INTERNATIONAL MONETARY FUND

IMF COUNTRY REPORT NO. 19/391

SURINAME

December 2019

2019 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; INFORMATIONAL ANNEX; 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 2019 Article IV consultation with Suriname, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its December 11, 2019 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 December 11, 2019, following discussions that ended on October 9, 2019, 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 19, 2019.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Suriname.

The documents listed below have been separately released.

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.

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Press Release No. 19/456
FOR IMMEDIATE RELEASE
December 12, 2019

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with Suriname

On December 11, 2019, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Suriname.

Suriname's economy is growing steadily with low inflation. Real GDP grew by 2.6 percent in 2018, following 1.8 percent in 2017. Activity growth has been broad based with expansions in wholesale and retail trade, construction, hotels, restaurants, and manufacturing, while mining has remained stable. Inflation has fallen below 5 percent mainly arising from exchange rate stability and control over excess liquidity. The unemployment rate was 7.6 percent in 2017 and is expected to have declined further in 2018. Real GDP is expected to expand annually by 2¼ to 2½ percent during 2019–24, while inflation is expected to remain low. However, the balance of risks to this outlook is negative, mainly due to fiscal imbalances. The overall fiscal deficit is expected to reach 8.6 percent of GDP in 2019 while public debt remains high at around 72 percent of GDP.

This year's Article IV consultation focused on policies to bolster the economy in the medium term. These include fiscal measures to enhance revenues and efficiency and lower expenditures, policies to improve the monetary and financial sector supervision frameworks, and structural policies to boost potential growth.

Executive Board Assessment[2]

Executive Directors took positive note that the Surinamese economy is growing steadily, with a falling unemployment rate, low inflation, and a stable exchange rate. They stressed that this stabilization presents an opportunity to address the central challenges facing the economy, including a weak fiscal position and rising public debt, monetary and financial

[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.

[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.

supervision frameworks that need to be enhanced, a low degree of economic diversification, and other structural impediments to growth. Timely action will be necessary to reduce macroeconomic vulnerabilities and downside risks.

Directors underscored the importance of putting public debt on a sustained downward path. They were encouraged by the authorities' fiscal plans and emphasized the need to phase out electricity sector subsidies, implement the VAT, and continue to improve revenue and expenditure administration. Implementing these measures, while also protecting vulnerable households, would be instrumental in creating space for public investment and supporting long-term growth. Directors welcomed, in this context, the passage of the public financial management law.

Directors expressed concern about the resumption of monetary financing of the budget this year but welcomed the authorities' plan to avoid any further such financing, including through a new Bank Act. They welcomed the recent introduction of new monetary tools and instruments and the preparation of several draft legislation to enhance the monetary framework. They underscored, nonetheless, that the central bank should also publish explicit monetary targets, further expand their operational tool box to implement effectively a reserve money target, and further strengthen coordination with the government on liquidity projections and operations. Directors generally agreed that a more flexible exchange rate is needed to act as a shock absorber.

Directors recognized that important vulnerabilities remain in the financial sector. They urged the central bank to revamp its supervisory actions and take a more assertive approach to ensuring banks' return to compliance with regulatory requirements over a pre-determined time horizon. A comprehensive crisis management system is needed to give the central bank the power to intervene in banks' governance and operations when necessary, as well as improve bank resolution. Directors looked forward to approval of draft legislation in these areas as soon as feasible. Directors were encouraged that the authorities have embarked on a national risk assessment this year to further enhance the AML/CFT framework.

Directors underscored the importance of diversifying the economy and implementing structural reforms to boost potential growth. Addressing the high costs of doing business, reforming the investment framework, and strengthening governance will be important to support investor confidence. Investment in education and labor market reforms, combined with a meaningful safety net for the unemployed, will also be important. Directors were encouraged by recent laws on the minimum wage and the enhancement of maternity and paternity support. They welcomed the authorities' commitment to strengthen governance in the extractive sector.

Suriname: Selected Economic Indicators

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
Real sector (percent change)									
Real GDP	-5.6	1.8	2.6	2.3	2.5	2.4	2.0	2.4	2.5
Nominal GDP	19.1	23.3	7.4	11.8	12.6	8.0	10.7	6.0	6.7
GDP deflator	26.2	21.2	4.6	9.3	9.9	5.5	8.5	3.6	4.1
Consumer prices (period average)	55.5	22.0	6.9	4.5	5.8	4.7	10.2	5.1	4.8
Consumer prices (end of period)	52.4	9.3	5.4	4.8	4.8	5.7	8.3	5.2	4.4
Labor market (percent)									
Unemployment rate	9.7	7.6	7.1	6.7	6.3	5.9	5.5	5.1	4.7
Labor force participation rate	59.6	59.9	60.2	60.6	60.9	61.2	61.5	61.8	62.2
Money and credit (percent change)									
Broad money (constant exchange rate)	5.9	8.6	8.1	9.5	9.4	7.6	7.5	7.5	7.0
Broad money (local currency; percent of GDP)	27.7	25.3	28.0	28.8	29.3	29.7	29.4	30.2	30.7
Reserve money (constant exchange rate)	8.1	22.2	35.4	14.8	12.6	8.6	8.5	8.5	7.6
Reserve money (percent of GDP)	15.4	15.3	19.3	19.9	19.9	20.1	19.7	20.2	20.4
Private sector credit (constant exchange rate)	-5.7	0.9	-4.5	-4.7	7.4	12.8	10.6	14.5	12.8
Private sector credit (percent of GDP)	38.6	31.7	28.2	24.3	23.4	24.8	25.0	27.1	28.9
Central government (percent of GDP)									
Revenue and grants	18.9	22.0	23.9	25.4	24.9	24.9	26.3	26.2	26.0
Total expenditure	28.0	30.9	31.0	34.0	33.8	33.2	32.7	33.8	33.5
Of which: Primary expenditure	25.4	26.6	27.1	30.2	29.9	29.1	28.9	28.8	28.7
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-9.1	-8.8	-7.1	-8.6	-8.9	-8.2	-6.4	-7.6	-7.5
Primary balance	-6.5	-5.3	-3.5	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Net acquisition of financial assets 2/	13.2	0.3	-11.9	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	22.3	9.1	-4.8	8.6	8.9	8.2	6.4	7.6	7.5
Net domestic financing	-11.1	5.9	8.3	2.8	2.8	2.7	2.3	2.6	2.6
Net external financing	18.9	7.4	1.4	5.8	6.1	5.5	4.2	5.0	4.9
Central government debt 3/ (percent of GDP)	76.1	74.6	72.1	72.3	74.6	79.5	79.5	83.8	87.4
Domestic	21.4	22.4	22.5	21.0	21.8	23.3	23.8	25.6	27.2
External	54.7	52.2	49.6	51.3	52.8	56.3	55.7	58.2	60.1
External sector (percent of GDP)									
Current account balance	-5.1	1.9	-3.4	-6.1	-5.9	-4.5	-3.3	-4.8	-4.3
Capital and financial account	16.1	3.5	8.6	9.5	8.5	4.4	4.2	4.6	3.6
Overall balance	1.6	1.3	4.5	3.4	2.6	-0.1	0.9	-0.2	-0.6
Financing									
Change in reserves (- = increase)	-1.6	-1.3	-4.5	-3.4	-2.6	0.1	-0.9	0.2	0.6
Memorandum items									
GDP at current prices (SRD billions)	19.5	24.0	25.8	28.8	32.5	35.1	38.8	41.2	43.9
Terms of trade (percent change)	8.9	-2.8	-3.7	6.7	7.7	1.0	0.2	-0.2	-0.5
Gross international reserves (USD millions)	381	424	581	710	819	814	857	847	813
In months of imports	2.5	2.4	2.9	3.6	3.7	3.6	3.7	3.5	3.3
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,400	1,531	1,558	1,580	1,599	1,619
Oil price (USD per barrel)	42.8	52.8	68.3	61.8	57.9	55.3	54.6	54.7	55.3

Sources: Surinamese authorities and Fund staff calculations and projections.

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

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

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

INTERNATIONAL MONETARY FUND

SURINAME

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

November 19, 2019

KEY ISSUES

Context. Suriname continues to grow steadily with low inflation. However, there has been little progress in implementing urgently-needed fiscal reforms, and the fiscal position is likely to continue to weaken in the coming year. Advances have been made in developing the central bank's monetary tools and facilities, but more is needed to strengthen the credibility of the monetary framework. The banking sector faces important downside risks and there are gaps in the central bank's supervisory and resolution framework. Annex I reports the implementation status of key prior Fund policy recommendations.

