	52.4	9.3	7.2	6.7	5.7	9.4	3.6	3.4
Money and credit	(End of period percentage change, unless otherwise indicated)							
Broad money (constant exchange rate)	5.9	8.6	7.6	8.2	8.2	9.7	8.3	8.5
Reserve money (constant exchange rate)	8.1	22.2	24.7	12.7	10.8	14.1	10.5	10.5
Reserve money (percent of GDP)	15.2	16.0	17.9	18.5	18.9	19.3	19.9	20.6
Private sector credit (constant exchange rate)	-5.7	0.9	-3.9	2.9	5.0	7.6	7.9	8.1
Private sector credit (percent of GDP)	38.1	33.1	28.6	27.4	26.8	26.2	26.5	27.0
	(Percent of GDP, unless otherwise indicated)							
Central government								
Revenues and Grants	17.6	23.0	22.7	22.7	22.9	25.0	25.2	25.3
Expenditures	23.9	29.7	30.2	31.9	32.0	31.8	31.7	31.4
Of which: Primary expenditures	22.1	25.9	26.5	28.0	27.7	27.3	27.0	26.8
Statistical discrepancy	-1.8	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-8.1	-8.0	-7.5	-9.2	-9.0	-6.8	-6.5	-6.1
Primary balance	-6.2	-5.0	-4.1	-5.2	-4.8	-2.3	-1.8	-1.5
Non-resource primary balance	-9.4	-11.8	-12.3	-12.9	-12.5	-10.1	-9.6	-9.3
Net acquisition of financial assets 2/	13.1	0.3	-9.8	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	21.2	8.3	-2.4	9.2	9.0	6.8	6.5	6.1
Net domestic financing	-2.7	5.2	-1.5	4.3	2.6	1.6	2.2	2.2
Net external financing	23.9	3.1	-0.9	4.9	6.4	5.2	4.3	3.9
Public (central government) debt 3/	78.5	77.2	69.8	72.7	77.3	78.0	80.1	81.8
Domestic	21.1	23.0	21.8	22.6	23.6	23.1	23.9	24.7
External	57.4	54.2	48.0	50.1	53.7	55.0	56.2	57.1
External sector								
Current account balance	-5.3	-0.1	-2.4	-3.4	-2.5	-1.6	-1.2	-0.7
Capital and financial account	16.2	5.8	6.1	3.5	3.7	3.8	2.6	2.2
Overall balance	1.6	1.4	3.7	0.1	1.3	2.2	1.4	1.5
Change in reserves (- = increase) 4/	-1.6	-1.4	-3.7	-0.1	-1.3	-2.2	-1.4	-1.5
Memorandum items								
GDP at current prices (SRD billions)	19.7	23.0	25.6	27.9	30.4	34.0	36.5	39.0
Terms of trade (percent change)	9.5	-3.9	-3.9	-3.2	2.0	2.6	2.0	1.7
Gross international reserves (USD millions)	381	424	552	555	606	700	764	835
In months of imports	2.5	2.3	3.1	3.0	3.1	3.5	3.8	4.0
Real effective exchange rate (percent change, + = appreciation)	-12.6	-3.8	…	…	…	…	…	…
Exchange rate (SRD per USD, period average)	6.2	7.5	…	…	…	…	…	…
Exchange rate (SRD per USD, eop)	7.4	7.5	…	…	…	…	…	…
Gold price (USD per troy ounce)	1,248	1,257	1,261	1,218	1,255	1,304	1,343	1,382
Oil price (USD per barrel)	42.8	52.8	69.4	68.8	65.7	63.1	61.3	60.3

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/ The debt-to-GDP ratios are based on IMF's 2014 Government Financial Statistics Manual. They would be different if computed using the definition in the Government Debt Act of Suriname.

4/ Includes valuation changes.

Table 2. Suriname: GDP by Expenditure[1/]

(Percent change, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023
Growth rates (constant prices)						
Real GDP	2.0	2.2	2.5	2.1	2.5	3.0
Private Absorption (72.0%) 2/	9.1	-1.4	1.7	2.8	3.2	3.7
Public Consumption (12.7%)	-6.5	17.0	7.5	2.1	2.5	2.3
Public Gross Investment (3.7%)	-31.1	30.8	5.7	2.1	2.5	3.0
Exports (71.5%)	4.4	-1.1	2.9	3.2	2.4	2.5
Imports (60.0%)	11.3	-2.2	3.1	4.3	3.5	3.4
Contributions (constant prices)						
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Private Absorption	7.5	-1.2	1.4	2.4	2.7	3.2
Public Consumption	-0.8	2.0	1.0	0.3	0.3	0.3
Public Gross Investment	-1.1	0.8	0.2	0.1	0.1	0.1
Net Exports	-3.5	0.7	-0.1	-0.7	-0.7	-0.6
Growth rates (current prices)						
Nominal GDP	11.6	9.0	8.7	12.0	7.2	7.0
Private Absorption	25.5	8.1	6.3	11.0	6.5	6.7
Public Consumption	2.3	24.8	14.0	12.0	7.2	6.2
Public Gross Investment	-24.6	39.5	12.1	12.0	7.2	7.0
Exports	7.7	-2.0	7.5	9.1	7.1	5.8
Imports	19.5	0.1	5.6	7.5	6.1	5.0
Contributions (current prices)						
Nominal GDP growth	11.6	9.0	8.7	12.0	7.2	7.0
Private Absorption	18.4	6.5	5.1	8.6	5.1	5.1
Public Consumption	0.3	2.9	1.9	1.7	1.0	0.9
Public Gross Investment	-0.9	1.0	0.4	0.4	0.2	0.2
Net Exports	-6.2	-1.4	1.4	1.3	0.9	0.7
Deflators (Growth Rates)						
GDP	9.4	6.6	6.1	9.7	4.6	3.9
Private Absorption	15.1	9.5	4.5	7.9	3.2	2.8
Public Consumption	9.4	6.6	6.1	9.7	4.6	3.9
Public Gross Investment	9.4	6.6	6.1	9.7	4.6	3.9
Exports of goods and services	3.2	-0.9	4.5	5.8	4.6	3.3
Imports of goods and services	7.4	2.4	2.4	3.1	2.5	1.5
CPI	7.5	6.5	5.7	9.4	4.0	3.4
GDP series (current prices, SRD billions)	25.6	27.9	30.4	34.0	36.5	39.0
GDP deflator (Index = 100 in 2007)	266	283	300	330	345	358

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

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

2/ The values in parentheses are share of GDP in 2017.

Table 3a. Suriname: Central Government Operations
(Millions of SRD)

	2016	2017	2018	2019	Proj. 2020	2021	2022	2023
Revenues	**3,469**	**5,276**	**5,824**	**6,350**	**6,964**	**8,505**	**9,203**	**9,868**
Taxes	2,537	3,553	3,838	4,380	4,825	6,153	6,687	7,204
Direct taxes	1,226	2,039	1,927	2,271	2,561	3,006	3,317	3,622
Of which: mineral taxes	205	726	977	1,059	1,168	1,360	1,479	1,597
Indirect taxes	1,310	1,514	1,911	2,110	2,264	3,147	3,370	3,582
Grants	0	0	0	0	0	0	0	0
Non-tax revenues	932	1,723	1,986	1,969	2,139	2,351	2,516	2,664
Of which:								
Mineral resource revenues	423	841	1,112	1,087	1,180	1,277	1,365	1,432
Interest receipts	...	180	90	0	0	0	0	0
Expenditures	**4,720**	**6,821**	**7,737**	**8,913**	**9,711**	**10,814**	**11,566**	**12,266**
Primary expenditures	4,352	5,947	6,793	7,811	8,421	9,296	9,865	10,452
Compensation of employees	1,602	1,922	2,299	2,878	3,128	3,504	3,757	4,019
Other primary current expenditure	2,204	3,175	3,853	4,040	4,290	4,669	4,904	5,145
Net acquisition of nonfinancial assets	546	850	641	894	1,002	1,123	1,204	1,288
Interest	368	873	944	1,101	1,290	1,518	1,702	1,814
Domestic	142	257	306	380	448	508	544	543
Foreign	226	617	638	721	842	1,010	1,158	1,271
Statistical discrepancy	**-348**	**-297**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (net lending/borrowing) 1/	**-1,600**	**-1,842**	**-1,913**	**-2,563**	**-2,747**	**-2,309**	**-2,363**	**-2,398**
***Of which:* primary balance**	**-1,232**	**-1,149**	**-1,059**	**-1,461**	**-1,457**	**-791**	**-662**	**-584**
Net financial transactions	**1,600**	**1,842**	**1,913**	**2,563**	**2,747**	**2,309**	**2,363**	**2,398**
Net acquisition of financial assets 2/	2,574	71	-2,523	0	0	0	0	0
Net incurrence of liabilities	4,173	1,913	-609	2,563	2,747	2,309	2,363	2,398
Domestic	-539	1,199	-387	1,188	790	541	809	873
Central bank	-401	524	-516	419	-121	-139	-121	-122
Claims on government	-70	-78	-7	-85	-85	-85	-85	-84
Liabilities to government	332	-602	509	-504	37	55	37	38
Commercial banks	405	863	244	629	759	595	821	878
Other domestic	62	-29	64	140	152	85	109	117
Arrears	-605	-159	-178	0	0	0	0	0
Accumulation of arrears	48	50	7	0	0	0	0	0
Payment of arrears	-652	-209	-185	0	0	0	0	0
Foreign	4,712	713	-223	1,375	1,957	1,768	1,555	1,525
Amortizations	-1,172	-398	-1,030	-621	-715	-997	-1,340	-1,636
Disbursements	5,883	1,112	808	1,996	2,671	2,765	2,894	3,161
Memorandum items:								
Primary cash balance	-1,836	-1,487	-1,059	-1,461	-1,457	-791	-662	-584
Electricity tariff subsidy financed through the budget	195	837	1,104	1,155	1,033	1,106	1,176	1,234
Mineral resource revenues	628	1,567	2,090	2,146	2,348	2,637	2,844	3,029
Non-resource balance	-2,228	-3,409	-4,003	-4,709	-5,095	-4,946	-5,207	-5,427
Non-resource primary balance	-1,860	-2,716	-3,148	-3,607	-3,805	-3,428	-3,506	-3,613
Public (central government) debt 3/	15,488	17,740	17,897	20,306	23,493	26,555	29,214	31,932

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/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname.

Table 3b. Suriname: Central Government Operations
(Percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023
			Proj.					
Revenues	**17.6**	**23.0**	**22.7**	**22.7**	**22.9**	**25.0**	**25.2**	**25.3**
Taxes	12.9	15.5	15.0	15.7	15.9	18.1	18.3	18.5
Direct taxes	6.2	8.9	7.5	8.1	8.4	8.8	9.1	9.3
Of which: mineral taxes	1.0	3.2	3.8	3.8	3.8	4.0	4.1	4.1
Indirect taxes	6.6	6.6	7.5	7.5	7.5	9.2	9.2	9.2
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	4.7	7.5	7.7	7.0	7.0	6.9	6.9	6.8
Of which:								
Mineral resource revenues	2.1	3.7	4.3	3.9	3.9	3.8	3.7	3.7
Interest receipts	...	0.8	0.3	0.0	0.0	0.0	0.0	0.0
Expenditures	**23.9**	**29.7**	**30.2**	**31.9**	**32.0**	**31.8**	**31.7**	**31.4**
Primary expenditures	22.1	25.9	26.5	28.0	27.7	27.3	27.0	26.8
Compensation of employees	8.1	8.4	9.0	10.3	10.3	10.3	10.3	10.3
Other primary current expenditure	11.2	13.8	15.0	14.5	14.1	13.7	13.4	13.2
Net acquisition of nonfinancial assets	2.8	3.7	2.5	3.2	3.3	3.3	3.3	3.3
Interest	1.9	3.8	3.7	3.9	4.2	4.5	4.7	4.6
Domestic	0.7	1.1	1.2	1.4	1.5	1.5	1.5	1.4
Foreign	1.1	2.7	2.5	2.6	2.8	3.0	3.2	3.3
Statistical discrepancy	**-1.8**	**-1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (net lending/borrowing) 1/	**-8.1**	**-8.0**	**-7.5**	**-9.2**	**-9.0**	**-6.8**	**-6.5**	**-6.1**
***Of which:* primary balance**	**-6.2**	**-5.0**	**-4.1**	**-5.2**	**-4.8**	**-2.3**	**-1.8**	**-1.5**
Net financial transactions	**8.1**	**8.0**	**7.5**	**9.2**	**9.0**	**6.8**	**6.5**	**6.1**
Net acquisition of financial assets 2/	13.1	0.3	-9.8	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	21.2	8.3	-2.4	9.2	9.0	6.8	6.5	6.1
Domestic	-2.7	5.2	-1.5	4.3	2.6	1.6	2.2	2.2
Central bank	-2.0	2.3	-2.0	1.5	-0.4	-0.4	-0.3	-0.3
Claims on government	-0.4	-0.3	0.0	-0.3	-0.3	-0.2	-0.2	-0.2
Liabilities to government	1.7	-2.6	2.0	-1.8	0.1	0.2	0.1	0.1
Commercial banks	2.1	3.8	1.0	2.3	2.5	1.8	2.3	2.3
Other domestic	0.3	-0.1	0.3	0.5	0.5	0.3	0.3	0.3
Arrears	-3.1	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0
Accumulation of arrears	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Payment of arrears	-3.3	-0.9	-0.7	0.0	0.0	0.0	0.0	0.0
Foreign	23.9	3.1	-0.9	4.9	6.4	5.2	4.3	3.9
Amortizations	-5.9	-1.7	-4.0	-2.2	-2.4	-2.9	-3.7	-4.2
Disbursements	29.8	4.8	3.1	7.1	8.8	8.1	7.9	8.1
Memorandum items:								
Primary cash balance	-9.3	-6.5	-4.1	-5.2	-4.8	-2.3	-1.8	-1.5
Electricity tariff subsidy financed through the budget	1.0	3.6	4.3	4.1	3.4	3.2	3.2	3.2
Mineral resource revenues	3.2	6.8	8.2	7.7	7.7	7.8	7.8	7.8
Non-resource balance	-11.3	-14.8	-15.6	-16.9	-16.8	-14.5	-14.3	-13.9
Non-resource primary balance	-9.4	-11.8	-12.3	-12.9	-12.5	-10.1	-9.6	-9.3
Public (central government) debt 3/	78.5	77.2	69.8	72.7	77.3	78.0	80.1	81.8

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/ The debt-to-GDP ratio is different when computed using the definition in the Government Debt Act of Suriname.