Recommendations. Prompt action is imperative. Priorities are to:

- Put the public debt on a sustainable path. A significant reduction in the fiscal deficit could be achieved by implementing a value-added tax (VAT), curtailing electricity subsidies except to the poor, and improving public financial management.
- Further modernize the framework and instruments for the conduct of monetary policy. Allow for exchange rate flexibility to act as a shock absorber.
- Use regulatory and supervisory tools to manage undercapitalized banks, undertake contingency planning, and upgrade the bank resolution framework.
- Continue to improve transparency in the mining sector.
- Lay the foundations for strong sustained growth through supply-side reforms that diversify the economy, making it less reliant on the exploitation of natural resources, and boost employment and productivity.

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

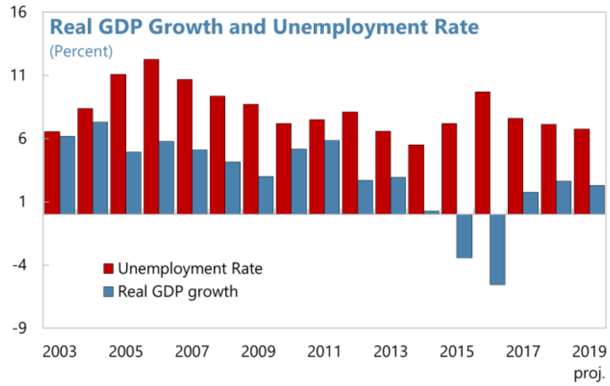
Discussions took place in Paramaribo during September 30–October 9, 2019. The staff team comprised of Messrs. A. Alichi (mission chief), T. Dowling, and S. Hove, and Ms. V. Nanda (all WHD). The team met with Finance Minister Hoefdraad, Central Bank Governor Van Trikt, other senior government officials, representatives of labor, the private sector, the financial sector, and members of the political opposition. Editorial support was provided by Cristina Barbosa and Soungbe Konate (WHD).

CONTENTS

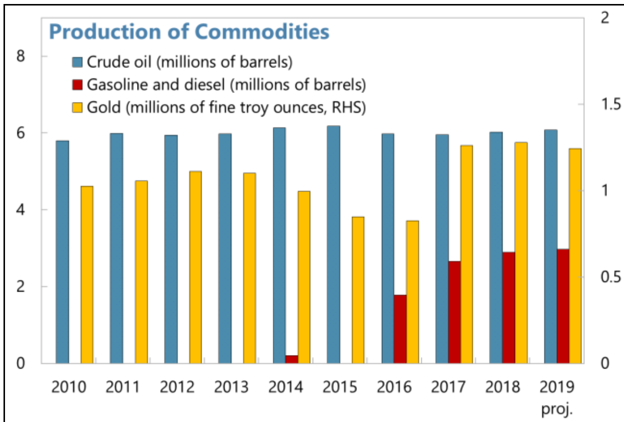
ANNEXES

RECENT DEVELOPMENTS

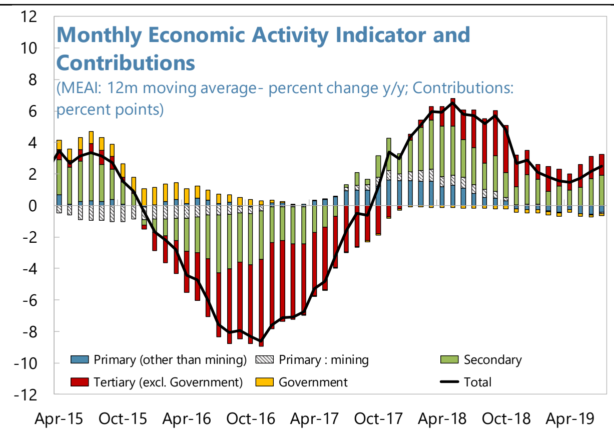
1. **The economy is growing steadily and the unemployment rate is falling.** Real GDP growth was 2.6 percent in 2018, following 1.8 percent growth in 2017. The Monthly Economic Activity Indicator (MEAI) has, however, slowed during 2019 to 2.5 percent (y/y; 12-m moving average) in July. Activity growth has been broad based with expansions in wholesale and retail, construction, hotels, restaurants, and manufacturing. Gold and oil production were broadly flat, but gasoline production increased in 2018 due to earlier refinery improvements. The unemployment rate fell to 7.6 percent in 2017 and is estimated to have declined further in 2018.



Real GDP Growth and Unemployment Rate
(Percent)
Sources: General Bureau of Statistics, National Planning Office; and IMF staff calculations and projections.
Note: Unemployment rate is calculated based on the survey in Paramaribo and Wanica.

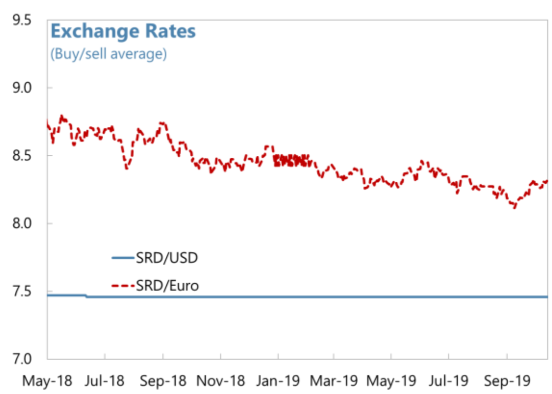


Production of Commodities
Sources: National Planning Office, Staatsolie; and IMF staff calculations and projections.



Monthly Economic Activity Indicator and Contributions
(MEAI: 12m moving average- percent change y/y; Contributions: percent points)
Sources: Central Bank of Suriname; and IMF Staff estimates.

2. **The official U.S. dollar exchange rate remained virtually unchanged last year**. Suriname's *de jure* exchange rate regime is floating but the official central bank exchange rate path indicates a *de facto* stabilized arrangement. The CBvS continues to provide FX directly to the private sector at the official rate for specific import items (notably fuel and pharmaceuticals) and has injected some FX into the banks this year to stabilize the exchange rate. The CBvS does not report any parallel market rates on a regular basis, but occasional information from government officials indicate that exchange houses (cambios) offer a parallel exchange rate, which is more depreciated and more volatile than the official rate.[1] To boost international reserves, a Foreign

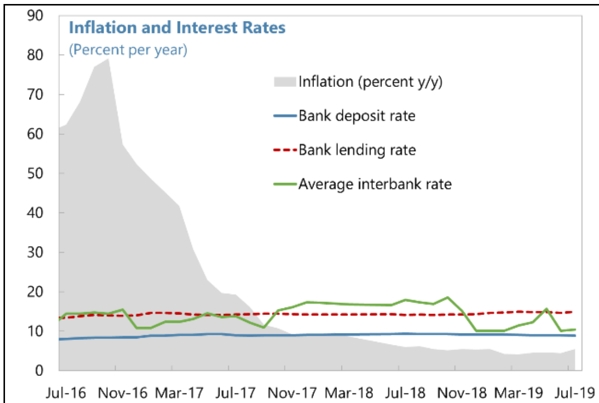


Exchange Rates
(Buy/sell average)
Source: Central Bank of Suriname.

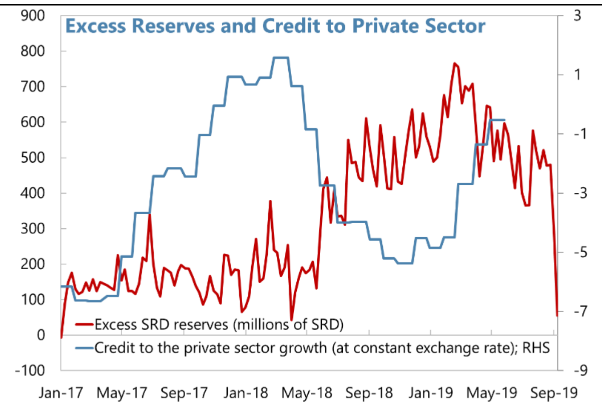
[1] For example, on October 18, 2019, President Bouterse indicated in a public speech that the SRD/USD rate at cambios varied between 8.0−8.40 (about 6−11 percent more depreciated than the official exchange rate).

Exchange Commission decree requires small-scale gold miners to sell a portion (currently set at 20 percent) of the FX proceeds of their gold exports or their gold exports themselves to the CBvS. While boosting reserves should be a policy priority for the central bank, in an economy with a flexible exchange rate it would not be necessary to do so through targeting the FX or gold of a specific group.

3. The central bank (CBvS) has maintained a restrained monetary stance. The CBvS has mopped up excess liquidity partly by unwinding foreign currency swap lines with commercial banks. Ex-ante real interest rates became positive in 2018 as inflation declined. While private sector credit has partially recovered, banks have increased the share of total assets that they hold as reserves with the central bank.



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



Sources: Central Bank of Suriname and IMF staff calculations.

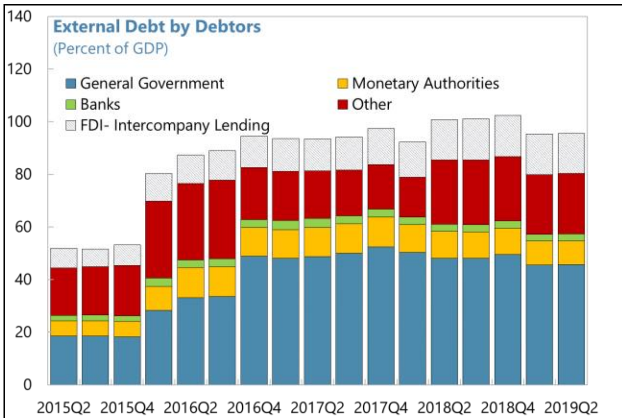
4. Inflation has fallen below 5 percent. The decline in inflation has been broad-based. Exchange rate stability and control over excess liquidity have kept inflation in check.[2] Price controls in certain household items (such as fuel and eggs) have also helped contain inflation.

5. The external position weakened in 2018 largely as a result of rising imports, as domestic demand strengthened, and oil exploration led to an increase in capital goods and service imports. The external position is assessed to be weaker than implied by medium-term fundamentals and desirable policies (Annex II). The current account balance worsened from +1.9 percent of GDP in 2017 to -3.4 percent of GDP in 2018, mostly due to higher imports of capital goods and services. This is weaker than the current account norm implied by medium term fundamentals and desirable policies, which is assessed to be between -0.9 to 1.1 percent of GDP.[3] The real effective exchange rate appreciated by 4.9 percent (y/y) in 2018 due to inflation differentials with trading partners and staff assess the real exchange rate is overvalued by 5 to 9 percent. International reserves were at 73 percent of the Fund's Reserve Adequacy (ARA) metric in end-2018 but are expected to rise to around 83 percent of the ARA metric by end-2019 (with banks being

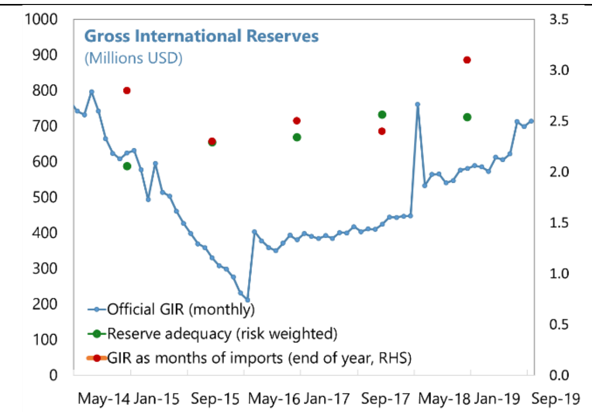
[2] Exchange rate passthrough is relatively high in Suriname (see Selected Issues Paper, "Exchange Rate Passthrough in Suriname"), partly due to its high dollarization (see Selected Issues Paper, "Dollarization in Suriname: Curse or Cure?").

[3] Note that this is a range reflecting a confidence band around the point estimate reported in Annex II.

required to bring part of their reserve requirements on FX deposits back under central bank management). Total external debt is high at more than 90 percent of GDP.

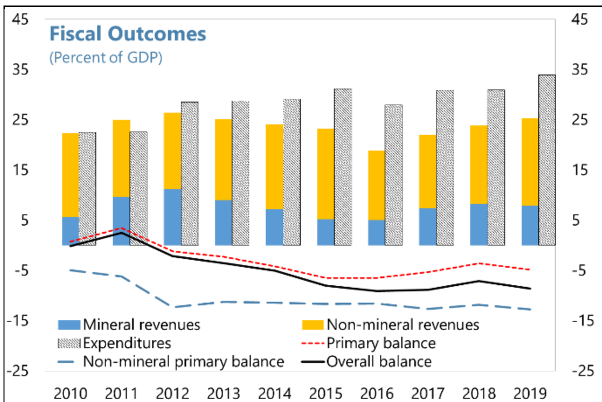


Sources: Central Bank of Suriname; Haver; and IMF staff calculations.

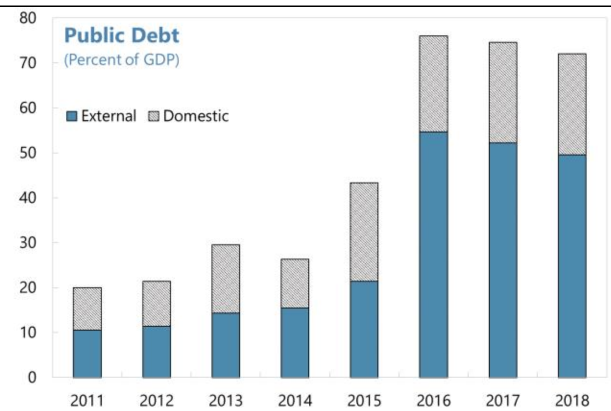


Sources: Central Bank of Suriname; Haver; and IMF staff calculations.

6. Fiscal imbalances remain large. The central government's overall fiscal deficit and debt stood at 7.1 and 72.1 percent of GDP, respectively, in 2018. Around half of the fiscal deficit is accounted for by spending on untargeted electricity subsidies. The National Assembly recently approved a new law, in which the public debt limit was raised from 60 to 95 percent of GDP.



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

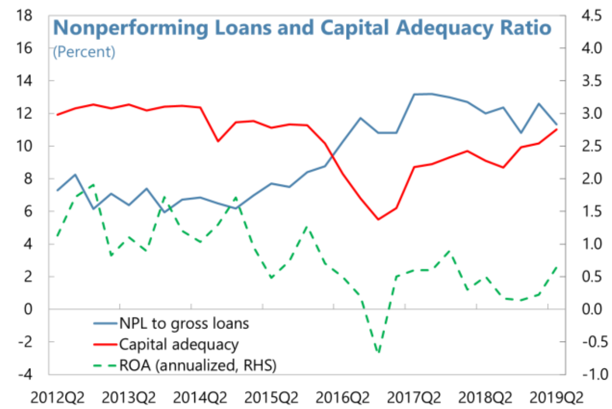


Sources: Central Bank of Suriname; and IMF staff calculations.

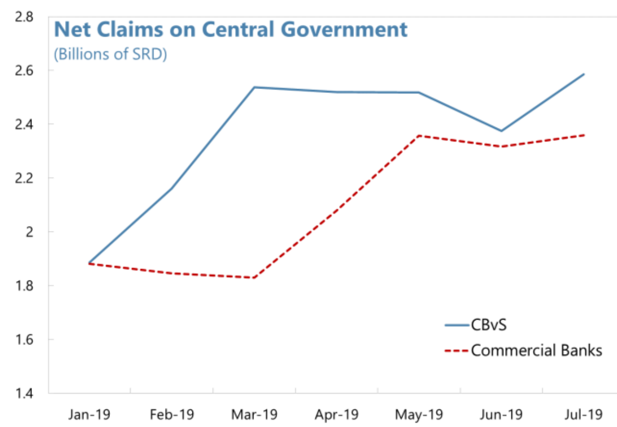
7. Suriname's first report of the Extractive Industries Transparency Initiative (EITI) was published in 2019. This report was based on information from Suriname's extractive industry in 2016. It highlighted the key steps taken by the authorities, and important recommendations to strengthen governance in the extractive sector (see Annex V). Compliance with the EITI standards is scheduled to be next assessed at end-2019.

8. The banking system faces pressing vulnerabilities. Based on the latest (July 2019) data, the capital adequacy ratio for the banking system stood at 10.5 percent (above the 10 percent minimum requirement), but non-performing loans in the banking system remained high (12.5 percent of gross loans), and profitability was low (0.7 percent return on assets). Deposit and loan dollarization remain high (see Selected-Issues Paper: "Dollarization in Suriname: Curse or

Cure?"). Publicly-available data indicates that some large banks do not meet the minimum regulatory capital requirements despite an ongoing supervisory response to bring them back into compliance.



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



Source: Central Bank of Suriname.

9. The CBvS is making progress in implementing the IFRS standards. Annual financial statements of the CBvS and all CBvS-supervised financial institutions[4] are to be prepared in accordance with IFRS standards starting January 1, 2021.[5] The implementation of the IFRS will help strengthen banks' credit risk management and improve loan classification, loss provisioning, financial reporting and audit, and transparency. Successful implementation will require enhancing supervisory guidelines on credit risk management, loan loss allowances, capital treatment, and regulatory reports. Implementation challenges remain, however, due to capacity constraints and a lack of clarity on how regulations will be affected by the IFRS.