Table 4a. Suriname: Balance of Payments 1/
(Millions of USD)

			Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023
Current account	**-169**	**-2**	**-82**	**-124**	**-96**	**-66**	**-52**	**-31**
Trade balance, goods	187	672	530	414	460	531	577	612
Exports, f.o.b.	1,439	2,034	2,199	2,104	2,207	2,332	2,437	2,541
Of which: alumina, gold, and petroleum	1,194	1,788	1,848	1,793	1,871	1,961	2,043	2,104
Imports, f.o.b.	-1,252	-1,363	-1,669	-1,690	-1,746	-1,801	-1,860	-1,929
Trade balance, services	**-283**	**-317**	**-364**	**-299**	**-298**	**-324**	**-339**	**-344**
Exports	187	161	169	182	193	210	219	237
Imports	-469	-477	-534	-480	-490	-533	-558	-581
Income, net	**-175**	**-457**	**-344**	**-335**	**-353**	**-364**	**-380**	**-388**
Credit	21	27	28	29	29	30	30	31
Debit	-196	-484	-372	-364	-382	-394	-410	-418
Current transfers, net	**102**	**100**	**97**	**96**	**94**	**91**	**90**	**88**
Capital and financial account	**511**	**178**	**209**	**128**	**146**	**160**	**116**	**103**
Capital account	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial account	**492**	**178**	**209**	**128**	**146**	**160**	**116**	**103**
Foreign direct investment	309	163	132	159	242	254	267	277
Portfolio investment	508	-30	-9	-9	-9	-9	-9	-9
Other investment	-325	45	86	-22	-87	-84	-142	-165
Of which: Central government	111	134	-30	181	252	221	189	184
Disbursements	81	0	108	263	344	345	353	381
Amortization	0	0	-138	-82	-92	-124	-163	-197
Errors and omissions	**-291**	**-133**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**51**	**43**	**127**	**3**	**51**	**94**	**64**	**72**
Change in reserves (- = increase) 2/	**-51**	**-43**	**-127**	**-3**	**-51**	**-94**	**-64**	**-72**
Memorandum items:								
Gross international reserves	381	424	552	555	606	700	764	835
In months of imports of goods and services	2.5	2.3	3.1	3.0	3.1	3.5	3.8	4.0
Reserve adequacy (risk-weighted measure), USD millions 3/	669	733	771	791	813	842	868	899
In months of imports	4.4	4.0	4.3	4.2	4.2	4.2	4.3	4.3
Current account balance (Percent of GDP)	-5.3	-0.1	-2.4	-3.4	-2.4	-1.6	-1.2	-0.7
GDP in current US dollars	3,166	3,069	…	…	…	…	…	…
Gold price (USD per troy ounce)	1,248	1,257	1,261	1,218	1,255	1,304	1,343	1,382
Oil price (USD per barrel)	43	53	69	69	66	63	61	60
External debt (Percent of GDP) 4/	93.5	101.9	96.0	93.5	90.6	85.9	84.0	81.5

Sources: Surinamese authorities; and IMF staff calculations and projections.
1/ Historical figures correspond to the Balance of Payments revised by the CBvS.
2/ Includes valuation changes.
3/ Based on IMF, 2015, "Assessing Reserve Adequacy."
4/ Includes both private and public sector debt.

Table 4b. Suriname: Balance of Payments 1/
(Percent of GDP)

	2016	2017	2018	2019	2020	2021	2022	2023
			Proj.					
Current account	**-5.3**	**-0.1**	**-2.4**	**-3.4**	**-2.5**	**-1.6**	**-1.2**	**-0.7**
Trade balance, goods	**5.9**	**21.9**	**15.5**	**11.3**	**11.8**	**12.5**	**13.0**	**13.0**
Exports, f.o.b.	45.4	66.3	64.1	57.2	56.5	54.9	54.9	54.1
Of which: alumina, gold, and petroleum	37.7	58.3	53.9	48.7	47.9	46.2	46.0	44.8
Imports, f.o.b.	-39.5	-44.4	-48.7	-45.9	-44.7	-42.4	-41.9	-41.1
Trade balance, services	**-8.9**	**-10.3**	**-10.6**	**-8.1**	**-7.6**	**-7.6**	**-7.6**	**-7.3**
Exports	5.9	5.2	4.9	4.9	4.9	4.9	4.9	5.0
Imports	-14.8	-15.6	-15.6	-13.1	-12.6	-12.6	-12.6	-12.4
Income, net	**-5.5**	**-14.9**	**-10.0**	**-9.1**	**-9.0**	**-8.6**	**-8.6**	**-8.3**
Credit	0.7	0.9	0.8	0.8	0.7	0.7	0.7	0.6
Debit	-6.2	-15.8	-10.9	-9.9	-9.8	-9.3	-9.2	-8.9
Current transfers, net	**3.2**	**3.2**	**2.8**	**2.6**	**2.4**	**2.1**	**2.0**	**1.9**
Capital and financial account	**16.2**	**5.8**	**6.1**	**3.5**	**3.7**	**3.8**	**2.6**	**2.2**
Capital account	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial account	**15.5**	**5.8**	**6.1**	**3.5**	**3.7**	**3.8**	**2.6**	**2.2**
Foreign direct investment	9.8	5.3	3.9	4.3	6.2	6.0	6.0	5.9
Portfolio investment	16.0	-1.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2
Other investment	-10.3	1.5	2.5	-0.6	-2.2	-2.0	-3.2	-3.5
Of which: Central government	3.5	4.4	-0.9	4.9	6.4	5.2	4.3	3.9
Disbursements	2.5	0.0	3.2	7.1	8.8	8.1	7.9	8.1
Amortization	0.0	0.0	-4.0	-2.2	-2.4	-2.9	-3.7	-4.2
Errors and omissions	**-9.2**	**-4.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**1.6**	**1.4**	**3.7**	**0.1**	**1.3**	**2.2**	**1.4**	**1.5**
Change in reserves (- = increase) 2/	**-1.6**	**-1.4**	**-3.7**	**-0.1**	**-1.3**	**-2.2**	**-1.4**	**-1.5**
Memorandum items:								
Gross international reserves (Millions of USD)	381	424.4	552	555	606	700	764	835
In months of imports of goods and services	2.5	2.3	3.1	3.0	3.1	3.5	3.8	4.0
External debt (Percent of GDP) 3/	93.5	101.9	96.0	93.5	90.6	85.9	84.0	81.5
GDP in current US dollars	3,166	3,069	…	…	…	…	…	…

Sources: Surinamese authorities; and IMF staff calculations and projections.
1/ Historical figures correspond to the Balance of Payments revised by the CBvS.
2/ Includes valuation changes.
3/ Includes both private and public sector debt.

Table 5. Suriname: Monetary Survey and Central Bank Accounts

	2016	2017	2018 Aug.	2018 Sep.	Proj. 2018	2019	2020	2021	2022	2023
					(Millions of SRD)					
Monetary Survey										
Net foreign assets	6,447	6,365	8,720	...	8,464	8,943	10,020	11,507	12,587	13,949
Net international reserves (Held by the central bank)	2,216	2,515	3,571	...	3,484	3,750	4,555	5,647	6,245	6,913
Net other foreign assets	4,231	3,850	5,149	...	4,979	5,193	5,466	5,860	6,342	7,036
Net domestic assets	9,173	10,665	8,915	...	9,928	11,256	12,140	13,294	14,460	15,573
Net claim on the public sector	2,153	3,726	2,440	...	3,215	4,155	4,586	5,179	5,699	6,090
Of which: central government	2,373	3,912	2,720	...	3,601	4,539	5,060	5,431	5,991	6,599
Credit to the private sector	7,521	7,614	7,211	...	7,340	7,648	8,130	8,900	9,672	10,526
Other items, net	-500	-675	-736	...	-628	-548	-576	-785	-910	-1,044
Broad money	15,621	17,030	17,640	...	18,391	20,199	22,160	24,800	27,047	29,522
Broad money (Constant exchange rate)	15,679	17,030	17,640	...	18,325	19,831	21,461	23,537	25,498	27,665
Currency in circulation	1,184	1,288	1,266	...	1,489	1,620	1,757	1,963	2,112	2,268
Local currency deposits	4,218	4,783	5,318	...	5,330	6,014	6,775	7,871	8,824	9,889
Foreign currency deposits	10,218	10,959	11,056	...	11,573	12,565	13,628	14,967	16,111	17,365
Central Bank										
Net foreign assets	1,137	512	2,288	2,108	1,922	2,052	2,774	3,797	4,368	5,009
Net international reserves	2,216	2,515	3,571	3,387	3,484	3,750	4,555	5,647	6,245	6,913
Net other foreign assets	-1,078	-2,003	-1,283	-1,279	-1,562	-1,698	-1,780	-1,849	-1,878	-1,904
Net domestic assets	1,867	3,162	2,185	2,435	2,664	3,128	2,974	2,774	2,895	3,017
Net domestic assets (Constant exchange rate)	2,147	3,174	2,276	2,531	2,704	3,197	3,109	3,069	3,281	3,511
Net claims on public sector	1,436	1,947	889	1,188	1,427	1,820	1,684	1,521	1,390	1,259
Of which: central government	1,436	1,947	889	1,188	1,427	1,820	1,684	1,521	1,390	1,259
Net claims on commercial banks	-140	186	18	8	-41	-50	-37	17	305	599
Claims (Open market operations)	34	236	18	8	10	1	14	68	356	650
Liabilities 1/	-173	-51	0	0	-51	-51	-51	-51	-51	-51
Other items, net	570	1,030	1,278	1,239	1,277	1,358	1,326	1,237	1,200	1,158
Reserve money	3,004	3,674	4,478	4,547	4,586	5,180	5,748	6,572	7,263	8,026
Currency in circulation	1,384	1,550	1,549	1,546	1,791	1,949	2,114	2,361	2,541	2,728
Bankers deposits	1,557	2,007	2,852	2,927	2,678	3,113	3,515	4,090	4,601	5,176
Other demand deposits in national currency	25	74	36	35	74	74	74	74	74	74
Gold certificates	38	43	40	40	43	44	45	47	47	48
Memorandum items:			(12-month percent change, unless otherwise indicated)							
Monetary survey										
Velocity (GDP/broad money; end of period)	1.3	1.3	1.4	...	1.4	1.4	1.4	1.4	1.3	1.3
Broad money (Constant exchange rate)	5.9	8.6	8.5	...	7.6	8.2	8.2	9.7	8.3	8.5
Broad money (Percent of GDP)	79.2	74.1	71.2	...	71.7	72.3	72.9	72.9	74.1	75.6
Broad money in local currency	12.6	12.4	15.2	...	12.3	12.0	11.8	15.3	11.2	11.2
Broad money in local currency (Percentage change, q/q)	5.3	6.4	8.5	...	...	...	...	...	...	...
Broad money in local currency (Percent of GDP)	27.4	26.4	26.6	...	26.6	27.3	28.1	28.9	30.0	31.1
FX deposits	2.7	6.6	4.9	...	5.0	6.0	6.0	6.0	6.3	6.5
Credit to the private sector (Constant exchange rate)	-5.7	0.9	-4.0	...	-3.9	2.9	5.0	7.6	7.9	8.1
Central bank										
Reserve money at constant exchange rates	8.1	22.2	28.8	31.5	24.7	12.7	10.8	14.1	10.5	10.5
Reserve money growth in real terms	-24.2	11.9	21.3	23.0	16.5	5.9	5.0	4.5	6.7	6.9
Reserve money (Percent of GDP)	15.2	16.0	18.1	18.2	17.9	18.5	18.9	19.3	19.9	20.6
Local currency money multiplier (SRD broad money/reserve money)	2.0	1.9	1.7	...	1.6	1.6	1.6	1.6	1.6	1.6

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

1/ Liabilities excluded from the monetary base (mainly reflecting the net loss due to the FX swaps with commercial banks).

Table 6. Suriname: Financial Soundness Indicators
(Percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018Q2
Capital Adequacy									
Regulatory capital to risk-weighted assets	12.1	12.1	12.5	12.4	11.5	11.3	5.5	9.3	9.1
Regulatory Tier I capital to risk-weighted assets	10.7	10.9	11.4	11.2	11.4	11.3	5.5	8.7	8.7
Tier I capital to total assets (Leverage ratio)	5.5	5.7	5.7	5.7	6.4	6.5	3.3	5.0	4.7
Asset Quality									
NPL to gross loans	7.9	8.0	6.2	5.9	6.2	8.4	10.8	13.0	12.0
NPL net of provisions to Tier I capital	50.3	48.5	34.1	36.1	22.1	39.8	76.8	52.1	43.0
Provisions to total NPLs	30.7	30.6	33.5	28.1	26.4	42.7	38.9	…	…
Large exposures to capital	98.1	106.0	88.8	103.0	135.2	124.5	609.3	335.4	326.1
Foreign currency loans to total loans	37.1	40.7	42.2	40.1	39.0	39.1	54.7	54.9	53.0
Earnings and Profitability									
Return on assets (ROA, annualized)	2.1	1.9	1.9	1.7	1.7	1.3	-0.7	0.9	0.5
Return on equity (ROE, annualized)	29.1	27.2	24.8	21.8	20.3	15.4	-11.9	16.2	8.3
Net interest income to gross income	79.7	77.6	78.0	79.1	83.0	89.0	67.0	67.4	64.4
Spread between lending and deposit rates (ppts)	8.2	8.0	8.0	8.2	7.7	7.5	7.7	8.0	7.7
Liquidity									
Liquid assets to total assets	29.2	26.4	28.4	29.3	30.9	32.1	32.7	37.9	41.3
Liquid assets to short-term liabilities	52.2	48.8	53.4	59.0	63.0	69.1	69.2	82.3	86.9
Total loans to total deposits	58.4	56.8	54.1	56.9	58.6	61.3	52.4	…	…
Sensitivity to market risk									
Net open positions to Tier I capital 1/	-6.5	0.3	16.6	39.7	11.4	13.0	51.6	7.1	19.1

Source: Central Bank of Suriname.

1/ The increase in net open foreign exchange position in 2016 includes a valuation effect attributable to significant depreciation.

Annex I. Implementation of Past Fund Advice[1]

Recommendations	Status
Monetary and exchange rate policies	
Avoid monetary financing (2016 Article IV).	**Implemented.** The MoU between CBvS and MoF regarding prohibition of monetary financing ruled out financing of the deficit by CBvS.
Develop indirect instruments of monetary policy (2011-16 Article IV).	**Limited progress.** The CBvS has taken steps towards establishing these instruments in 2016, but they remain unfinished.
Increase short-term interest rates to positive levels in (ex-ante) inflation-adjusted terms (2016 Article IV).	**Implemented.** The decline in inflation led to an increase in interest rates in real terms.
Move to a market-determined exchange rate regime (2012 Article IV). Preserve exchange rate flexibility. Phase out the central bank's role as a distributor of foreign exchange to importers of fuel and other essential imports (2016 Article IV).	**Implemented in 2016, with some backtracking afterwards.** The exchange rate was floated in May 2016. After a period of flexibility in 2016, the exchange rate has been tightly managed. The CBvS continues providing foreign exchange for selected importers.
Implement institutional reforms to prevent fiscal dominance. Amend the Central Bank Act and prepare a strategic plan for addressing the CBvS's weakening financial position (2016 Article IV)	**Not implemented.**
Eliminate remaining multiple currency practices (2012 Article IV).	**Implemented.**
Financial sector policies	
Strengthen prudential regulation (2012 Article IV). Enhance financial sector stability by strengthening bank capital and the regulatory and supervisory framework in line with 2014 FSAP recommendations (2014 Article IV).	**Implemented.** The authorities introduced new regulations on capital adequacy, asset classification and provisioning, corporate governance, internal audit, FX risk, liquidity risk, interest rate risk, large exposures, and net FX positions. The Suriname National Payment System was operationalized in August 2015. The Financial Stability Department was established in 2014 and the first Financial Stability Report published in March 2016.