10. Monetary financing of the budget has resumed. In early-2019, the government revoked a memorandum of understanding with the central bank that prohibited monetary financing of the budget. Since then, the CBvS has provided new credit (which was also subsequently rolled over) to the government up to the limit of 10 percent of government revenues specified in legislation. The CBvS's interpretation of the current legal framework is that it does not allow them to continue to provide credit to government in excess of 10 percent of estimated government revenues budgeted for the current fiscal year (and any excess should be repaid within three months). Accordingly, the CBvS is not planning to provide any direct credit to government in excess of 10 percent of government revenues. The new draft Bank Act (prepared by the CBvS, in collaboration with the Ministry of Finance and currently under review by the Ministry of Finance) would eliminate these types of direct monetary financing of the fiscal deficit.

11. The CBvS has moved toward international best practice of having banks hold their FX required reserves under central bank's managment. Banks are now required to place half of their

[4] The CBvS supervises banks, pension funds, insurance companies, credit unions, and money exchange houses (cambios) and money transfer offices.

[5] CARTAC is providing technical assistance on IFRS implementation including enhancing regulations in key areas of capital adequacy, credit exposure classification and provisioning, large exposures, insider loans, fixed assets, and internal audits.

U.S. dollar required reserves[6], and all of their euro required reserves under the CBvS's management (previously, much of these reserves were managed by the banks themselves, subject to CBvS guidelines). A newly-instituted Strategic Investment Subcommittee for banks, provides banks with more representation than the CBvS, giving them a significant influence over how international reserves are managed[7] (although the CBvS governor has veto power over the subcommittee's investment decisions).

12. The CBvS has made good progress in drafting various legislative initiatives to strengthen the monetary and financial policy frameworks (Box 1 and Annex VI). These drafts include the (Central) Bank Act, Credit Institutions Resolution Act, Banking and Credit Supervision Act, Insurance Supervision Act, Deposit Insurance Act, Pension Funds and Provident Funds Act, General Pensions Act, Money Transactions Offices Supervision Act, Electronic Payment Transactions Act, and Credit Bureaus Act.

13. The authorities launched a money laundering and terrorist financing (ML/TF) National Risk Assessment (NRA) in 2019, with technical support from the Inter-American Development Bank. A project management team that was established earlier in 2019 under the National Anti-Money Laundering Commission is implementing the NRA, which is designed to identify key ML/TF threats and vulnerabilities. The NRA will provide the foundation for the application of a risk-based approach to AML/CFT and help prepare Suriname for the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation, scheduled for 2020. The authorities are amending various AML/CFT regulations to:

- Strengthen the legal basis for taking corrective action against non-AML/CFT compliant institutions;
- Introduce clear rules and procedures for reporting suspicious transactions;
- Have domestic politically-exposed persons covered in the AML/CFT rules; and
- Enhance international coordination.

The CBvS is also taking steps to improve compliance of banks and other financial institutions with their AML/CFT-related obligations, including by increasing on-site inspections and off-site monitoring as well as an ML/TF institutional risk rating system.

OUTLOOK AND RISKS

14. Staff's baseline projects an improvement in the real economy through the medium term, but with increased imbalances (baseline scenario in the panel chart). Real GDP is

[6] The reserve requirement rate is set at 50 percent for foreign currency deposits and 35 percent for local currency deposits. However, the effective required reserve rates are lower due to concessions whereby banks are permitted to lend a certain part of their required reserves for private residential construction.

[7] While the subcommittee's composition is highly unusual and is not considered as 'best practice', it has been justified by the CBvS using some mitigating circumstances in Suriname. These circumstances relate in part to the credibility of the CBvS given its past policies of using the proceeds of FX swaps undertaken with the commercial banks for FX intervention to support the exchange rate.

expected to expand annually by 2¼ to 2½ percent during 2019−24. This assumes fiscal tightening of around 3.3 percent of GDP by 2022. This tightening includes a 15 percent VAT that replaces the sales tax in late-2021, better revenue and customs administration, and lower electricity subsidies after the Afobaka dam is transferred to the government in late-2019. Inflation is expected to remain low albeit with a temporary increase from the introduction of the VAT in late-2021. Even with the fiscal measures outlined above the fiscal deficit is expected to rise to almost 9 percent of GDP in 2020 (falling to 7½ percent of GDP over the medium term). Public debt is forecast to move steadily upward (to around 87 percent of GDP by 2024). The current account deficit is forecast to peak at 6.1 percent of GDP in 2019 and decline in subsequent years. The main determinants of staff's baseline current account projections are threefold. First, during 2019−20 continued oil exploration by Staatsolie will keep imports at high levels. An end to Staatsolie's planned explorations lowers (service) imports in 2021. Second, the implementation of the VAT in 2022 further reduces imports in 2022. Third, starting in 2022 a reduction in gold production schedules suggests lower mineral exports, which results in lower related imports too. International reserves are projected to be 3.6 months of imports by end-2019, and slightly increase before declining to 3.3 months of imports in 2024.

15. The balance of risks to this outlook is negative (Annex III). In the short term, looser global financial conditions could make debt service less burdensome on public finances, and the confidence provided by a higher level of international reserves could reduce pressures on the exchange rate. There are also upsides from potential new oil (from the ongoing Staatsolie's near-shore and Apache's deep-water explorations) or gold discoveries and the near-term fiscal expansion will support growth. However, failing to introduce the fiscal measures assumed in staff's baseline would add to the upward path for public debt (No-policy scenario[8] in the panel chart). There is a risk that the combination of high public debt—including a high foreign-currency share—and shortfalls in external financing could move to the forefront, increasing pressures on the currency, raising inflation, adversely affecting growth, and feeding back to increase the debt-GDP ratio. If this were combined with an increase in monetary financing of the fiscal deficit, inflation could accelerate, and international reserves could be depleted. Finally, vulnerabilities in the banking sector pose a range of risks, especially if the deposit insurance scheme and development of a robust crisis preparedness and resolution framework are delayed.