[1] The list of main recommendations was compiled on the basis of Article IV discussions conducted in 2011, 2012, 2013, 2014 and 2016).

Recommendations	Status
Develop a robust contingency planning framework (2014, 2016 Article IV): -Strengthen coordination mechanism between MoF and CBvS on financial stability issues, establish the Financial Stability Committee. - Strengthen the framework for emergency liquidity support.	**Not implemented.**
Modernize the bank resolution framework. Develop legal instruments for bank intervention and resolution. (2014, 2016 Article IV)	**In progress.** The CBvS is working on revisions to the relevant legislation.
Improve AML/CFT regime (2012 Article IV). Continue the reform process to align the AML/CFT regime with international standards in order to ensure Suriname's exit from CFATF review process. Enhance surveillance of foreign exchange bureaus to prevent AML/CFT abuses (2016 Article IV).	**Substantial progress.** In May 2017, CFATF announced that it had removed Suriname from its review process, as Suriname had made significant progress in addressing the deficiencies identified in its 2009 Mutual Evaluation Report. Sustained efforts to implement the revised (2012) FATF standard and ensure the effectiveness of the regime in mitigating ML/TF risks are required.
Fiscal policies	
Introduce VAT (2011-16 Article IV).	**Not implemented.** Substantial preparatory steps have been taken, but the implementation has been postponed to 2021.
Increase fuel taxes (2016 Article IV).	**Partially implemented.** The authorities increased the "government take" (a sum of fuel import duty, consumer tax and a number of other taxes) for diesel to SRD 0.7 per liter and unleaded gasoline to 1.3 SRD per liter in March 2017. The revenue collected from fuel consumer tax (a sub-component of total government take) remains significantly lower than the 2006-2015 average.
Improve the management of key public utility companies. Set the operations of the public utilities on a commercial basis, including by adjusting their tariffs and making them more progressive (2011 Article IV). Provide more light on the complex system of cross-subsidization and arrears accumulation within the public sector, especially with respect to production and distribution of electricity and water. (2012 Article	**Not implemented.** The government nearly doubled electricity tariffs in late 2015 and implemented another increase in 2016, but electricity prices remain fixed in SRD terms, currently at about one-third of cost-recovery.

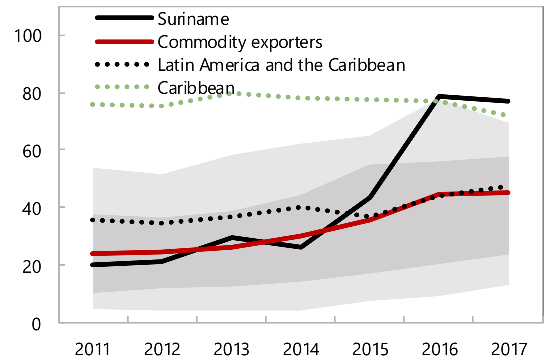
Recommendations	Status
IV) Phase out electricity subsidies by end-2017 (2016 Article IV).	
Launch a broad-based reform of the civil service (2016 Article IV).	**Not implemented.**
Strengthen the social safety net (Article IV 2016). Implement social support programs targeted at low-income households (Article IV 2011, 2012).	**In progress.** In 2015, the authorities launched a new health system.
Establish a sound fiscal framework considering the sensitivity of revenues to mineral sector developments (2013 Article IV). Develop a fiscal anchor rooted in the non-mineral balance, define an appropriate MT target for non-mineral balance (2016 Article IV).	**Not implemented.**
Establish a Sovereign Wealth Fund. (Article IV 2016). Develop a framework for sound management of future mining revenues and building of policy buffers (2012 Article IV).	**Substantial progress.** The Law has been passed, the SWF is expected to be operational in 2019.
Implement PFM reforms, including by adopting a new PFM Law (2016 Article IV).	**In progress.** The new law is to be discussed by the National Assembly.
Improve government procurement practices (Article IV 2016)	**In progress.**
Structural policies	
Implement supply-side reforms to improve business environment, including legal reforms to start a company, promoting competition, protecting investors, registering property and expanding access to finance (2016 Article IV)	**In progress.**
Revise the Law on Investment (2016 Article IV)	**In progress.**
Take steps to increase labor market flexibility, supported by a well-targeted social safety net (2016 Article IV).	**Not implemented.**

Annex II. Debt Sustainability Analysis

A. Public Sector DSA

The Public Debt Sustainability Analysis (DSA) indicates the presence of significant debt profile vulnerabilities and high risks to various shocks. The level of public debt is rising over the projection period and financing needs remain elevated. Vulnerabilities have increased since the last assessment (2016 Article IV), in part due to postponing of the adjustment measures (Figure A.2.1). Most of the shocks would worsen the debt dynamics. A high share of foreign currency debt entails vulnerability to a depreciation of the currency. An additional fiscal adjustment is required to place public debt firmly on a downward path.

Public Debt 1/
(Percent of GDP)



Sources: IMF World Economic Outlook; and IMF staff calculations.
1/ Figure reports median, interquartile range (dark shading) and 10th to 90th percentile range (light shading) for all fuel and non-fuel primary commodity exporters excluding Suriname, as well as the subgroup of commodity exporters in Latin America and the Caribbean (LAC).

Debt Profile and Recent Developments

1. **Suriname's public debt-to-GDP ratio has more than doubled since 2014.**[1] For the purposes of this DSA, "public debt" refers to Suriname's central government debt, as the statistics for the broader public sector are not compiled. Total gross debt reached 78½ percent of GDP in 2016 (from 26.3 percent of GDP in 2014), comparing unfavorably with many other commodity-exporting countries, including those in Latin America and the Caribbean. The increase was due to the issuance of a large external bond of $550 million (17¼ percent of GDP) in late 2016 and exchange rate depreciation. About half of the external bond proceeds was on-lent to the state oil company (Staatsolie) to cover its external debt service. In 2017, the debt stock slightly declined as the differential between interest rate and growth outweighed an increase due to borrowing to cover the primary deficit of 5 percent of GDP (Figure A.2.3).

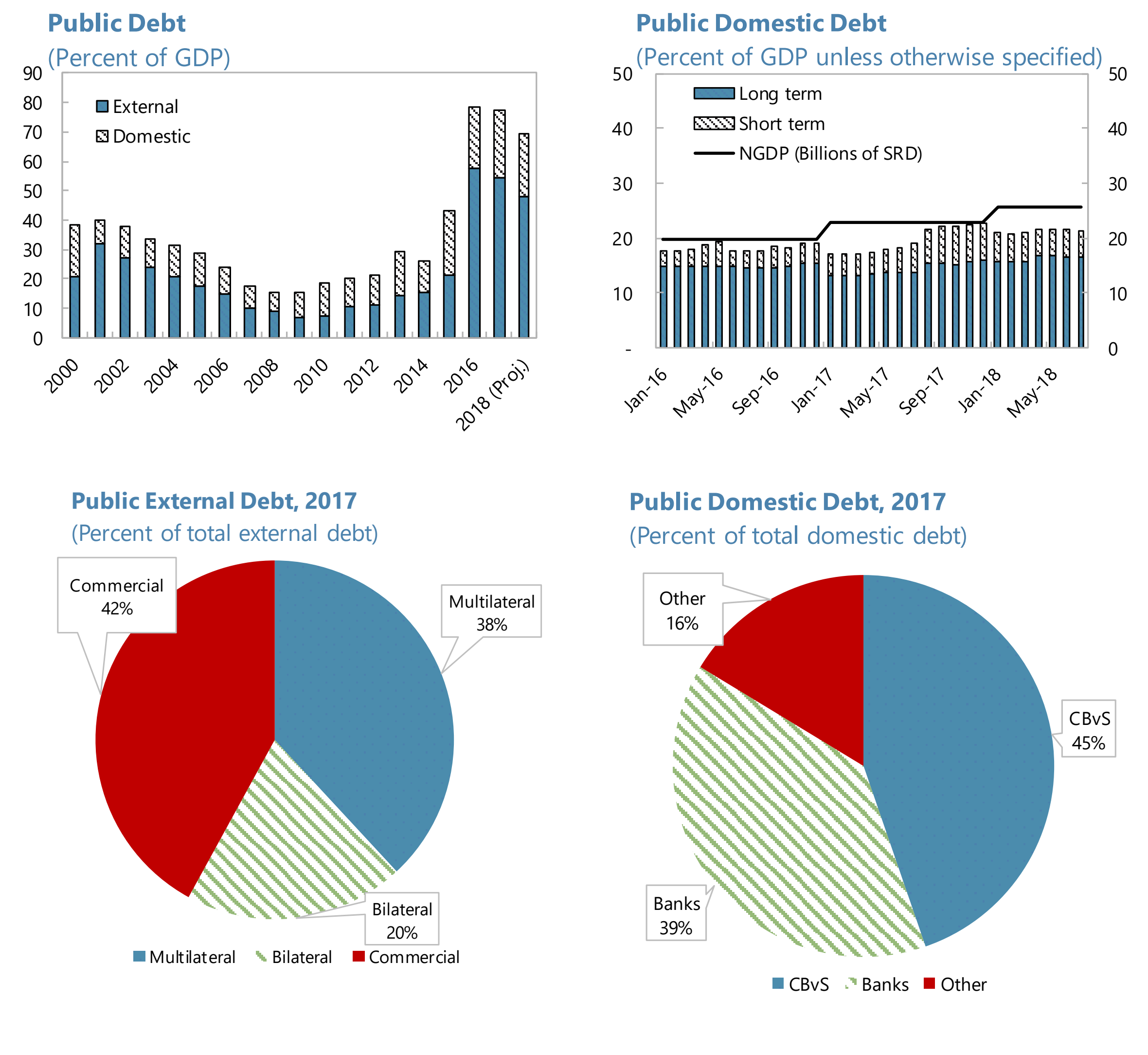
2. **In the first half of 2018, public debt declined, as the government used proceeds from repayment of the Staatsolie loan to make early repayments of some external debt.** Staatsolie issued a large syndicated external loan in May 2018 ($625 million, 18¼ percent of GDP)[2] with the objectives of refinancing its external debt and repaying the govenrment loan that it had received in

[1] The debt-to-GDP ratios are different from the authorities' methodology, which relies on the latest available GDP and the corresponding exchange rate. Thus, according to the national methodology, the debt-to-GDP ratio for 2018 uses GDP for 2017. The ratios are not revised when new GDP becomes available.

[2] The loan is for 8 years with an average annual interest rate of 4.7 percent. Staatsolie paid the government US$261.5 million to settle debts and US$76 million to purchase the government's equity in the Newmont gold mine. As Staatsolie is outside the central government, this liability is included into external sector DSA rather than in the public DSA.

2016. In turn, the government repaid a part of its debt. This will lead to a reduction of public debt as a share of GDP for 2018 despite the sizeable primary deficit (Figure A2.1).

3. **Most of indicators of debt profile vulnerabilities exceed their upper early warning thresholds**. At the end of 2017, external public debt amounted to 70 percent of the total, exceeding the DSA benchmark of 45 percent, and foreign currency debt was 77 percent of the total, exceeding the DSA benchmark of 60 percent, making the stock vulnerable to a real exchange rate depreciation shock. The share of short-term debt in the total stock increased by 4.3 percentage points in 2017, higher than the DSA threshold of 1 percentage point. The spread on the external bond over US bonds exceeds 600 basis points, suggesting unfavorable market sentiment towards Suriname. Gross financing needs are likely to increase from close to 10 percent of GDP in 2017 to 14½ percent of GDP this year, close to the DSA threshold of 15 percent of GDP.



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

Outlook and Risks

4. **The DSA is applied to the staff's baseline scenario, which features modest adjustment measures through 2020 followed by VAT introduction in 2021.** The primary fiscal deficit is projected to decline from 5 percent of GDP in 2017 to 1.5 percent of GDP in 2023 on account of a recovery in mineral revenue and fiscal measures amounting to about 3¼ percent of GDP.

5. **Staff considers the baseline scenario as realistic under assumption of no major shock.** The commodity price shock and the closure of the bauxite industry precipitated a deep recession in 2015-16, resulting in large forecast errors for GDP growth and inflation (Figure A.2.2). The baseline assumes that a shock of this magnitude is not going to be repeated in the projection horizon. The DSA tool for assessing the realism of projected fiscal adjustment shows a maximum fiscal adjustment of 3½ percent of GDP over 2015-18 period: this is due primarily to the recovery of mineral revenues (4½ percent of GDP).

6. **Under the baseline, Suriname's public debt-to-GDP ratio will gradually increase to 82 percent of GDP over the medium term, indicating an elevated risk (Figure A2.1).** The debt ratio will increase from about 70 percent of GDP this year to more than 81 percent of GDP in the medium term, remaining higher than the DSA threshold of 70 percent of GDP. The increase is driven primarily by fiscal deficits. Gross financing needs would increase to 19 percent of GDP in 2019 and remain above the upper early warning threshold of 15 percent of GDP over the medium term.

7. **The fan charts illustrate the baseline public debt dynamics, along with a symmetric and asymmetric distribution of risks (Figure A2.2).** The bands 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. With a symmetric distribution of shocks, the debt ratio tends to gradually increase over the medium term, although there are certain shock combinations that reduce this ratio. In the asymmetric scenario, which only allows negative shocks to the primary balance to occur, the debt ratio is rising under most shock realizations.

Alternative Scenarios and Stress Tests

8. **The alternative scenarios confirm that fiscal consolidation is essential for ensuring public debt sustainability (Figure A2.4).** Medium-term projections using (i) historical averages for real GDP growth and the primary balance; (ii) a constant primary balance; and (iii) constant non-resource primary balance scenario, all imply an increase in the level of public debt, underscoring the importance of implementing the fiscal adjustment to place debt squarely on the downward path.

- **Historical scenario** assumes the 10-year historical average for real GDP growth (1.7 percent) and the average primary fiscal balance from 2019 onward (-2.4 percent of GDP). This implies a 2.8 percent of GDP fiscal adjustment relative to the baseline in 2019. Nevertheless, the debt-to-GDP ratio increases over the medium term to 79 percent of GDP as the primary balance is still below the debt stabilizing value of -0.5 percent of GDP.

- **Constant primary balance scenario.** This scenario assumes that the primary deficit is maintained at its projected 2018 value of 4.1 percent of GDP. This would increase the debt-to-GDP ratio to 87 percent of GDP by 2023, with public gross financing needs rising to 27 percent of GDP.

- **Constant non-mineral primary balance scenario.** In this scenario, the non-mineral primary deficit is maintained at 12.3 percent of GDP, its expected 2018 value. The outcomes are similar to those in the constant primary balance scenario.

9. **The public debt projections are vulnerable to various macroeconomic shocks (Figure A2.5).** In a real GDP growth stress test, GDP growth is reduced by its 10-year historical standard deviation for 2 consecutive years. The primary balance stress test worsens the projected primary balance by half of the 10-year historical standard deviation. The interest rate shock increases the interest rate by the difference between the maximum real interest rate in the 10-year history and the average projected real interest rate. The real exchange rate shock assumes repeating of the worst depreciation episode from the past ten years—the stress test is calibrated to the 2016 episode, with real and nominal depreciations of 19 and 86 percent, respectively. These shocks drive the debt ratio to 85-91 percent of GDP in the medium term and increase gross financing needs to 25-29 percent of GDP. A combined shock, which incorporates the largest effect of individual shocks on all relevant variables (real GDP growth, inflation, primary balance, exchange rate, and interest rate), pushes the debt stock to 156 percent of GDP by 2023 and increases financing needs to more than 48 percent of GDP.