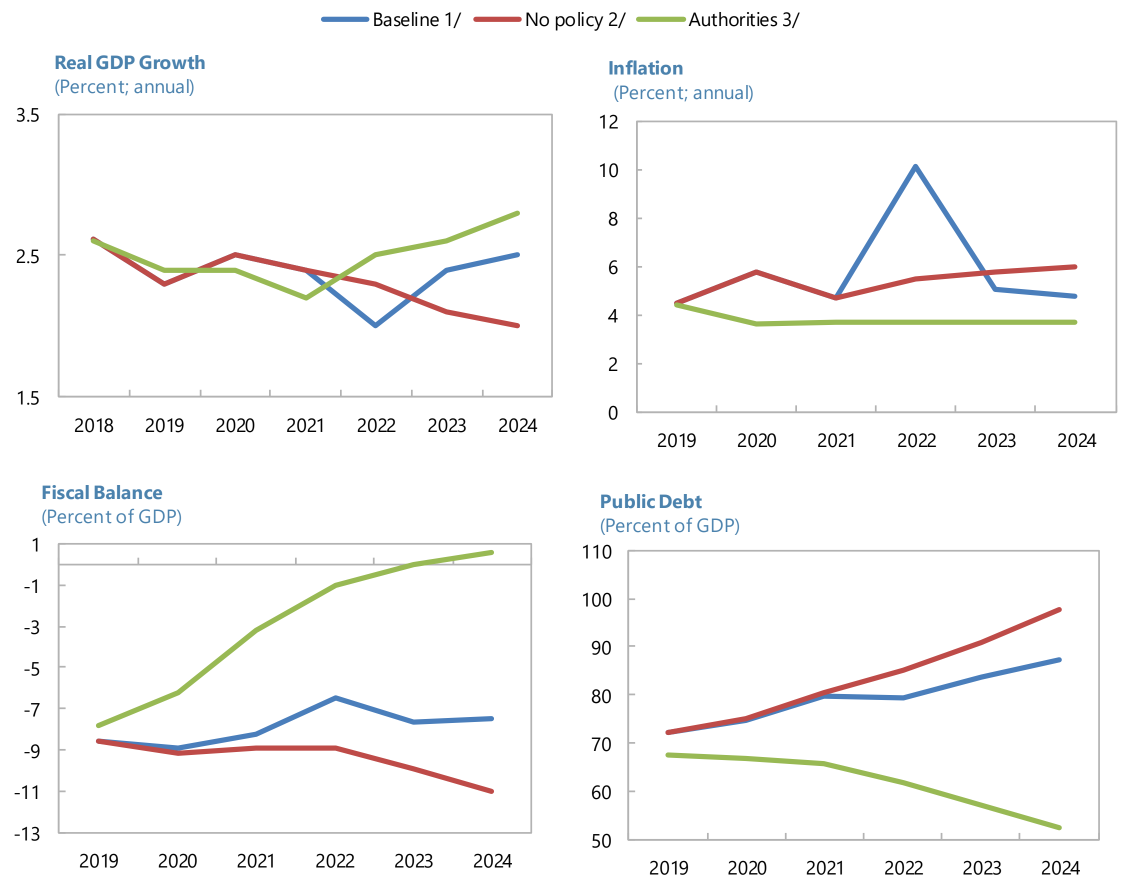
Authorities' Views

16. The authorities considered staff's baseline fiscal assumptions a passive non-implementation of policies, and therefore too pessimistic. Their medium-term fiscal forecast (see panel chart) shows a continued consolidation through the medium term. This consolidation involves higher revenues, mostly through the introduction of the VAT in 2021, modernization of customs, and the expiration of the accelerated depreciation of past mining investments, and much lower expenditures than staff's baseline, primarily on subsidies and interest expenditures, but also in

[8] The No-policy scenario assumes that the electricity subsidies are maintained at their 2019 levels as a share of GDP and that the VAT is not implemented throughout the projection horizon.

wages and salaries. In addition to consolidation, the authorities' scenario assumes some non-debt-creating financing, which they believed has already put debt on a downward path beginning in 2019. Notwithstanding different fiscal assumptions, the authorities' scenario, on average, projects a very similar growth outlook as staff's medium-term baseline scenario. Contrary to staff, the authorities see the risks to the outlook as limited, while there are large possible upsides from the discovery of offshore oil and three new gold mines that they mentioned are currently being developed.

Suriname: Baseline and No-Policy Scenarios



Sources: Central Bank of Suriname; Ministry of Finance; National Planning Office; and IMF staff calculations and projections.
1/ IMF staff's projections are based on policy intentions expressed by the authorities. These policies are mostly similar to those assumed in the authorities' projections, but IMF staff's costings of some are very different from the authorities'.
2/ IMF staff's no policy scenario assumes no implementation of baseline scenario policies assumed by IMF staff.
3/ Authorites' projections were provided to staff during July 2018 staff visit.

POLICY DISCUSSIONS

A. Strengthening the Monetary Policy Framework

17. The CBvS switched its nominal anchor from the exchange rate to reserve money in 2016. This was an important step in the right direction, but this new monetary regime was largely not implemented. Since then the *de facto* framework has drifted back toward an exchange rate anchor. The CBvS's main monetary policy tools have been reserve requirements and the use of *ad hoc* instruments (e.g. foreign exchange swaps and occasional loans to banks) to manage liquidity. Since early 2019, the CBvS has started taking steps toward building a reserve money targeting regime framework and more closely managing systemic liquidity including through the introduction of certificates of deposit (and gold-indexed certificates), 1- and 5-day lending facilities, and a short-term (multi-day) interest-bearing deposit facility. The CBvS also instituted new coordination committees this year (Box 1). To further strengthen the framework there is a need to:

- **Publish explicit short-term, annual, and long-term monetary targets.** The CBvS produces but does not publish such targets. Annual and longer-term target paths for reserve money should be set based on an analysis of the link between nominal GDP and the demand for reserve money. A forecast for currency in circulation should then provide a target path for total (required and excess) bank reserves. Achieving that target path would be the goal of the CBvS's short-term liquidity management operations.
- **Further expand the monetary toolbox.** The new instruments introduced by the CBvS are commendable. The CBvS should continue to further develop the capacity to undertake open market operations (e.g. through weekly operations in 7-day repo and reverse repo instruments), building on the efforts already taken to introduce lending and deposit facilities. Part of the government debt to the CBvS could be converted into marketable securities to be used in liquidity management operations. As markets develop, the CBvS should introduce a policy rate (potentially the 7-day repo rate) and increasingly rely on it as their main gauge of policy stance.
- **Further strengthen the CBvS's coordination with the government.** A Memorandum of Understanding should clarify the modalities for sharing the financial burden arising from liquidity management operations between the CBvS and the Ministry of Finance.

18. Monetary financing of the budget should be discontinued. The Memorandum of Understanding that prohibited monetary financing of the fiscal deficit should be reinstated and enforced until its contents are fully reflected in the law. Monetary financing of the budget undermines Suriname's monetary framework and central bank's independence, erodes international reserves, and creates unnecessary vulnerabilities.

19. The exchange rate should be allowed to act as a shock absorber. A more flexible exchange 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. A move to a market clearing (fully flexible) exchange rate is also important to eliminate the parallel market and support FX reserve accumulation. In the meanwhile, the CBvS should publish a reference for the parallel FX rate, ideally at a daily frequency, to provide further clarity to the market.

Box 1. Recent Central Bank Measures

Monetary Policy Instruments Implemented:

- *1-Day Liquidity Facility (ILF):* Intra-day lending facility for banks to improve transaction payments.
- *5-day Lending Facility:* Lending facility to help banks meet temporary liquidity needs.
- *Multi-day Deposit Facility:* Interest-bearing deposit facility to help in mopping excess liquidity in the banking system and serve as a fund for other lending facilities.
- *Emergency Liquidity Assistance (ELA)*: Helps banks to cover temporary liquidity shortages.
- *Gold-indexed Bonds:* Pay a fixed interest rate over the nominal gold value of the gold certificates, expressed in gold but paid out in Surinamese dollars.
- *Certificates of Deposit*: Pay fixed interest rate over the nominal value in Surinamese dollars.

New Committees Formed:

- *Monetary Policy Advisory Committee (MPAC)*: To provide advice on monetary policy.
- *Monetary and Fiscal Policy Coordination Committee (MFPCC)*. To forecast liquidity needs and ensure consistency of fiscal and monetary policies.
- *Commercial Bank Credit Oversight Committee (CBCOC):* To develop a framework for liquidity assistance to banks.

Draft Legislations Prepared:

- *Bank Act:* Provides for revisions to strengthen the governance and operations of the central bank.
- *Credit Institutions Resolution Act*: Allows the institution of preventive, early intervention and resolution measures on troubled banks by the CBvS.
- *Banking and Credit Supervision Act*: Amendments to enhance supervisory authority of the CBvS.
- *Insurance Supervision Act*: Amendments to improve insurance and enhance supervision by the CBvS.
- *Deposit Insurance Act:* Establishes a scheme for compensation of depositors in case of bank failures.
- *The Pension Funds and Provident Funds Act*: Provides rules for managing pension and provident schemes, and supervision by the central bank.
- *General Pensions Act*: Establishes rules for a general pension as part of a national social security system.
- *Money Transactions Offices Supervision Act*: Amendments to enhance AML/CFT framework.
- *Electronic Payment Transactions Act*: Provides for licensing, regulations, operational guidelines and supervision of electronic transactions by the CBvS.
- *Credit Bureaus Act:* Established to enhance development of the credit market by reducing information asymmetry between borrowers and credit providers.

20. **The CBvS has taken important steps in a number of areas in line with the 2016 Safeguards recommendations, but further work is needed.** Steps taken include: engaging an external auditor to audit past financial statements and establishing an audit committee. The CBvS appointed an international firm to conduct the long-outstanding financial statements' audits of

2015−18 and expects them to be completed by March 2020. An audit committee of the Supervisory Board was also recently established. Revisions to the Bank Act are in process, and draft amendments have been submitted to staff for review, based on the 2016 safeguards recommendations. Following staff's review, the authorities expect to finalize the draft legislation and submit to the National Assembly a new Bank Act that provides autonomy to the CBvS and limits monetary financing, among other provisions. The CBvS plans to implement the IFRS starting in 2020. Finally, the CBvS has a proposed plan for its recapitalization, which still needs to be agreed upon with the government. Any such agreement should provide a framework to ensure that the CBvS is fully capitalized, including through a law that provides a target level of capital, a trigger point for recapitalization, and a binding time frame to complete the recapitalization.

Authorities' Views

21. The authorities were pleased with their recent progress in implementing new monetary tools. They indicated that their liquidity monitoring and forecasting framework is operational, liquidity targets are already being set, and the CBvS is actively managing excess liquidity using the newly-introduced lending and deposit facilities and certificates of deposit and gold certificates. The authorities have requested Fund TA to set targets for M0 and develop the interbank market. The authorities believed the new Central Bank Act, to be tabled in the National Assembly end-2019, will end direct monetary financing of the government. They were of the view that the existing law already precludes indirect forms of monetary financing. The CBvS is engaging CARTAC on the implementation of IFRS standards and has contracted Ernst and Young to implement IFRS, and as an external auditor. The authorities mentioned that by 2020 they will complete the external audits and publish all the delayed central bank annual reports and will continue with timely publication of the future reports.

22. The authorities indicated that they remain committed to a flexible exchange rate and are still planning to accumulate more reserves. They saw their recent FX injections into banks as measures to counteract market imperfections arising from the seizure of a FX cash shipment in 2018.[9] The authorities believe they will continue to boost reserves using the new measures they have put in place, including the agreement with commercial banks to place a larger portion of their required foreign exchange reserves under the management of the central bank and purchase of gold proceeds against local currency from small gold exporters—an agreement that the authorities stated was voluntarily agreed to by small-scale gold exporters. The authorities also pointed to their belief that the recent measures are leading to the convergence of the parallel FX rates with the official CBvS rate, and believed inflation is likely to remain below 4 percent in 2019. They did not believe that the quality of data that they collect in the highly fractured parallel FX market is good enough to be published.

[9] In April 2018, the authorities in the Netherlands seized about 19.5 million euros shipped by the CBvS on concerns of money laundering. The Surinamese authorities have denied any wrongdoing and are litigating the case against the Dutch authorities in the Dutch courts.

B. Bank Supervision and Crisis Management

23. The CBvS should revamp its supervisory efforts. The CBvS should require that all banks with high NPLs and/or insufficient capital undertake an asset quality review to ensure proper classification of banks' nonperforming loans. Such banks should be prohibited from issuing dividends and be required to develop a time-bound recovery plan to return to compliance with regulatory requirements (building capital through new injections of capital and operational changes). Specific plans should be developed by banks to resolve their NPLs through loan restructurings, write-offs, and sales of collateral. Failure to comply with such requirements should lead the CBvS to deploy resolution tools that maintain continuity in the bank's critical functions, ensure financial stability, and minimize costs to taxpayers.

24. A sound crisis management framework is urgently needed. The current legal framework in Suriname has legal impediments that preclude swift action, including: (i) emergency measures on a bank can only be decided by a court (not by the CBvS); (ii) anyone who claims to have their interests affected directly by a CBvS's decision can file an appeal within two months and stop the CBvS's actions; (iii) the CBvS does not have powers to undertake purchase and assume transactions, establish a bridge bank, or nationalize a bank; (iv) the CBvS is unable to fire a manager or Board member; and (v) there is no provision for the CBvS to take control of the bank and suspend shareholder rights. To correct this, amendments to the Bank Resolution Act should be finalized to give the CBvS powers to intervene in those banks that are determined to be either failing or likely to fail (in line with international best practice).

25. A new Bank Resolution Law is needed to:

- **Establish a coordination framework on financial stability issues**. This would involve operationalizing the Financial Stability Committee based on the existing memorandum of understanding between the Ministry of Finance and the CBvS.

- **Regularly test and update contingency plans.** The updates should incorporate: (i) a background that covers macro conditions, the structure of banking system, and conditions of the banks; (ii) well-defined moderate and pessimistic crisis scenarios; (iii) a description of key legal tools to address systemic risk; (iv) strategic options for bank resolution that include liquidity support, bank recapitalization, possible measures to contain deposit outflows (e.g. assuming public ownership of the bank, announcing a bank holiday, or introducing capital controls); and (v) plans for coordination with other authorities both domestically and internationally.

- **Provide the CBvS with powers and tools that are consistent with international best practice.** The CBvS should have a broad range of early-intervention and resolution powers including the ability to undertake purchase and assumption of transactions, establish a bridge bank, write-down or convert instruments of ownership, require a merger with another bank, or inject public capital into an insolvent bank.

26. Further efforts are needed to strengthen the AML/CFT regime. It is critical that Suriname completes a clear and comprehensive national risk assessment, both to enable an efficient allocation of limited resources and to lay a foundation for the country's next AML/CFT assessment (scheduled to start in 2020). In parallel, substantial efforts will be needed to bring Suriname's AML/CFT regime into technical compliance with the current Financial Action Task Force (FATF) standard and to demonstrate the authorities' effective use of the related tools to mitigate the identified risks. In addition to the efforts already underway to strengthen the legal basis to take corrective action, improve suspicious transaction reporting, and increase inspections, the main priorities include implementation of the risk-based approach to the supervision of both financial institutions and designated non-financial businesses and professions (DNFBPs) and the active pursuit of money laundering and terrorist financing investigations and prosecutions, whether generated by law enforcement agencies or based on the dissemination of financial intelligence by the Financial Intelligence Unit of Suriname.

Authorities' Views

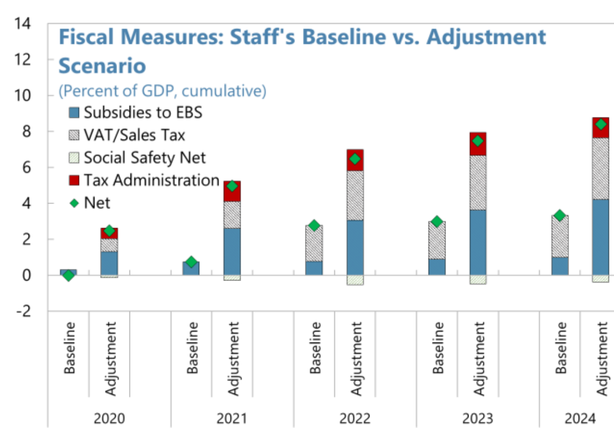
27. The authorities mentioned that they are committed to policies to strengthen the financial sector. Progress is being made on finalizing drafts of various legislations in the financial sector, including on bank resolution, bank and credit union supervision, deposit insurance, insurance and pension funds supervision, money transaction office supervision, electronic payment, and credit bureaus. These legislation proposals are expected to be submitted to the National Assembly by end-2019. The emergency liquidity assistance facility was implemented in September 2019 to help banks with temporary liquidity needs. The authorities reiterated their commitment to improving the AML/CFT framework in line with the FATF standards and are advancing work on the NRA to prepare for the Mutual Evaluation Report.

C. Restoring Fiscal Sustainability

28. A significant, front-loaded reduction in the fiscal deficit is needed to ensure fiscal sustainability (Annex IV). Putting public debt-GDP on a downward path will require fiscal measures of about 8.5 percent of GDP over the medium term (3.3 percent of GDP of which have already been incorporated in staff's baseline). This adjustment can be achieved through the following measures:

- Increase the sales tax from 8–10 percent to 22 percent by 2020. In 2022 the sales tax would be replaced with a VAT of 15 percent.

- Increase electricity tariffs by 15 percent per year during 2020−22 and by 20 percent per year during 2023−24. This would bring average tariffs in line with regional averages by 2024. The government should, however,



Sources: Ministry of Finance and IMF staff calculations.

exempt low-income households from these tariff increases (e.g. by having a social tariff for monthly usage below a certain threshold).

- Raise social safety net spending by 0.2 percent of GDP in 2020–21 and by 0.4 percent of GDP thereafter (relative to staff's baseline) by expanding targeted cash transfer programs.
- Implement improvements to tax and customs administration, public financial management, and the allocation and procurement of public investment (Box 2).

Undertaking these measures would ensure a downward path for public debt over the medium term (although further resources may be needed over the medium term for central bank recapitalization; it will also be important to ensure that any pension reforms (Box 1) do not add to fiscal costs).

Box 2. Needed Structural Improvements to Fiscal Policy

Improving revenue administration

- Developing taxpayer services;
- Strengthening internal revenue operations (including by introducing new tax identification numbers for all taxpayers and introducing comprehensive tax estimate and penalty systems);
- Improving customs operations (including by preparing for the VAT and increasing efficiency in processing at customs);
- Reviewing and updating the legal framework for tax and customs administration;
- Enhancing the exchange of data between tax and customs offices;
- Improving the inter-operability of the IT systems for a better use of third-party information; and
- Transforming the tax department into a modern, semi-autonomous revenue agency that uses a risk-based approach to collect revenues.

Better public financial management

- Finalizing the procurement law. The public financial management law, which was recently approved, should also be implemented;
- Improving the Ministry of Finance's business model for budget planning, budget credibility, and quality of fiscal information;
- Improving the medium-term fiscal framework; and
- Strengthening treasury operations and improving internal financial controls.

Strengthening the public investment system

- Establishing a public investment and public-private partnership (PPP) unit; and
- Introducing an operational plan for planning and feasibility studies for public investments and PPPs.