B. External Debt Sustainability Analysis

10. **External sector debt increased sharply in 2015–16 but stabilized afterwards.** Over 2010-14, the external debt averaged 29 percent of GDP. It increased to 53¼ percent of GDP in 2015 and further to 93½ percent of GDP in 2016 due to real depreciation and a fall in GDP from the recession. Strong adjustment in the trade balance in 2017 stabilized the stock of external debt, which increased only marginally in 2017.

11. **Over the medium term, external debt is projected to fall to about 81½ percent of GDP.** This is largely driven by net repayments. The fiscal consolidation efforts in the medium term, if realized, will also alleviate pressure on both the debt accumulation as well as the current account, helping reduce foreign borrowing.

12. **The external debt is sensitive to shocks to the real exchange rate and to the non-interest current account.** A 30 percent depreciation of the real exchange rate could drive external debt to 145 percent of GDP initially, then fall to 126 percent of GDP in the medium term. A current account shock would reverse the projected decline and result in debt of around 104 percent of GDP at the horizon. Given the risks around fiscal expansion in response to the political cycle, this possibility is one with high likelihood.

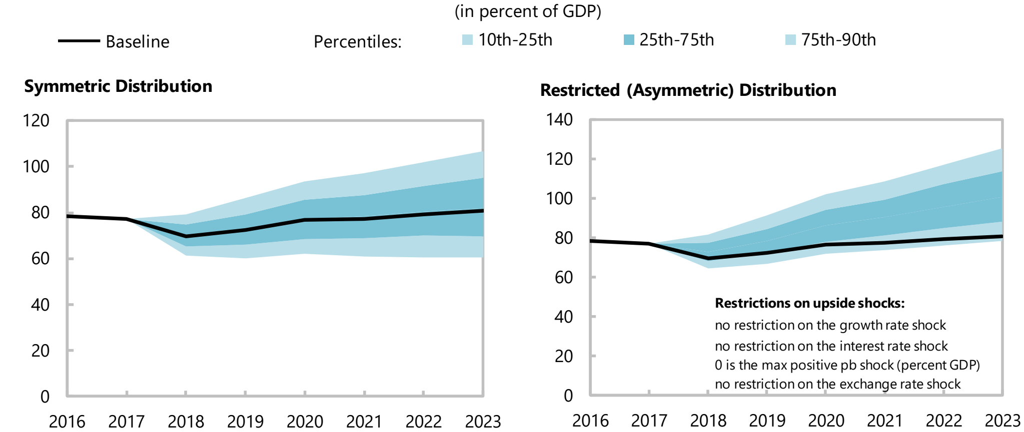
Figure A2.1. Suriname Public DSA Risk Assessment

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

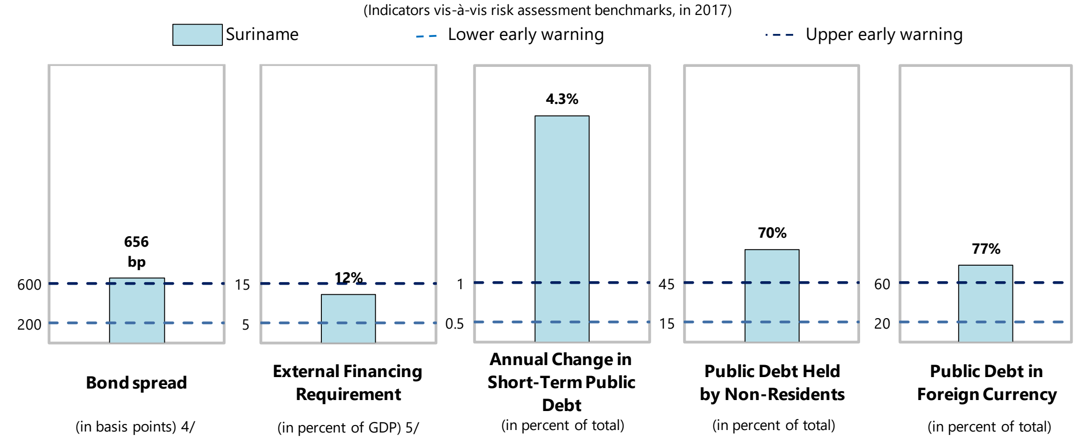
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2017)



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.

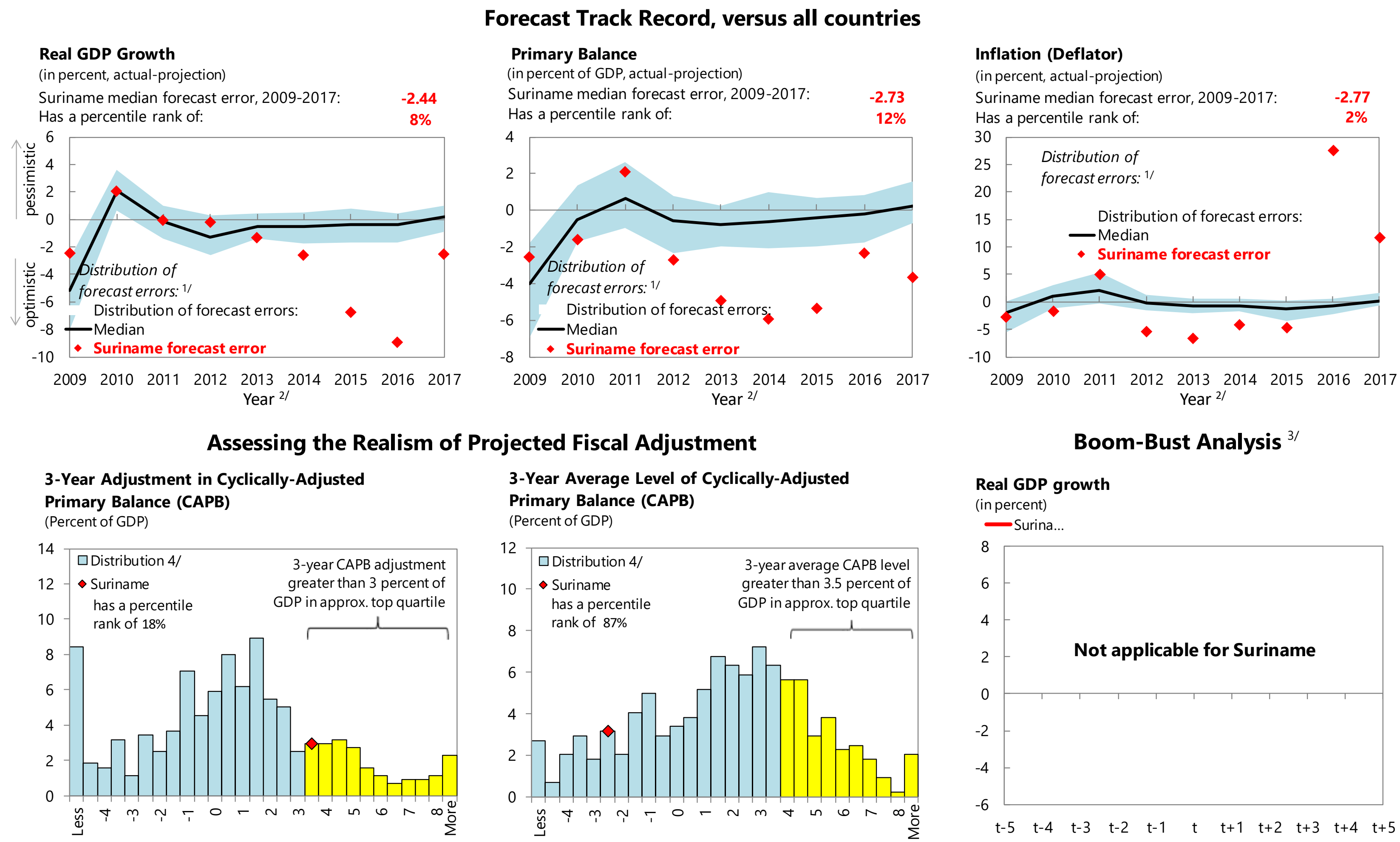
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, 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, 13-Jul-18 through 11-Oct-18.

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.

Figure A2.2. Suriname Public DSA – Realism of Baseline 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.

Figure A2.3. Suriname Public DSA – Baseline Scenario

(Percent of GDP unless otherwise indicated)

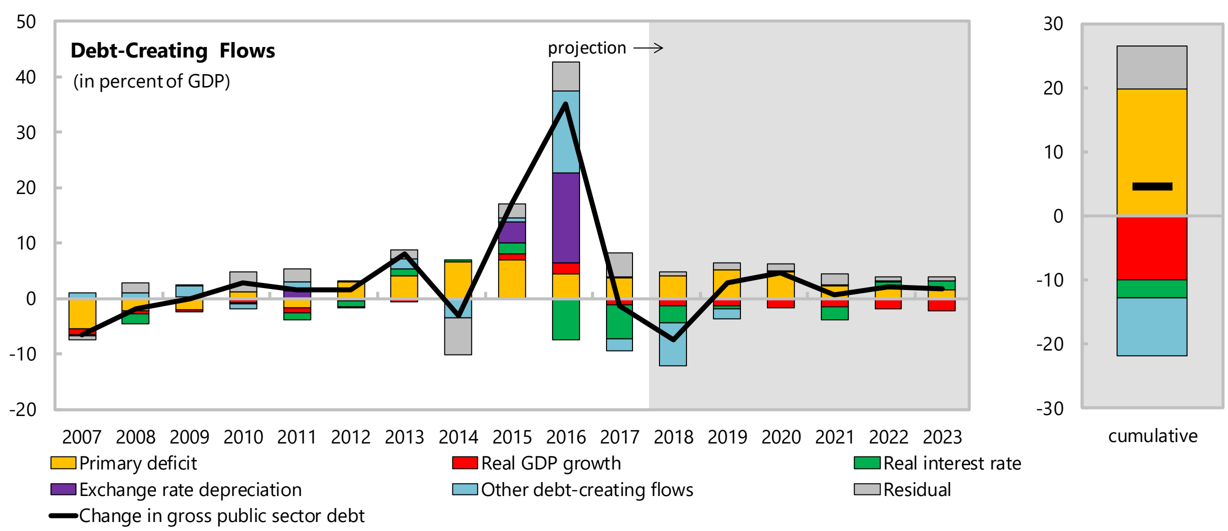
Debt, Economic and Market Indicators [1]

	Actual			Projections					
	2007-2015 [2]	2016	2017	2018	2019	2020	2021	2022	2023
Nominal gross public debt	23.1	78.5	77.2	69.8	72.7	77.3	78.0	80.1	81.8
Public gross financing needs	5	16.5	9.8	14.5	19.3	21.1	20.2	22.3	23.2
Real GDP growth (in percent)	2.9	-5.6	1.7	2.0	2.2	2.5	2.1	2.5	3.0
Inflation (GDP deflator, in percent)	6.7	27.7	14.6	9.4	6.6	6.1	9.7	4.6	3.9
Nominal GDP growth (in percent)	9.8	20.6	16.5	11.6	9.0	8.7	12.0	7.2	7.0
Effective interest rate (in percent) [4]	5.8	5.2	5.6	5.3	6.1	6.3	6.5	6.4	6.2

As of October 11, 2018		
Sovereign Spreads 3		656
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	B2	n.a.
S&Ps	B	n.a.
Fitch	B-	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2007-2015	2016	2017	2018	2019	2020	2021	2022	2023	cumulative	debt-stabilizing primary balance [9]
Change in gross public sector debt	2.2	35.2	-1.3	-7.4	2.9	4.6	0.7	2.1	1.7	4.6	
Identified debt-creating flows	1.6	29.9	-5.5	-8.1	1.6	3.3	-1.3	1.3	1.0	-2.1	
Primary deficit	1.2	4.5	3.7	4.1	5.2	4.8	2.3	1.8	1.5	19.8	-0.5
Primary (noninterest) revenue and gra	25.3	17.6	22.2	22.4	22.7	22.9	25.0	25.2	25.3	143.5	
Primary (noninterest) expenditure	26.5	22.1	25.9	26.5	28.0	27.7	27.3	27.0	26.8	163.3	
Automatic debt dynamics [5]	0.1	10.6	-7.1	-4.3	-1.8	-1.6	-3.8	-0.6	-0.6	-12.7	
Interest rate/growth differential [6]	-0.5	-5.5	-7.3	-4.3	-1.8	-1.6	-3.8	-0.6	-0.6	-12.7	
Of which: real interest rate	0.0	-7.5	-6.2	-3.0	-0.4	0.1	-2.4	1.2	1.7	-2.8	
Of which: real GDP growth	-0.4	2.0	-1.1	-1.4	-1.4	-1.7	-1.4	-1.8	-2.2	-10.0	
Exchange rate depreciation [7]	0.6	16.2	0.3	...	...	...	...	...	...	...	
Other identified debt-creating flows	0.4	14.7	-2.2	-7.9	-1.8	0.1	0.2	0.1	0.1	-9.2	
Of which: net increase in selected assets	0.0	13.1	0.3	-9.8	0.0	0.0	0.0	0.0	0.0	-9.8	
Residual, including asset changes [8]	0.5	5.3	4.2	0.7	1.3	1.3	2.0	0.8	0.7	6.7	



Source: IMF staff.

1/ Public sector is defined as central government and includes public guarantees.

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 $[(r - \pi(1+g) - g + ae(1+r)]/(1+g+\pi+g\pi))$ 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 $r - \pi(1+g)$ and the real growth contribution as -g.

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

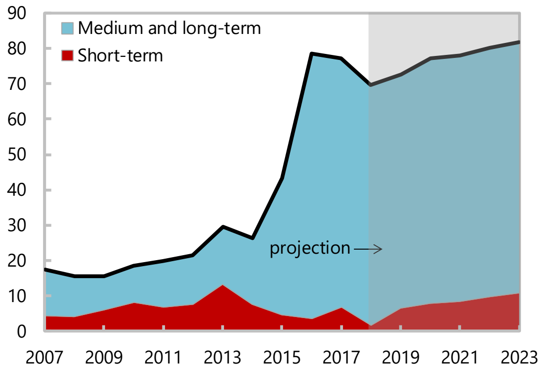
8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

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.

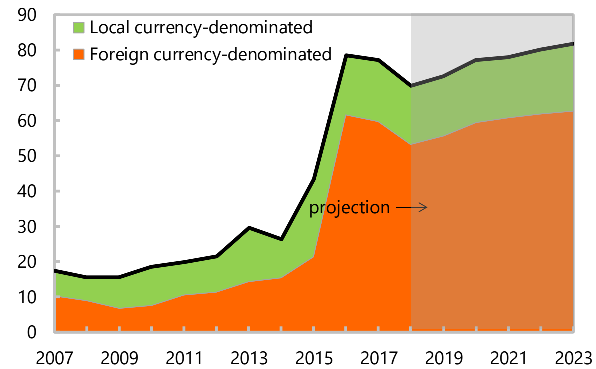
Figure A2.4. Suriname Public Sector DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



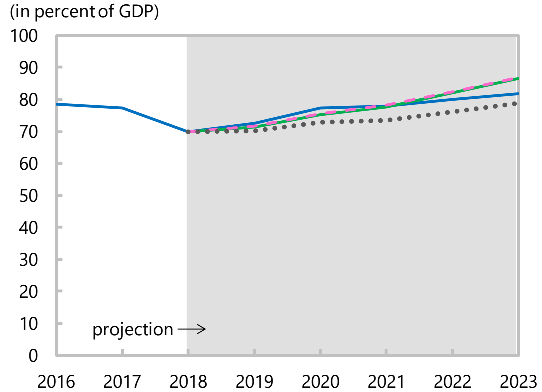
By Currency
(in percent of GDP)



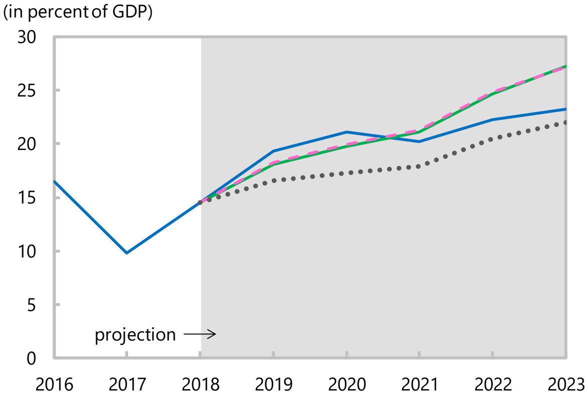
Alternative Scenarios

Baseline
Historical
Constant Primary Balance
Constant non-mineral primary balance

Gross Nominal Public Debt
(in percent of GDP)



Public Gross Financing Needs
(in percent of GDP)



Underlying Assumptions
(in percent)

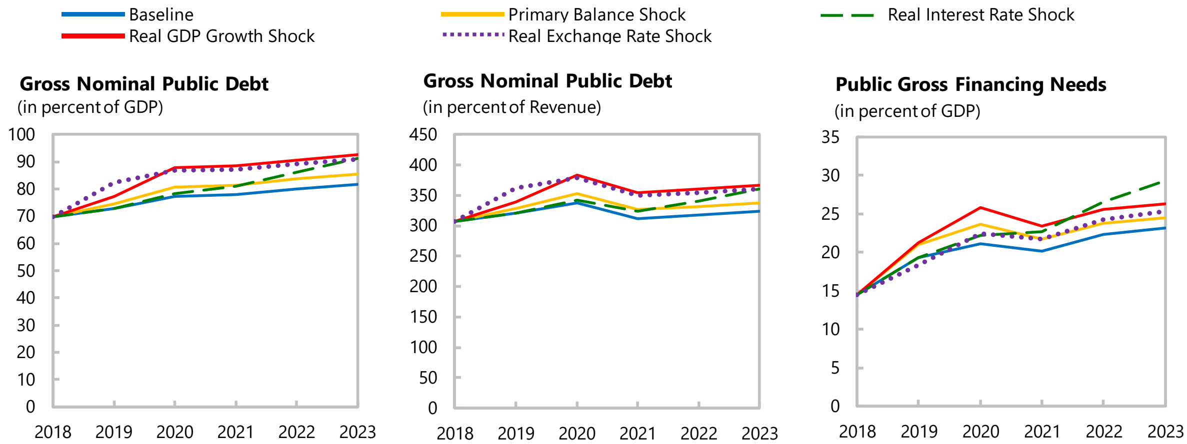
Baseline Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary Balance	-4.1	-5.2	-4.8	-2.3	-1.8	-1.5
Effective interest rate	5.3	6.1	6.3	6.5	6.4	6.2
Constant Primary Balance Scenario						
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary Balance	-4.1	-4.1	-4.1	-4.1	-4.1	-4.1
Effective interest rate	5.3	6.2	6.3	6.5	6.4	6.2

Historical Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	2.0	1.7	1.7	1.7	1.7	1.7
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary Balance	-4.1	-2.4	-2.4	-2.4	-2.4	-2.4
Effective interest rate	5.3	6.2	5.9	5.7	5.4	5.1
Constant Non-mineral Primary Balance Scenario						
Real GDP growth	2.0	1.2	1.5	1.1	1.5	2.0
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary Balance	-4.1	-3.9	-4.1	-4.0	-4.1	-4.3
Effective interest rate	5.3	6.2	6.3	6.5	6.4	6.2

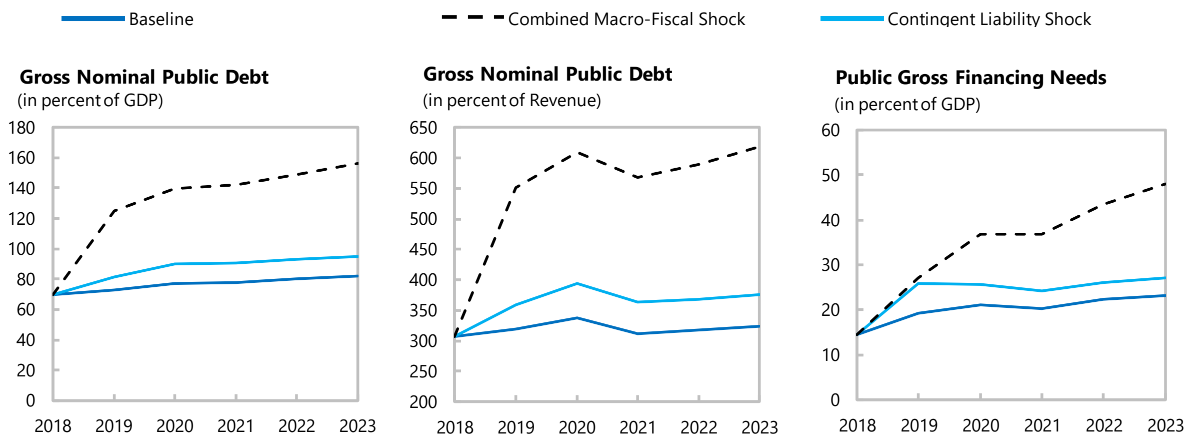
Source: IMF staff.

Figure A2.5. Suriname Public Sector DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

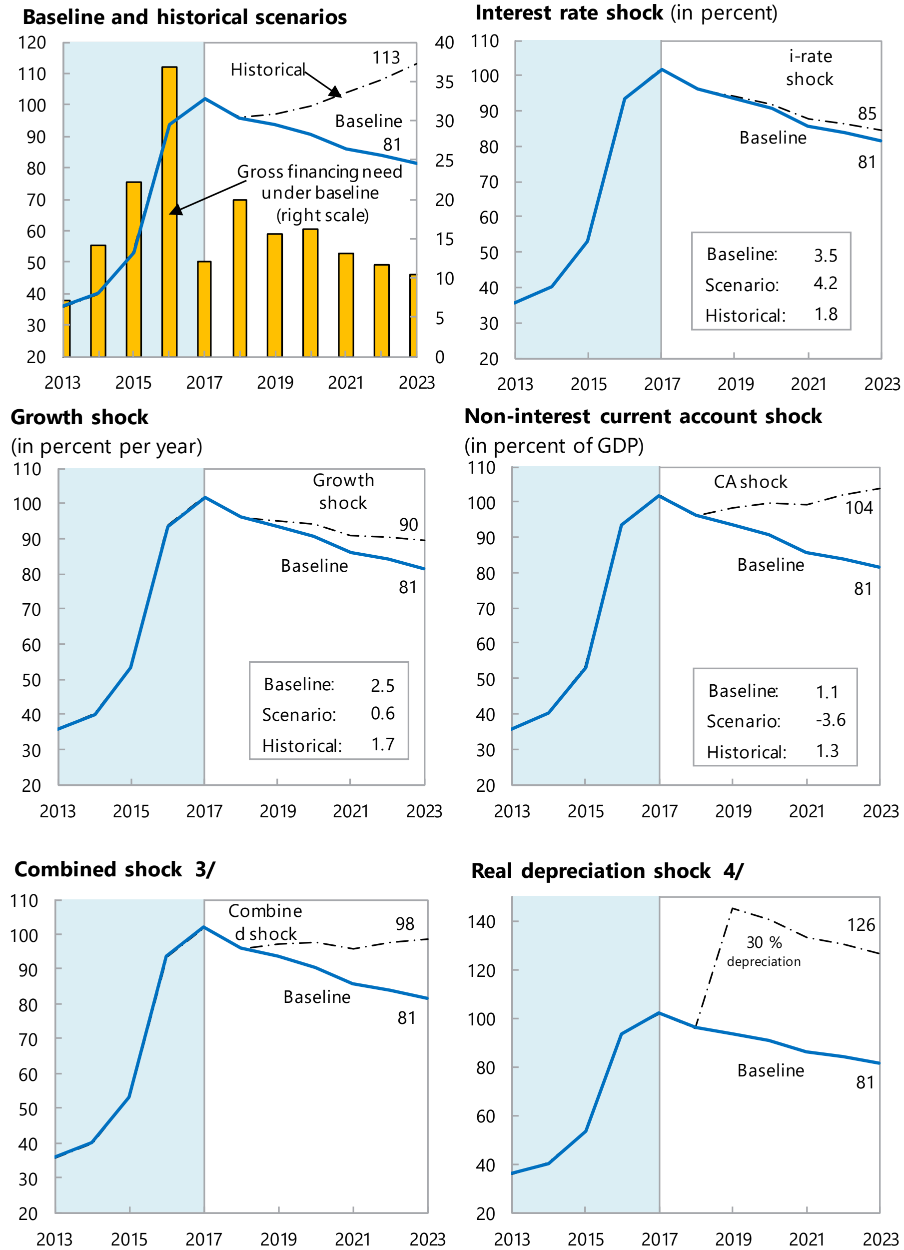
Primary Balance Shock	2018	2019	2020	2021	2022	2023
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary balance	-4.1	-7.0	-6.5	-2.3	-1.8	-1.5
Effective interest rate	5.3	6.2	6.4	6.6	6.5	6.3
Real Interest Rate Shock						
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Inflation	9.4	6.6	6.1	9.7	4.6	3.9
Primary balance	-4.1	-5.2	-4.8	-2.3	-1.8	-1.5
Effective interest rate	5.3	6.2	8.0	9.4	10.1	10.5
Combined Shock						
Real GDP growth	2.0	-1.5	-1.2	2.1	2.5	3.0
Inflation	9.4	5.7	5.1	9.7	4.6	3.9
Primary balance	-4.1	-7.0	-7.4	-2.3	-1.8	-1.5
Effective interest rate	5.3	9.9	7.6	8.9	9.7	10.1

Real GDP Growth Shock	2018	2019	2020	2021	2022	2023
Real GDP growth	2.0	-1.5	-1.2	2.1	2.5	3.0
Inflation	9.4	5.7	5.1	9.7	4.6	3.9
Primary balance	-4.1	-6.5	-7.4	-2.3	-1.8	-1.5
Effective interest rate	5.3	6.2	6.4	6.6	6.5	6.3
Real Exchange Rate Shock						
Real GDP growth	2.0	2.2	2.5	2.1	2.5	3.0
Inflation	9.4	56.4	6.1	9.7	4.6	3.9
Primary balance	-4.1	-5.2	-4.8	-2.3	-1.8	-1.5
Effective interest rate	5.3	9.9	6.2	6.3	6.3	6.1
Contingent Liability Shock						
Real GDP growth	2.0	-1.5	-1.2	2.1	2.5	3.0
Inflation	9.4	5.7	5.1	9.7	4.6	3.9
Primary balance	-4.1	-10.8	-4.8	-2.3	-1.8	-1.5
Effective interest rate	5.3	6.6	6.7	6.7	6.5	6.3

Source: IMF staff.

Figure A2.6. 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 2019.

Table A2.1. Suriname: External Debt Sustainability Framework, 2013-2023
(Percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023	Debt-stabilizing non-interest current account 6/
Baseline: External debt	35.8	40.0	53.2	93.5	101.9			**96.0**	**93.5**	**90.5**	**85.9**	**84.0**	**81.5**	**-7.1**
Change in external debt	5.5	4.2	13.2	40.3	8.3			-5.9	-2.5	-3.0	-4.7	-1.9	-2.5	
Identified external debt-creating flows (4+8+9)	-0.8	4.2	14.8	6.8	-1.3			-3.0	-2.7	-5.7	-5.9	-6.7	-7.4	
Current account deficit, excluding interest payments	3.5	7.6	16.1	3.9	-2.6			-0.1	0.8	-0.3	-1.4	-1.9	-2.5	
Deficit in balance of goods and services	2.5	8.0	17.5	3.0	-11.6			-4.8	-3.1	-4.2	-4.9	-5.4	-5.7	
Exports	50.4	45.0	38.8	51.3	71.5			69.0	62.1	61.4	59.8	59.8	59.1	
Imports	53.0	52.9	56.3	54.4	60.0			64.2	59.0	57.3	55.0	54.4	53.4	
Net non-debt creating capital inflows (negative)	-3.6	-3.1	-5.4	-25.8	-4.3			-3.6	-4.1	-6.0	-5.8	-5.8	-5.7	
Automatic debt dynamics 1/	-0.7	-0.3	4.2	28.7	5.6			0.7	0.6	0.6	1.2	1.0	0.8	
Contribution from nominal interest rate	0.3	0.3	0.4	1.5	2.6			2.5	2.6	2.8	2.9	3.1	3.2	
Contribution from real GDP growth	-0.9	-0.1	1.5	4.5	-1.6			-1.8	-2.0	-2.2	-1.7	-2.1	-2.4	
Contribution from price and exchange rate changes 2/	-0.1	-0.6	2.3	22.8	4.6			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	6.3	0.1	-1.6	33.5	9.7			-2.8	0.1	2.8	1.3	4.8	4.9	
External debt-to-exports ratio (in percent)	71.0	89.1	137.3	182.2	142.4			139.0	150.6	147.4	143.5	140.5	137.9	
Gross external financing need (in billions of US dollars) 4/	0.4	0.7	1.1	1.2	0.4			0.7	0.6	0.6	0.6	0.5	0.5	
in percent of GDP	7.1	14.1	22.2	36.8	12.2	10-Year	10-Year	19.9	15.6	16.2	13.1	11.7	10.5	
Scenario with key variables at their historical averages 5/								**96.0**	**97.0**	**99.6**	**103.7**	**107.8**	**113.0**	**-2.7**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	2.9	0.3	-3.4	-5.6	1.7	1.7	3.7	2.0	2.2	2.5	2.1	2.5	3.0	
GDP deflator in US dollars (change in percent)	0.4	1.6	-5.4	-30.0	-4.7	-0.4	12.5	9.6	5.0	3.6	6.5	2.1	2.6	
Nominal external interest rate (in percent)	0.9	0.9	0.8	1.8	2.7	1.8	1.5	2.7	2.9	3.1	3.5	3.8	4.0	
Growth of exports (US dollar terms, in percent)	-9.8	-9.2	-21.2	-12.5	35.1	5.3	22.6	7.9	-3.5	5.0	5.9	4.5	4.6	
Growth of imports (US dollar terms, in percent)	5.1	1.7	-2.8	-36.1	6.9	5.0	20.5	19.7	-1.5	3.1	4.4	3.6	3.8	
Current account balance, excluding interest payments	-3.5	-7.6	-16.1	-3.9	2.6	1.3	9.3	0.1	-0.8	0.3	1.4	1.9	2.5	
Net non-debt creating capital inflows	3.6	3.1	5.4	25.8	4.3	3.2	9.1	3.6	4.1	6.0	5.8	5.8	5.7	

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.