Box 2. Needed Structural Improvements to Fiscal Policy (Concluded)

Introducing the Value-Added Tax (VAT)

- Undertaking a comprehensive 18 month-VAT introduction plan that would establish a timeline to finalize the VAT law, decide on the threshold for entities subject to the VAT (based on the tax administration's capacity), design and publish regulations, adjust customs tariffs, redesign tax returns, introduce an effective VAT refund mechanism, launch a comprehensive taxpayer education program (online and/or through newspapers, outreach activities, and workshops), review existing internal administrative processes, adapt tax and customs IT systems, and train staff;
- Re-structuring tax administration along with its functional lines and re-organizing field delivery by type of taxpayers;
- Strengthening core administration functions (taxpayer registration, services, audit, collection); and
- Designing and implementing a risk-based compliance improvement plan.

Authorities' Views

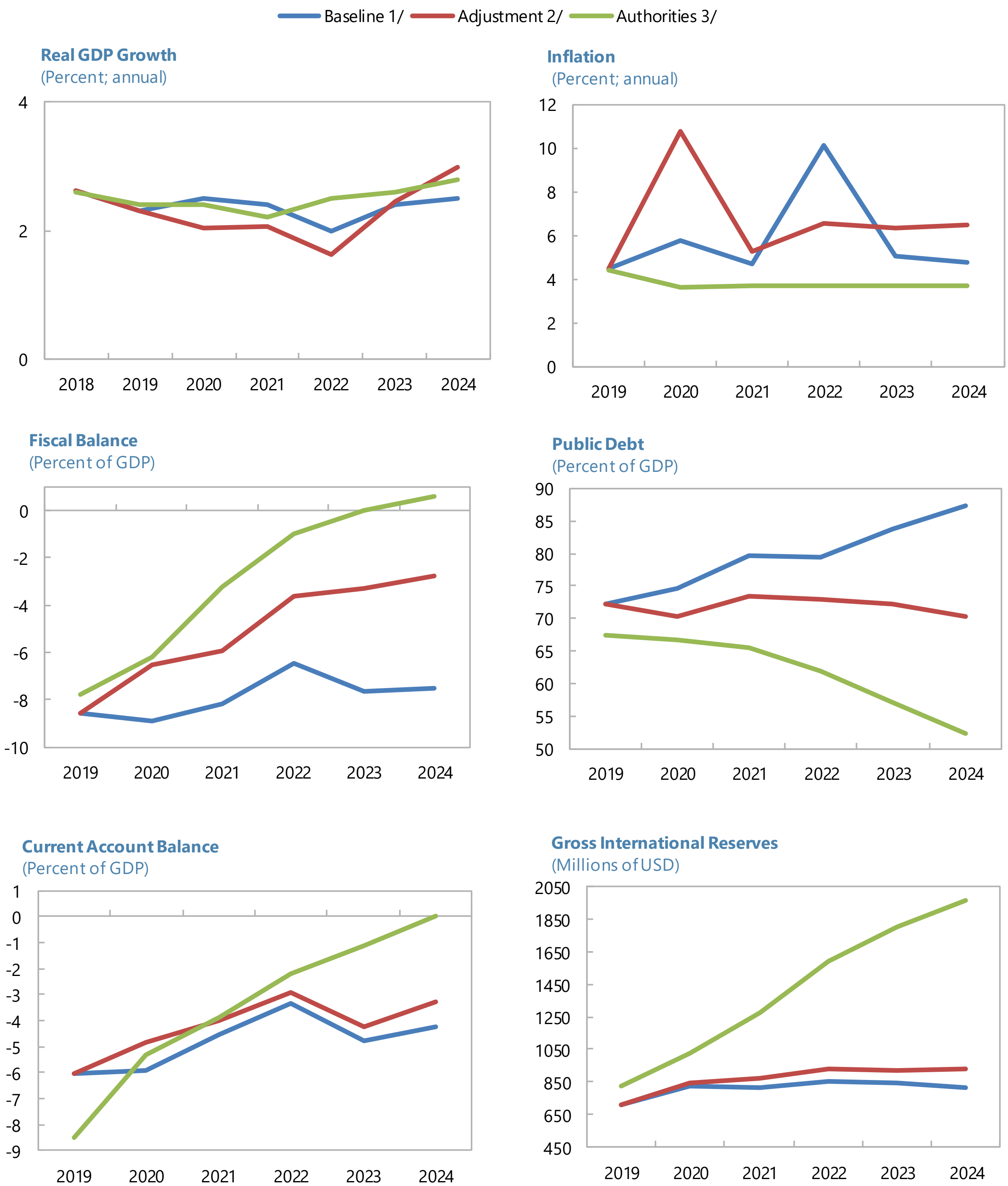
29. The authorities believe their intended fiscal policies are closer to those suggested in staff's adjustment scenario. They saw staff's baseline policies as a passive non-implementation of their stated polices and maintained that their own revenue and expenditure projections are broadly in line with those of staff's adjustment scenario. They agreed that many of their policy intentions have not been fully publicly communicated yet but mentioned that they will do so over time as they require further stakeholder discussion and participation. They also believed that some of the staff's recommendations in the staff's adjustment scenario are in fact policies designed by the authorities and are part of the policies that are scheduled to be implemented in coming years. This refers, in particular, to the VAT implementation and a comprehensive plan to reduce subsidies, which is already being implemented.

SUPPLY-SIDE REFORMS TO BOLSTER GROWTH AND PROTECT THE POOR

30. The authorities updated the Minimum Wage Act. In July 2019, the National Assembly approved an update of the Minimum Wage Act which set the minimum wage at SRD 8.4 per hour, effective July 10. Every two years, starting 2020, a National Wage Board will advise on a new minimum wage to the Minister of Labor.

31. The authorities have enhanced maternity and paternity support. The National Assembly approved the Labor Protection for the Family Act in April 2019. This law provides maternity and paternity leave for parents of newly-born children. A new fund will be established by the end of 2019 to help collect company contributions to finance this leave. Successful implementation of this law would be an important move towards enhancing female labor force participation.

Figure 1. Suriname: Baseline and Adjustment Scenarios

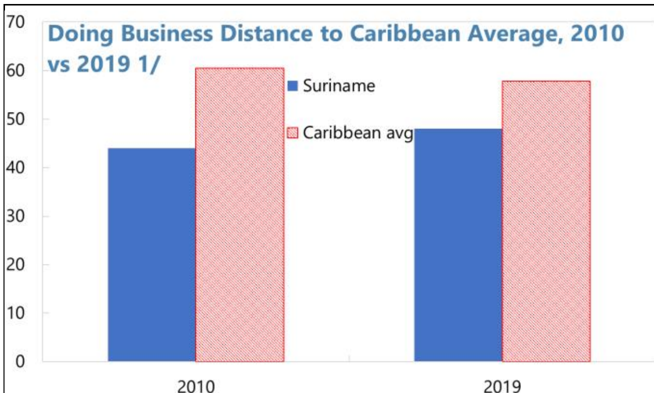


Sources: Central Bank of Suriname; Ministry of Finance; National Planning Office; and IMF staff calculations and projections.
1/ IMF staff's projections are based on policy intentions expressed by the authorities. These policies are mostly similar to those assumed in the authorities' projections, but IMF staff's costings of some are very different from the authorities'.
2/ IMF staff's adjustment scenario assumes policies recommended by IMF staff.
3/ Authorites' projections were provided to staff during July 2018 staff visit.

32. Suriname's participation in the EITI and the successful publication of its first report is commendable. This is a very important milestone towards improving transparency and governance in the management of natural resource revenues. Staff support the authorities' efforts to implement the EITI report's recommendations (Annex V) and look forward to timely publication of Suriname's second EITI report next year.

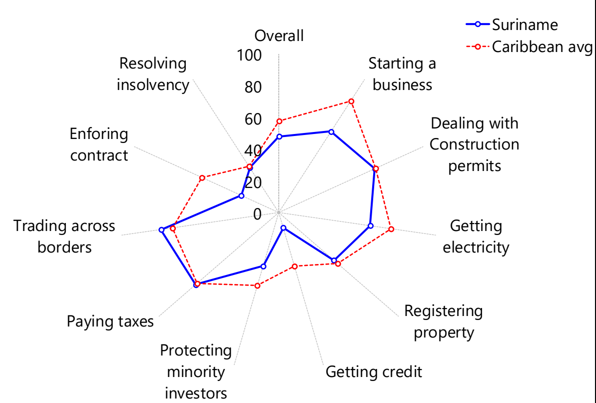
33. The authorities should also continue with structural reforms (as outlined in the [2018 IMF Article IV Staff Report](#)). To address structural shortcomings there is a need to take steps to: (i) diversify the economy; (ii) promote private investment by improving the ease of doing business; (iii) further invest in education; (iv) increase labor market flexibility while providing safety nets; and (v) strengthen governance, including efforts discussed above to enhance central bank governance, the AML/CFT regime, and natural resource management, as well as to strengthen public financial management, revenue administration, and investors' legal protections. Stronger governance in these areas will reduce vulnerabilities to corruption and promote investment and growth. Suriname has improved its position in recent years in the World Bank's Doing Business indicators, but still performs poorly relative to peers in a few areas (especially in starting a business, getting electricity, getting credit, and enforcing contracts), while Suriname performs better than peers on trading across borders.