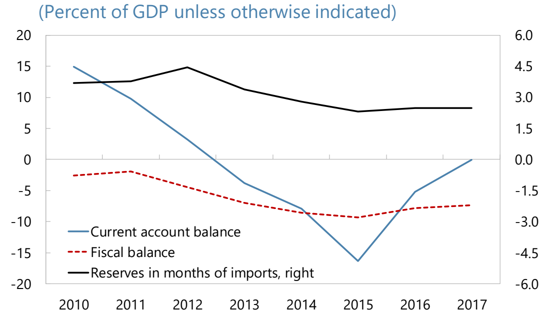
Annex III. External Sector Assessment

Suriname's current account (CA) balance improved strongly in 2016–17, mostly due to increased mineral exports. Yet, as of 2017, the external position remains moderately weaker than implied by fundamentals and desirable policies. This assessment is driven largely by the gap between current and desirable international reserves, despite recent improvements. Staff recommends fiscal consolidation, higher exchange rate flexibility, and structural measures to increase competitiveness to alleviate pressure on reserves and help restore external balance.

Background

1. **The CA deficit adjusted from about 16.5 percent of GDP in 2015 to near balance in 2017.** The terms of trade shock of 2013-14 and the closure of the bauxite industry led to a large CA deficit in 2015. The subsequent rebound in gold prices and the launch of a new gold mine in 2016, led to an improvement on the order of 23 percent of GDP in the trade balance. The higher gold exports drove a commensurate rise in reinvested earnings, attenuating the adjustment of overall CA balance to about 14 percent of GDP. The government's fiscal balance has improved somewhat but continues to contribute negatively to the current account balance.

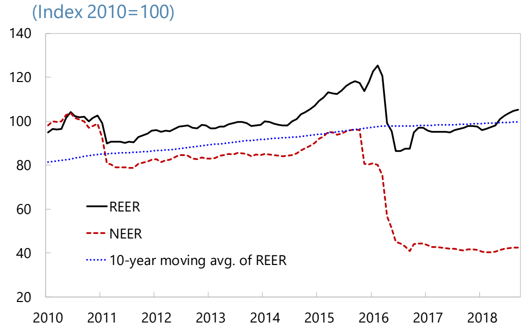
Current Account, Fiscal Balance, and Reserves
(Percent of GDP unless otherwise indicated)



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

2. **Over the past two years, reserves have grown slightly.** They reached USD 0.4 billion (about 2.3 months of imports) in 2017 and further increased to USD 0.5 billion (about 3 months of imports) in September 2018. Reserves had dropped during 2012-2015, reflecting a worsening CA balance and capital outflows. They grew in 2016-17 due to the improvement in the CA balance and increased government external borrowing, including the issuance of a government bond. The further increase in 2018 was due to inflows from the borrowing transactions of Staatsolie that allowed an early repayment of a large liability to the government. Intervention in the form of providing foreign exchange for fuel and other essential imports continues to be a drag on reserves. The exchange rate regime is officially a flexible arrangement. However, it is de facto stabilized by the Fund's definition—its fluctuations have remained within the 2 percent range.

Exchange Rate Developments
(Index 2010=100)



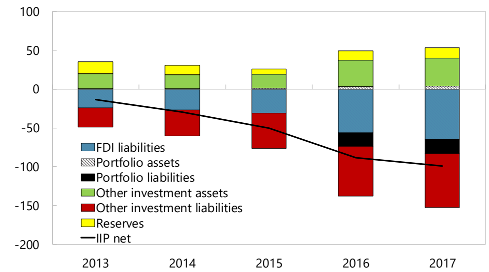
Sources: IMF Information Notice System; and IMF staff calculations.

3. **The real effective exchange rate (REER) has returned to its 10-year average**. The cumulative REER depreciation of about 16½ percent in 2016-17, offset its appreciation in 2014-15. In 2017, the REER was broadly in line with its 10-year average. In 2018, the REER has appreciated

marginally due to the inflation differential and some strengthening of the nominal effective exchange rate (NEER).

4. **Suriname's net international investment position (IIP) has deteriorated significantly.** It reached -98.7 percent of GDP in 2017 from 4 percent of GDP in 2011. The sharpest decline was in 2016, driven largely by external borrowing and strong real exchange rate depreciation.

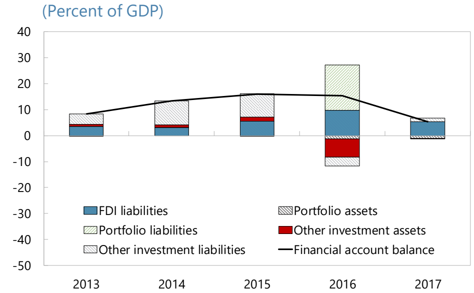
International Investment Position
(Percent of GDP)



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

5. **The financial account deteriorated to 5.8 percent of GDP in 2017, but net inflows remained positive.** Foreign direct investment (FDI) averaged about 6 percent of GDP over the last 4 years but declined to about 5 percent of GDP in 2017 upon the completion of the investments related to Merian gold mine. However, the reinvested earnings from this mine, constitute an inflow of FDI, offsetting the fall in other capital investment. While other investments (consisting primarily of currency and deposits on the asset side and loans on the liabilities side) stood at 1.5 percent of GDP in 2017, they have been volatile over the past five years due to external borrowing. New borrowing was offset by foreign repayments on the liabilities side while assets fell slightly. A large external syndicated loan (of about 18¼ percent of GDP) to Staatsolie raised liabilities in 2018H1. However, over the medium term the net balance of other investment is projected to turn negative. Errors and omissions (EO) in the Balance of Payments (BOP) remain large, averaging 7 percent of GDP over the past 5 years, and consistently negative. The 2017 EO declined to - 4.3 percent of GDP, however, the persistent negative errors and omissions suggests the risk that the current account deficit could be underestimated.

Financial Account
(Percent of GDP)



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

Assessment

6. **The IMF's External Balance Assessment-Lite (EBA-Lite) CA model estimates a moderate CA gap in 2017**. The model estimates that Suriname's CA norm—the level consistent with medium-term fundamentals and desirable policies—was 1.2 percent of GDP in 2017. The actual CA was -0.1 percent of GDP, implying a CA gap of -1.3 percent of GDP in 2017. This gap was driven by deviations of policies from their desirable levels: the policy gap—calculated as the effect on the CA of adjusting policies to their desirable levels—was -4.9 percent of GDP. This gap was mostly from inadequate reserves accumulation (-3.8 percent of GDP), suggesting that Suriname needs a higher CA balance to build up the stock of reserves. This result implies an overvaluation of the REER of 2.7 percent in 2017.

Current Account Model Results

Based on 2017	
CA-Actual	-0.1%
Cyclical Contributions (from model)	0.3%
Cyclically adjusted CA	-0.4%
CA-Norm	1.2%
Cyclically adjusted CA Norm	0.9%
CA-Gap	-1.3%
o/w Policy gap	-4.9%
Elasticity	-0.49
REER Gap	2.7%
CA-Fitted	-3.7%
Residual	3.6%

Source: IMF staff calculations.

7. **The 2017 CA balance is adequate to stabilize the net IIP, but more adjustment is needed to reduce it to a safer level**. The IMF's external sustainability (ES) model finds that stabilizing the net IIP at its 2017 level of -98.7 percent of GDP would require a CA balance of only -6.1 percent of GDP, well below the actual CA balance in 2017 of -0.1 percent of GDP. However, Suriname's current net IIP level is not a suitable benchmark, as it implies a highly leveraged position relative to the rest of the world and would expose Suriname to vulnerabilities from domestic and external shocks. Considering exhaustibility of Suriname's natural resources, which implies the need to pay down public external debt and to accumulate a stock of financial assets (Box 1), a positive IIP of 7 percent would be more appropriate. Returning the net IIP to this target in the very long term would require zero CA balance and achieving this target by 2035—when natural resources will be largely depleted—will require CA surplus of 3.2 percent of GDP.

External Sustainability (ES) Results

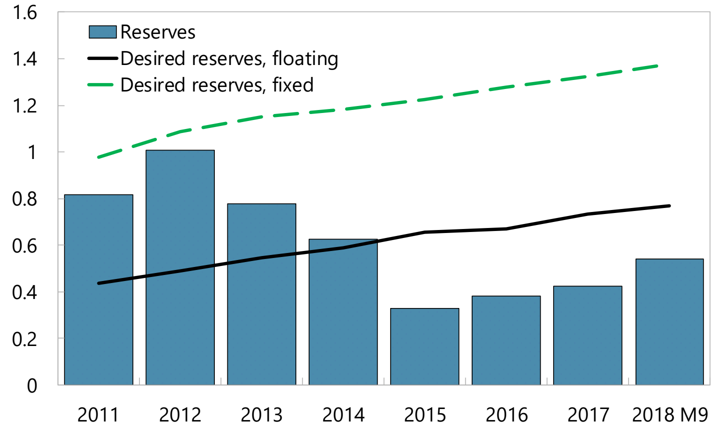
			CA norm (% of GDP)	Underlying CA (% of GDP)	CA gap	REER gap
Scenario 1: Stabilizing net IIP at	-98.7 % of GDP		-6.1	-0.6	5.5	-12.0
Scenario 2: Stabilizing net IIP at	7.0 % of GDP		0.0	-0.6	-0.7	1.5
Scenario 3: Reaching net IIP at	7.0 % of GDP in	2035	3.2	-0.6	-3.8	8.4

Source: IMF staff calculations.

8. **Reserve buffers remain short of the desired levels.** Reserves stood at USD 0.5 billion (about 3 months of imports) in September 2018, short of the desired level of 0.8 billion USD billion (5.0 months of imports) suggested by the IMF's reserve adequacy framework. Addressing the imbalances discussed above would help to alleviate the downward pressure on reserves.

Reserves Adequacy

(Billions of USD)



Source: IMF staff calculations.

9. **Taking all of these factors into account, staff assesses Suriname's 2017 external position to be moderately weaker than the level consistent with medium-term fundamentals and desirable policies.** Specifically, staff assesses the CA gap to be -1 to -2 percent of GDP and, consistent with this gap, the REER is assessed to be overvalued by 2-5 percent. This conclusion is based on the results of the CA model, as well as the need to improve the net IIP position and bolster reserves, with a range that takes account of uncertainty around any point estimate.[1] It is important to note also that the CA is expected to fall again in 2018, putting increased pressure on reserves accumulation and possibly implying a wider CA misalignment.

Policy Implications

10. **Staff recommends that a comprehensive set of policy measures be undertaken to eliminate the external imbalances.** These should be led by fiscal consolidation to close the primary deficit in the medium term. This should be accompanied by allowing for full exchange rate flexibility to act as a shock absorber and a monetary policy stance consistent with positive real interest rates and the continued reduction in inflation and strong structural measures to increase competitiveness.

[1] The EBA-lite REER model estimates the exchange rate to be overvalued by 22 percent, with a 7 percent policy gap driven by the shortfall in reserves. However, the CA model is considered more reliable for Suriname since the fit of the REER regression model is dependent on longer sample spans and is sensitive to structural changes such as the depreciation and inflation in 2016.

Annex IV. Risk Assessment Matrix[1]

	Likelihood	*Impact*	*Policy Advice*
Country-specific risks			
Reversal of fiscal consolidation. The upcoming political cycle raises the risk that the tightening of the fiscal stance will reverse.	**High**	**High** • A deterioration in the fiscal position would increase gross financing needs, worsen external markets' sentiment towards Suriname and weaken public debt sustainability further. • Increased financing through domestic banking system could crowd out domestic investment.	Consistently implement measures to improve the fiscal position. Strengthen the public management framework. Build up the reserve buffer.
Financial sector risks materialize. Shocks to the financial system could expose remaining vulnerabilities lingering after difficult 2016 and undermine confidence.	**Medium**	**High** • A confidence shock could trigger deposit outflows. • Vulnerabilities can generate spillovers to broader financial system.	The Central Bank must monitor the financial sector closely to identify possible weaknesses. Strengthen the contingency framework, including formalizing emergency liquidity assistance. Set up a Financial Stability Committee.
External risks			
Sharp tightening of global financial conditions causes higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; capital account pressures; and a broad-based downturn.	**High**	**Medium** • The stable exchange rate regime decreases external competitiveness with a USD appreciation. • Higher global interest rates increase the likelihood of capital outflows without appropriate monetary policy response.	Allow the exchange rate to function as a buffer by introducing a greater degree of flexibility. Implement appropriate monetary policy to prevent large swings in capital flows. Undertake fiscal consolidation to reduce the risks of higher external borrowing costs.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

	Likelihood	*Impact*	*Policy Advice*
		• External debt costs will rise.	
Weaker-than-expected global growth, including in the Euro Area and the U.S.	**Medium**	**Medium** • Weaker external growth could dampen demand for Surinamese exports. • A slowdown in growth could drive commodity prices down. • Slower global growth in advanced economies could slow FDI inflows.	Strengthen competitiveness by implementing a structural reform program. Diversify the economy to increase resilience to commodity price cycles. Strengthen the monetary policy framework and use monetary policy to react to global conditions. Use the exchange rate as a shock absorber.
Sizeable deviations from baseline energy/commodity prices. Risks to oil prices are broadly balanced. Prices could rise sharply due to steeper-than-anticipated export declines in some producers. Prices could drop significantly if downside global growth risks materialize, or supply exceeds expectations.	**Medium**	**High** • A fall in energy and commodity prices could impact Suriname as it did in 2014. High dependence on the mining sector is a source of risk to the economy. • Suriname does not have buffers to withstand another strong price shock.	Diversification of the economy away from the extractive industries. Build reserves and undertake countercyclical fiscal policies. Continue fiscal consolidation to increase fiscal space.
Loss of correspondent banking relationships is a possibility given the recent investigations of financial transactions related to Suriname's financial sector. The reputational risk to both indigenous and foreign banks could result in further loss of correspondent banking relationships.	**High**	**High** • Suriname has already experienced losses of CBRs, but recent events could lead to more withdrawals and greater financial exclusion. • Costs and time to settle transactions may rise, placing a burden on citizens and companies transacting in Suriname. • If CBRs cannot be maintained, then payment settlements and trade finance could be threatened.	Address the remaining shortcomings identified in the 3rd round Mutual Evaluation Report by CFATF and implement the revised (2012) FATF standard. Prepare a contingency plan for addressing possible losses of CBRs. Maintain strict supervision of the financial sector and ensure compliance with regulatory norms.

Annex V. Strengthening Banking Supervision

The Surinamese authorities have taken some steps with respect to implementation of various measures to strengthen banking supervision along with the country's AML/CFT regime.[1]

A. Legal Framework for Supervision

1. **In November 2011, the new Banking Supervision Act came into force.** The CBvS has since reviewed existing regulations and issued new ones.

2. **In July 2014, the Group 1 regulations were amended to increase the minimum capital adequacy ratio (CAR) to 10 percent and to raise loan provisioning requirements.** Bank Supervision can add a risk premium, if the quality of corporate governance or risk management is insufficient.

3. **The regulation on provisioning prescribes that collateral be excluded for the determination of the provisioning amount.** This regulation resulted in higher provisioning compared to International Accounting Standards 39.

4. **In April 2015, the CBvS introduced Group 2 and 3 regulations, aimed at corporate governance, internal audit, AML/CFT, and management of market risk (liquidity, foreign currency, and interest).** These regulations contain elements of Basel II and III, thereby partially following international best practices.

5. **In 2016, a first draft of the Bank Resolution Law was prepared with assistance from the Fund.** The CBvS's Supervision Department is currently finalizing the draft and the accompanying explanatory notes, with the objective to present the draft to the Ministry of Finance by the end of 2018. Amendments to the Bank Act and to the Bank Supervision Act will be proposed at the same time.

6. **The Deposit Guarantee System Law is being finalized by the CBvS.** It is expected to be considered by the National Assembly after the Bank Resolution Law is approved.

B. Supervision

7. **Since 2014, on-site inspections have intensified and are performed on the basis of risk with an emphasis on the governance (i.e., senior management and supervisory directors) of the banks, internal audit, and risk management.** Based on the outcome of an inspection, a bank receives a CAMELS rating of 1 (best) to 5 (worst)[2]. Banks that receive ratings of 3 (insufficient) or

[1] Most of the informational inputs for this annex were provided by the CBvS.

[2] CAMELS is an international rating system used by bank supervisory authorities to rate financial institutions based on six factors represented by its acronym: i) Capital adequacy, Asset quality, Management quality, Earnings, Liquidity, and Sensitivity to market risks.

lower, must present a plan to overcome their shortcomings and periodically report to the CBvS. The CBvS can use an instrument, called a "directive" (Aanwijzing), to require improvements.

8. **The capacity of the CBvS's supervision staff has also been upgraded and the number of staff has been increased.** Between 2011 and 2015 a resident advisor, funded by the European Union and the Inter-American Development Bank (IDB), worked on the supervision framework and trained staff in several areas.

9. **CBvS staff frequently attend trainings and seminars to extend their knowledge and abilities in the areas of prudential and AML/CFT supervision.** The trainings and seminars are organized among others by the Association of Supervisors of Banks of the Americas and the Caribbean Group of Banking Supervisors with support from the United States' Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and others. The CBvS also retains a certified public accountant, with extensive experience, who continues to upgrade the supervisory framework and provides on-the-job training to the staff with an emphasis on compliance and risk management.

10. **In September 2018, the prudential and AML/CFT supervision of cambios (foreign exchange houses) was transferred from the Financial Markets Department to the Banking Supervision Department.** This transfer is aimed at consolidating the AML/CFT expertise within the CBvS and overseeing money flows in the financial system. The CBvS has entered into a technical assistance agreement with the Central Bank of the Netherlands to strengthen the supervisory framework and the capacity of the staff further.

AML/CFT-Related Developments

11. **The prevention and combating of Money Laundering and Terrorist Financing are priority work areas for the Surinamese government.** The authorities are seeking to implement measures to develop a stronger legal and institutional AML/CFT framework, in line with the FATF standards. The government recognizes the importance of developing a national risk assessment (NRA) and has secured technical assistance from the IDB to identify, evaluate, and understand the ML/TF risks in Suriname in accordance with Recommendation 1 of the FATF Standards. Furthermore, Suriname has secured support from the Department against Transnational Organized Crime (DTOC) of the Secretariat for Multidimensional Security of the Organization of American States for a three-year AML program. The program aims to: (i) train the various Surinamese entities involved in identifying, reporting, investigating, and prosecuting money laundering; (ii) develop and standardize guidelines, manuals, and/or standard operating procedures to assist with the same; and (iii) develop policies, best practices, and/or draft legislation that foster information-sharing, the enforcement of compliance, and uniformity in reporting and succession planning.

12. **Suriname has been a member of CFATF—a FATF-style regional body—since 1998.** Suriname's AML/CFT regime was evaluated by this organization in November 2001 and November 2009; its next evaluation is due in 2020.

13. **Suriname was removed from the CFATF review process in 2017.** Since 2015, Suriname had been publicly listed by CFATF as a jurisdiction with strategic AML/CFT deficiencies. In May 2017, CFATF issued a "Public Statement" confirming the removal of Suriname from its internal review process, owing to "significant progress in improving its AML/CFT regime and adequately addressing the key AML/CFT deficiencies identified".

14. **Since 1996, Suriname has made efforts to improve its AML/CFT regime:**

- To protect the integrity of the banking and credit system in Suriname, the CBvS issued guidelines on money laundering starting in 1996, based on a gentleman's agreement with the banks.

- In 2002, Suriname tightened up the statutory framework on money laundering with eight laws, including the Money Laundering Penalty Act (SB 2002 No. 64), the Act on the Reporting of Unusual Transactions (SB 2002 No. 65), and the Act on the Identification Requirements for Service Providers (SB 2002 No. 66).

- In 2008, the National Anti-Money Laundering Commission (NAMLC) was established. The NAMLC is chaired by the Attorney General of the Republic of Suriname, who is also the CFATF Prime contact for Suriname. For the upcoming (2020) Mutual Evaluation (ME), the NAMLC will act as the sounding board for the preparation and implementation of the NRA, the conduct of the ME, and the monitoring of the National Action Plan.

- In 2011, the Banking and Credit System Supervision Act (SB 2011 No. 155) came into effect, based on which the CBvS issued the AML/CFT Regulation in April 2012. Since then, the directive has been adapted to new or tightened FATF requirements, most recently in October 2016.

- In 2011, the Anti-Money Laundering Steering Council Suriname, consisting of the Ministers of Finance and of Justice and Police and the President of the CBvS, was established, aimed at creating a strong management of processes at the policy level so that the AML/CFT enforcement and supervisory regime could be strengthened.

- In 2012, the CBvS drafted and issued regulations on compliance with AML/CFT legislation, which were revised twice in 2016, based on feedback from CFATF.

- In 2012 and 2016, amendments were made to the Act on the Reporting of Unusual Transactions (SB 2002 No. 65, as last amended by SB 2016 No. 33) and the Act on the Identification Requirements for Service Providers (SB 2002 No. 66, as last amended by SB 2016 No 32). Based on these changes, a new State Decree on Indicators of Unusual Transactions entered into force in July 2013 (SB 2013 No. 148).

- In 2014, the International Sanctions Act came into effect (S.B. 2014 No. 54); it was further amended in 2016 (S.B. 2016 No. 31). The various legislative changes have, where applicable, led to the amendment of the guidelines and the broadening of the scope of the inspections of supervised institutions.

- In mid-2017, on-site AML/CFT compliance inspections were expanded and intensified. The focus of the inspections expanded from only technical compliance to include transaction monitoring and effectiveness. A risk rating matrix and separate rating for compliance with AML/CFT-related requirements were developed.

- In 2018, the President of the Republic inaugurated the International Sanctions Council. This council is tasked with supervising all service providers for compliance with the International Sanctions Act.

- In 2018, the NAMLC organized an NRA Workshop with the DTOC and the Suriname-Netherlands Legal Cooperation Foundation, followed by an Anti-Money Laundering Stakeholder Conference and NRA kick-off in February 2018. Suriname plans to start work on the NRA in the 4th quarter of 2018.

SURINAME

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 1, 2018

Prepared By Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of September 30, 2018)

Membership Status: Joined: April 27, 1978; Article VIII

General Resources Account:	**SDR Million**	**Percent of quota**
Quota	128.90	100.00
Fund holdings of currency (Holdings Rate)	177.70	137.86
Reserve Tranche Position	9.20	7.14

SDR Department:	**SDR Million**	**Percent of allocation**
Net cumulative allocation	88.09	100.00
Holdings	25.52	28.97

Outstanding Purchases and Loans:	**SRD Million**	**Percent of Quota**
Stand-by Arrangement	58.00	45.00

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Stand-by	May 27, 2016	Apr 16, 2017	342.00	58.00

Projected Payments to Fund[1]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2018	2019	2020	2021	2022
Principal		14.50	29.00	14.50	
Charges/ Interest	0.44	1.75	1.32	0.76	0.62
Total	0.44	16.25	30.32	15.26	0.62

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

A. Nonfinancial Relations with the Authorities

Exchange rate arrangements

The national currency is the Surinamese dollar (SRD), which replaced the Surinamese guilder in January 2004 at a conversion rate of 1,000 guilders per SRD 1. The de jure exchange rate arrangement is classified as floating. Effective February 13, 2017, the de facto exchange rate arrangement has been reclassified to "stabilized" because the bilateral U.S. dollar exchange rate has remained within a narrow margin of 2 percent. Suriname maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Last Article IV consultation

The last Article IV consultation was concluded by the Executive Board on December 19, 2016 (The last published IMF Article IV country report is from October 31, 2014: IMF Country Report No. 14/316). Suriname is on the standard 12-month consultation cycle.

Participation in the GDDS and the e-GDDS

In July 2004, the IMF officially announced Suriname's formal participation in the General Data Dissemination System (GDDS), and e-GDDS was implemented in April 2017.

Safeguards Assessment

The first safeguards assessment of the CBvS was completed in June 2016. The assessment found significant risks, including in the areas of governance, central bank legislation, financial reporting, and the external audit of the central bank. Recommendations included: (i) amending the Bank Act to align it with leading practices for central banks; (ii) appointing an international audit firm with experience in auditing central banks to conduct the annual financial statements audit; and (iii) special audits of program monetary data submitted to the Fund. Finalizing the Bank Act amendments and submitting them to the National Assembly is a priority. While these measures were included as part of program conditionality, progress on the implementation of the recommendations has been slow.

B. Technical Assistance (TA) Since 2011

CARTAC

- Improving insurance supervision (2011)
- National accounts statistics in rebasing the Gross Domestic Products at constant prices and revising the current price estimates (2011)
- Improving fiscal projection and budget preparation capacity (early 2012)
- Treasury single account and chart of accounts issues (June 2012 and April 2013)
- Seminar on central treasury management (August 2012)
- Support during VAT implementation (October 2012)

- Banking supervision and securities regulation (October 2012)
- National accounts and expenditure-based GDP (July 2012, July 2013, February 2014)
- Deposit insurance scheme (January, June and July 2013)
- Review of existing reforms including the chart of accounts and IFMIS implementation (October through to November 2013)
- Capital market development (November 2013)
- Electronic auditing course (January 2014)
- Balance of payments statistics assessment (February 2014)
- National account statistics on expenditure-based GDP, current prices (February 2014)
- Assistance on MTEF and the budget process also present at the ICAC conference (June 2014)
- Improving macroeconomic projection frameworks and training staff in forecasting techniques (June 2014)
- Developing macroprudential indicators and measures of systemic risk (April 2015)
- National account statistics on expenditure-based GDP, current prices (April 2015)
- Developing a stress-testing methodology for the insurance sector (May 2015)
- Development of financial soundness indicators for insurance sector (June 2015)
- Enhancement of financial stability analysis (July 2015)
- National account statistics on expenditure-based GDP, current prices (November 2015)
- Balance of payments and IIP enhancement (July 2016)
- Developing pension fund sector (July 2016)
- National Account Statistics (February 2017)
- Price Statistics (August 2017)
- Macrofiscal scoping mission (July 2018)

FAD

- Revenue administration assessment for a high-level implementation plan for the VAT (February 2011)
- Joint IMF-WB mission on public financial management and related ICT capacity building (August 2012)
- Joint IMF-WB mission on IFMIS design and implementation (May 2013)
- Establishing a treasury and cash management unit (July 2016)
- Revenue Administration: Preparing for the Value-Added Tax (March 2017)
- Legal and Tax Policy Frameworks: Preparing for the Value-Added Tax (April 2017)

- Revenue Administration: Preparing for the Value-Added Tax (October 2017)

LEG

- Fiscal law (August and November 2011)

MCM

- Banking system assessment (March 2011)
- Introduction of indirect monetary instruments (June 2011)
- Bank resolution (December 2011)
- TA results management (February 2012)
- T-bills auction (May 2013)
- T-bills auction (July 2013)
- Central bank modernization (September 2013)
- Modernizing payments system at the Central Bank of Suriname (October 2013)
- T-bill auctions (December 2013)
- Central bank accounting and treasury account rationalization (December 2013)
- Establishment of a single treasury account and improving financial reporting (January 2014)
- T-bills auction (July 2014)
- Macroeconomic and monetary operations (September 2015)
- TA needs assessment (September 2015)
- Exchange rate policy (November 2015)
- Monetary framework operations (March 2016)
- T-bills auction (April 2016)
- Enhancing Central Bank financial strength and transparency (October 2016)
- Emergency liquidity assistance, early intervention and crisis management (August and November 2016)

STA

- Workshop on national accounts (January 2012)
- BOP and external sector statistics (March 2014)
- Government finance statistics (December 2015)
- Financial soundness indicators (April 2016)
- Government finance statistics (May 2016)

- Enhanced General Data Dissemination System (e-GDDS) (February 2017)
- Government finance statistics (May 2017)
- Government finance statistics (May 2018)

Consents and acceptances: Suriname has consented to the Executive Board reform and 2010 quota increase.

Resident Representative: None.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUIONS

World Bank Group:

- Overview of World Bank Group lending to Suriname: http://financesapp.worldbank.org/en/countries/Suriname/
- Project Operations: http://projects.worldbank.org/search?lang=en&searchTerm=suriname

Inter-American Development Bank (IADB)

- Country page: https://www.iadb.org/en/countries/suriname/overview
- IADB's lending portfolio: https://www.iadb.org/en/countries/suriname/overview

Caribbean Development Bank (CDB)

- Country Page: http://www.caribank.org/about-cdb/member-countries/regional-members/suriname
- CDB's Strategy Paper: http://www.caribank.org/wp-content/uploads/2016/03/BD53_14_CSP_Suriname_FINAL.pdf

Islamic Development Bank (IsDB)

- Country Page and IsDB's project operations: https://www.isdb.org/country/suriname

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance

General: Data provision is broadly adequate for surveillance purposes, but has shortcomings, reflecting capacity constraints and limited resources. Most affected are the national accounts, price, and labor market indicators. Annual national accounts data are available with a delay of about 9 months. Detailed CPI component data (for example, the weights in the consumption basket of fuel and electricity) are unavailable, and no other price indexes, such as a production price index (PPI) and exports and imports price indexes, are available. The authorities should implement their plan, discussed at the time of the 2014 Article IV, to publish expenditure-based GDP. Fiscal and external sector data are broadly adequate for surveillance. The authorities also need to compile social indicators for enabling social policy design to support inclusive growth. Overall, the lack of timely and complete economic data deprives policymakers and the private sector of accurate information about the economy and hampers a full diagnostic of the current conjuncture. At the same time, the Central Bank of Suriname (CBvS) has developed a Monthly Economic Activity Indicator, based on survey of about 250 companies, that usefully tracks economic activity. The authorities could develop further labor market indicators to fill the labor statistics gap.

Real Sector Statistics: The CARTAC has provide the General Bureau of Statistics (ABS) technical assistance in improving the quality and coverage of real sector statistics data. The ABS currently produces annual estimates of GDP by production at current and constant 2007 prices; as well as annual current price estimates for GDP by expenditure that are not disseminated. The ABS has updated the CPI basket based on the results of the 2013/2014 household budget survey and published a census of enterprises. Producer price index and export and import price indexes are not compiled.

Government finance statistics: Public finance statistics and public debt data are limited to the central government. Given the importance and number of state-owned enterprises (SOEs), the institutional coverage of fiscal statistics should be broadened to the nonfinancial public sector to allow an improved assessment of overall public sector fiscal risks. In the context of ongoing fiscal reforms, the MoF received technical assistance from STA for the implementation of a new information technology system (IFMIS) to produce the budget according to the GFSM. There has been an improvement in the quality of fiscal data as MoF started publishing data on gross revenues subsidies (correcting for settlements). Staff encourages the MoF to publish detailed fiscal data on a timely basis.

Monetary and financial statistics: The CBvS uses standardized report forms (SRFs) to regularly report data for the central bank and other depositary corporations (ODCs) on a monthly basis. The CBvS does not provide SRFs for other financial corporations. There have been important improvements to quality and timeliness of monetary and financial statistics. The surveys for depository corporations are disseminated on the CBvS's website within five weeks of the reference month. Suriname is compiling financial soundness indicators (FSIs) for the banking system on a quarterly basis with a lag of about one quarter. The FSIs are currently not reported to the Statistics Department (STA) for dissemination on the IMF's FSI website. The authorities are encouraged to adopt the IMF FSI methodology for reporting Suriname's FSIs to STA on a regular basis and to start compiling FSIs also for insurance companies and other financial institutions. An STA technical assistance mission on FSI compilation visited Suriname in April 2016 and provided a roadmap for improving FSIs.

External sector: The CBvS has made important progress in the compilation of quarterly balance of payments and International Investment Position (IIP) statistics. The current classification and methodology of the Balance of Payments Manual, Fifth Edition (BPM5), is adopted to the extent that national data sources have permitted, and the authorities are looking forward to the transition to the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). With the aim of embracing new statistical initiatives, the CBvS reported for the first time in 2013 quarterly IIP data for dissemination purposes in the Fund's International Financial Statistics (IFS) and national publications. The authorities also reported to the World Bank in June 2014 for the first time the Quarterly External Debt Statistics (QEDS), which are available on its website. Since 2014, the CBvS has strengthened the compilation and coverage of foreign direct investment, and the compilation and quality of the current data sources of services, remittances and financial account. The CBvS also has full coverage of private sector external debt through the financial system and is working on broadening coverage of other private external debt, deposits of nonfinancial private sector, and new foreign direct investment in off-shore oil exploration projects. However, continued efforts need to be made to improve statistics on services (freight, insurance and pension services, financial, and other business services), with particular emphasis on travel through the implementation of a recurrent survey in coordination with the Suriname Tourism Office, and remittances through non-formal channels, using the annual household survey of the General Bureau of Statistics (ABS).

B. Data Standards and Quality

Suriname implemented e-GDDS since April 2017.

C. Reporting to STA

Suriname currently does not report fiscal statistics for inclusion in either International Financial Statistics or the Government Financial Statistics Yearbook.

Table of Common Indicators Required for Surveillance
(As of October 31, 2018)

	Date of latest observation	Date received	Frequency of Data[4]	Frequency of Reporting[4]	Frequency of publication[4]
Exchange Rates	10/30/2018	10/31/2018	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	9/30/2018	10/15/2018	Weekly	Monthly, less than 1-month lag	M
Reserve/Base Money	September 2018	9/17/2018	M	Monthly, less than 1-month lag	M
Broad Money	August 2018	9/17/2018	M	Monthly, 6-week lag	M
Central Bank Balance Sheet	September 2018	9/17/2018	M	Monthly, less than 1-month lag	M
Consolidated Balance Sheet of the Banking System	August 2018	9/17/2018	M	Monthly, 6-week lag	M
Interest Rates[1]	August 2018	9/17/2018	M	Monthly, 6-week lag	M
Consumer Price Index	September 2018	10/23/2018	M	Monthly, often less than 1-month lag	M
Revenue, Expenditure, Balance and Composition of Financing[2] – General Government	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[2]– Central Government	June 2018	9/24/2018	M	Monthly, 6-week lag	M
Stocks of Central Government and Central Government-Guaranteed Debt	August 2018	10/30/2018	M	Monthly, 6-week lag	M
External Current Account Balance	Q2/2018	08/30/2018	Q	Q	Q
Exports and Imports of Goods and Services	Q2/2018	08/30/2018	Q	Q	Q
GDP	2017	9/28/2018	A	A	A
Gross External Debt	Q2/2018	08/30/2018	Q	Q	Q
International Investment Position[3]	Q2/2018	08/30/2018	Q	Q	Q

[1] Deposit and lending rates.

[2] Foreign, domestic bank, and domestic nonbank financing.

[3] Includes external gross financial asset and liability positions vis-à-vis nonresidents.

[4] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

Statement by Mr. Alexandre Tombini, Executive Director for Suriname and Karel Eckhorst, Advisor to the Executive Director
November 16, 2018

On behalf of our Surinamese authorities, we thank staff for this year's Article IV consultation and their constructive report. Although there is broad agreement on many of the key issues discussed during the consultation and detailed in the report, we would like to highlight the progress made recently on the fiscal, monetary and financial frameworks.

Macroeconomic developments

After a massive external shock, the economy is slowly, but steadily, recovering from the deepest recession in Suriname's history. Following a contraction of 5.6 percent in 2016, real GDP grew 1.7 percent in 2017, and the medium-term outlook is supported by strengthening fundamentals. Macroeconomic performance improved on the back of increasing commodity prices and strong domestic policies, geared towards containing fiscal deficit through both cutting expenditures and boosting revenues. Monetary policy focused on price and exchange rate stability, including by using newly developed instruments. Switching from a *de facto* fixed to a flexible exchange rate required a fundamental change in the structure of the foreign exchange market. This structural market reform, introduced in 2016 alongside other policy measures to tackle negative developments in the banking sector, ultimately enhanced financial stability.

Inflation took a dramatic turn and is moving fast to a normal path. After averaging 55.5 percent in 2016, twelve-month inflation sharply declined to 9.3 percent by end-2017, and further to 5.5 percent by September this year. Exchange rate stability supported this downward trend. Given the remarkable pass-through of the exchange rate into prices in small open economies and the budgetary measures taken, this fall of inflation is not surprising.

Significant steps have been taken towards fiscal stabilization, both on the expenditure and revenue sides. The government demonstrated its commitment by implementing additional tax and efficiency measures. As a result, the primary fiscal deficit declined by more than two percentage points of GDP between 2016 and 2018.

Fiscal policy and Public Debt

The plunge in commodity prices in 2014-15 immediately impinged on fiscal accounts as government mining revenues plummeted from more than 10 percent of GDP in 2012 to just 3.1 percent of GDP in 2016. This tremendous shock produced a large fiscal deficit, reaching around 12 percent of GDP in the first half of 2015. Bold fiscal austerity measures resulted into sharp contraction in expenditures, causing the overall deficit to fall to 8.0 percent of GDP in 2017. According to IMF estimates, this deficit will decline further in 2018.

The government plans to increase consumption tax, to be partially offset by a reduction in direct taxes, lessening the reliance on the more volatile income taxation. Preparations to introduce VAT are ongoing, while other revenue measures are being envisaged to support further fiscal consolidation. The re-introduction of the vehicle tax is a case in point and is expected to add 0.3 percent of GDP to total revenue, thereby helping to raise indirect taxes to 7.8 percent of GDP in 2019.

Mining revenues, including from the State Oil Company (Staatsolie), is bound to increase in the near future. Surgold (subsidiary of US mining company Newmont) is nearing the completion of its accelerated depreciation and will start to generate profits with significant fiscal revenue impact. Iamgold will soon commence mining in Saramacca, and besides regular tax, the government will get dividends from its 30 percent stake in this new operation. The significant windfalls from new gold operations alone, in which the government has substantial participation, is expected to increase revenues in 2019 by 0.5 percent of GDP.

Subsidies will be streamlined to more sustainable levels. The administration is aware that phasing out the more than SRD 1 billion electricity subsidy (approximately 4 percent of GDP) will create significant fiscal space, improving the allocation of public resources and the overall efficiency in the economy. Based on the recommendations of an international auditing firm that assessed the electricity company's cost structure, appropriate policies are being implemented and ultimately will bring tariffs to market-determined and cost-recovering levels. The authorities understand that phasing out electricity subsidies in a gradual way is important to avoid new inflationary pressures and social disruption.

The terms of trade shock, accompanied by significant depreciation of the exchange rate and high inflation, diminished real disposable incomes throughout the entire economy. In such a context, the government offered civil servants a partial recuperation of purchasing power by adjusting wages—which had substantially lagged inflation in the past two years—by approximately 25 percent in September 2018, with a promised back pay. The authorities have an understanding with unions that the retroactive element will be effective only if not jeopardizing macroeconomic stability.

A strengthened policy framework will help respond promptly to deteriorating fiscal and public debt indicators. Authorities are committed to keep medium-term debt levels on a sustainable path and refrain from any measures that might undermine this objective. The Saving and Stabilization Fund (SSF), approved in 2017 and expected to become operational in 2019, will function as an instrument to prevent pro-cyclical spending in the future, and will operate as an additional fiscal anchor, second to the Debt Act. Establishing an expenditure-specific rule is something the authorities are committed to, and they welcome the Fund's expertise to support this initiative. The SSF Law sets strict conditions to the amount of mining revenue that can be allocated to the budget from a windfall. Windfalls will be syphoned off to stabilize future revenue and expenditure volatility, and to create a buffer for future generations.

At the same time, authorities are in the process of preparing, submitting and implementing laws and regulations that will improve transparency, governance and financial accountability. The Law on Financial Statements approved in 2017 obliges, amongst others, state-owned companies and subsidy-receiving entities to produce and publish audited financial statements starting in 2019. The newly drafted Public Financial Management Law has already passed a first round of discussions in parliament.

The Surinamese authorities are quite aware of the difficulty to obtain new financing and will continue to use their indebtedness capacity judiciously. In that regard, the agreement between the Ministry of Finance (MoF) and the Central Bank of Suriname (CBvS) to stop monetary financing has been maintained, while none of the available financing space under the agreement has been used. The MoF made early repayments in 2018 to unwind its most expensive debt. The government is committed to enhance capital investment that will enable further development of non-mineral domestic sectors, contributing to the improvement of the non-resource fiscal balance. Combined with ongoing economic growth, these initiatives will further increase the sustainability and debt repayment capacity in the medium term.

Monetary and exchange rate policies

Monetary policy continues to target domestic price stability and the CBvS is strengthening its capacity to deliver on this commitment. The CBvS has made significant progress regarding monetary policy instruments. In a relatively short period, it managed to introduce several facilities for banks such as an overnight, a deposit and a lending facility. Furthermore, a liquidity monitoring and forecasting framework has been put in place. This framework, combined with a strong communication platform initiated by the CBvS and comprising of commercial banks and other market participants, resulted in a tighter liquidity stance. The unwinding of foreign currency swaps with domestic commercial banks has also reduced the system's liquidity. In addition, the Central Bank's payment system is now ready for open market operations.

Given the very low levels of international reserves in early 2016, the CBvS could no longer defend the exchange rate as nominal anchor. Under those circumstances, the CBvS deemed it necessary to adopt a flexible exchange rate without further delay, to facilitate the adjustment and realign relative prices. At the same time, it initiated the establishment of a more functional foreign exchange market, with commercial banks regaining the position of forex intermediaries for trade, while Money Transaction Offices (*Cambios*) remained focused on the retail market. These measures were instrumental for stabilizing the exchange rate in the last two years.

Suriname's external position has strengthened recently on the back of favorable commodity prices and strong macroeconomic policies. The current account deficit improved sharply from 16.5 percent of GDP in 2015 to near balance in 2017—the deterioration in 2018 is temporary and due to a one-off transaction as underscored by staff. The Surinamese authorities agree that raising international reserves is needed to enhance resilience to external shocks and help sustain the exchange rate regime. Accordingly, reserves are expected to increase by 30 percent in 2018, to around USD 552 million or 4.1 months of non-mining sectors imports. International reserves accumulation has benefitted from a gradual phasing-out of import financing of strategic goods.

Financial Sector Policy

Supported by improving macroeconomic conditions, regulatory and legislative actions, the financial system, especially the banking sector, has continuously enhanced its resilience under the supervision of the CBvS. The Central Bank has issued or renewed several regulations and the Code of Corporate Governance to sustain the stability of the banking sector, mainly by strengthening the financial buffers and improving risk management. Since 2016, banks must report daily their liquidity and net open currency position. CBvS is committed to support the banking sector in strengthening their corporate governance, risk management and internal controls. Overall, the timely tightening of the regulations and subsequent follow up by the CBvS's Supervision Directorate have placed banks in a better position to withstand shocks.

Integrity supervision is a main point of attention for the CBvS. Against the background of improving and maintaining financial integrity, the authorities agree with the Fund that more needs to be done to strengthen the banks' AML/CFT framework, which is instrumental in mitigating risks regarding the withdrawal of correspondent banking relationships. During the last 12 months integrity on-site inspections took place at almost all banks. A special rating system for compliance to AML/CFT has been developed and is used to monitor banks' progress in this respect.

CBvS is in the final stage of drafting the Bank Resolution Act. Meanwhile, some adjustments will be made in the Supervision of the Banking and Credit System Act of 2011. The revamped framework will strengthen the position of CBvS' banking supervision. Subsequently, the Deposit Guarantee System Act will be proposed to Parliament. As part of the new Strategic Plan of CBvS, the prudential and integrity supervision of *Cambios* has been transferred to the Supervision Directorate. The CBvS expects that this transfer will strengthen and at the same time rationalize supervision of this branch of the financial sector.

Medium-term growth prospects

Policies aimed at strengthening the real economy and its foreign exchange earning capacity have been geared towards favoring investment. The authorities are implementing several measures to improve the business climate, especially for the non-resource sectors. International investors' enhanced confidence in Suriname is illustrated by better access to international financial markets (sovereign and corporate) and increasing FDI, including in areas other than oil and gold extraction. Likewise, in those two traditional areas the upside potential is enormous. Any offshore oil findings would dramatically alter the growth outlook, while additional investment by mining companies could substantially increase output and employment, when accounting for upstream and downstream effects.

Large-scale investment in infrastructure and construction, as well as technical and financial assistance from multilateral financial institutions and multinational corporations, will boost economic activity and employment. Ongoing projects will enhance infrastructure and give access to new areas with large production potential. Furthermore, several construction projects will lessen the significant housing deficit. The authorities also demonstrated their commitment to diversify the economy away from its high dependence on mineral resources. For instance, recent cooperation agreements with enterprises from Asia, Middle-East, and Europe will increase Suriname's agribusiness potential. Together with the private sector, many opportunities that arise due to upcoming oil exploration in neighboring Guyana are being studied. Many Surinamese companies have already established branches in Guyana that support local content and absorptive capacity in both countries. Those efforts will be key to create jobs and foster inclusive growth in Suriname.