Doing Business Distance to Caribbean Average, 2010 vs 2019 1/



Source: World Bank Doing Business Report 2010 and 2019.
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, 2019



Authorities' Views

34. The authorities mentioned that they have many ongoing structural policies to achieve sustainable growth. They are working towards improving the business climate as well as seeking potential investors in Suriname, particularly in non-traditional sectors. The authorities are also diversifying the economy through promoting 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. The authorities are committed to implementing the EITI recommendations, have published the first Suriname report covering 2016, and will submit the second report before end-2019.

STAFF APPRAISAL

35. The government has successfully stabilized the real economy. Real GDP growth has been healthy in the past two years and inflation has dropped below 5 percent.

36. There are also upside risks to growth. In the short term, looser global financial conditions could make debt service less burdensome on public finances and the confidence provided by a higher level of international reserves could reduce pressures on the exchange rate. There are also upsides from potential new oil or gold discoveries.

37. However, downside risks to the outlook are growing. Failing to address the precarious fiscal situation would add to the upward path for public debt, potentially lead to shortfalls in external financing, and increase pressure on the currency (which would feed back to increase the debt-GDP ratio). Greater monetary financing of the fiscal deficit would lead to a loss of international reserves and eventually result in a depreciation of the exchange rate that would quickly feed into higher inflation. Finally, vulnerabilities in the banking sector pose risks, especially if there are further delays in implementing the related legislations drafted by the central bank.

38. The external position is assessed to be weaker than implied by medium-term fundamentals and desirable policies. The current account balance is well below the current account norm, the exchange rate is becoming increasingly overvalued, external debt is high, and international reserves coverage is inadequate.

39. The monetary policy framework should be further strengthened. The authorities are implementing improvements to their facilities and instruments and have prepared draft legislations in several important areas. They should also publish explicit monetary targets, further expand their operational tool box to effectively implement a reserve money target, and further strengthen the CBvS's coordination with the government on liquidity projections and operations. A more flexible exchange rate would act as a shock absorber. The CBvS should discontinue monetary financing of the fiscal deficit. Draft laws to strengthen the legal framework, including those on governing the CBvS (in line with the 2016 Safeguards recommendations) should be submitted to the National Assembly.

40. Banking system vulnerabilities should be addressed. The CBvS should revamp its supervisory actions and take a more assertive approach to ensuring banks return to compliance with regulatory requirements over a pre-determined time horizon. A comprehensive crisis management system is needed to give the CBvS the power to intervene in bank's governance and operations when necessary, require contingency plans, improves the process of bank resolution, and introduces a deposit insurance system. Improvement in the AML/CFT regime should continue to help ensure that correspondent banking relationships can be maintained. Completing a clear and comprehensive National Risk Assessment (NRA) will put Suriname in a better position in advance of its next AML/CFT mutual evaluation in 2020.

41. **Fiscal measures are needed to reduce the deficit and put the debt on a sustainable footing.** Policies are needed to accelerate the introduction of the VAT, increase electricity tariffs, and improve tax administration and collection. These policies should be implemented while protecting the most vulnerable members of society through a social tariff for a certain base usage of electricity and by improving social safety nets through a well-targeted system of cash transfers.

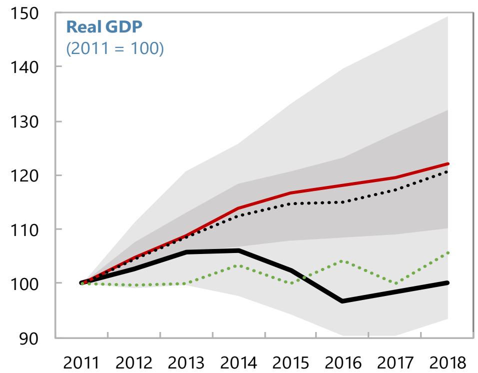
42. **Supply-side reforms are necessary to boost potential growth and diversify the economy.** Improving the business climate through reduction of regulatory burdens and introducing labor market flexibility to attract foreign direct investment (FDI) will help grow the economy and increase diversification. Improving governance and transparency, especially in the extractive industries, will help attract new investment. Investing in education has long-term benefits to entrepreneurship and will assure new investments will have access to a well-trained workforce.

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

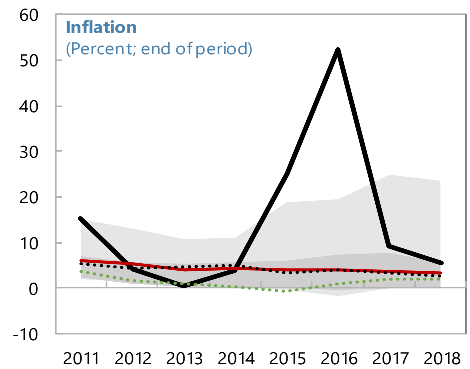
Figure 2. Suriname, Caribbean, and Commodity Exporters: Real and External 1/

Suriname
Commodity exporters, ex. Suriname
Caribbean, ex. Suriname
Latin America and the Caribbean commodity exporters, ex. Suriname

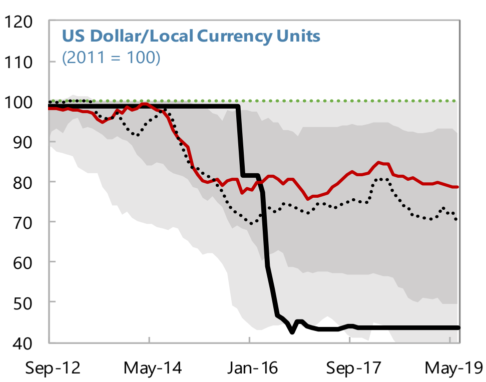
Suriname's GDP was one of the hardest hit by the commodity-driven shock of 2014-2016 but has almost recovered since then.



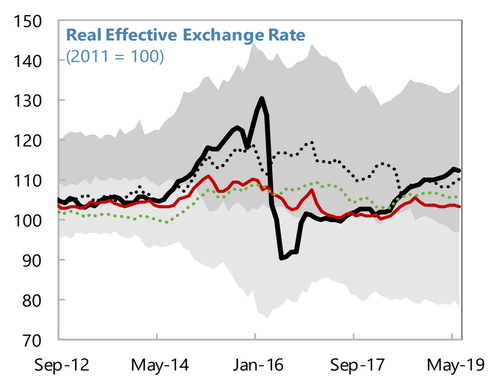
Inflation spiked in 2016 but has been low since 2018.



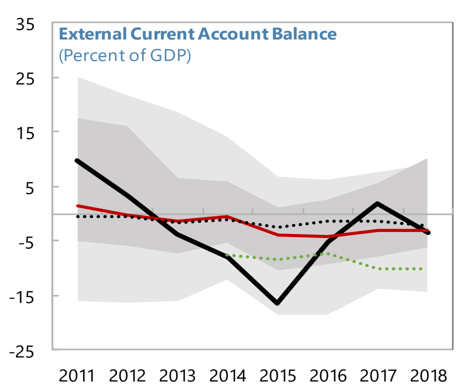
The exchange rate has remained stable for about 3 years.



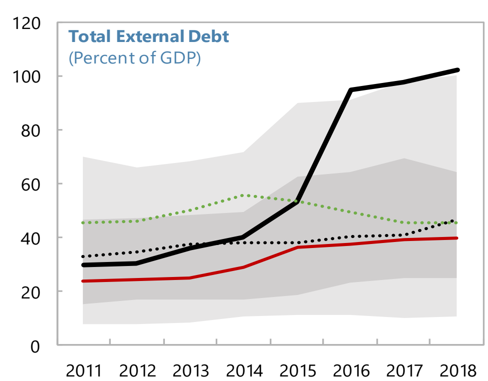
REER depreciated strongly in 2016, but has been appreciating since then mainly due to lower inflation.



The current account deficit worsened in 2018, due to strong growth of imports.



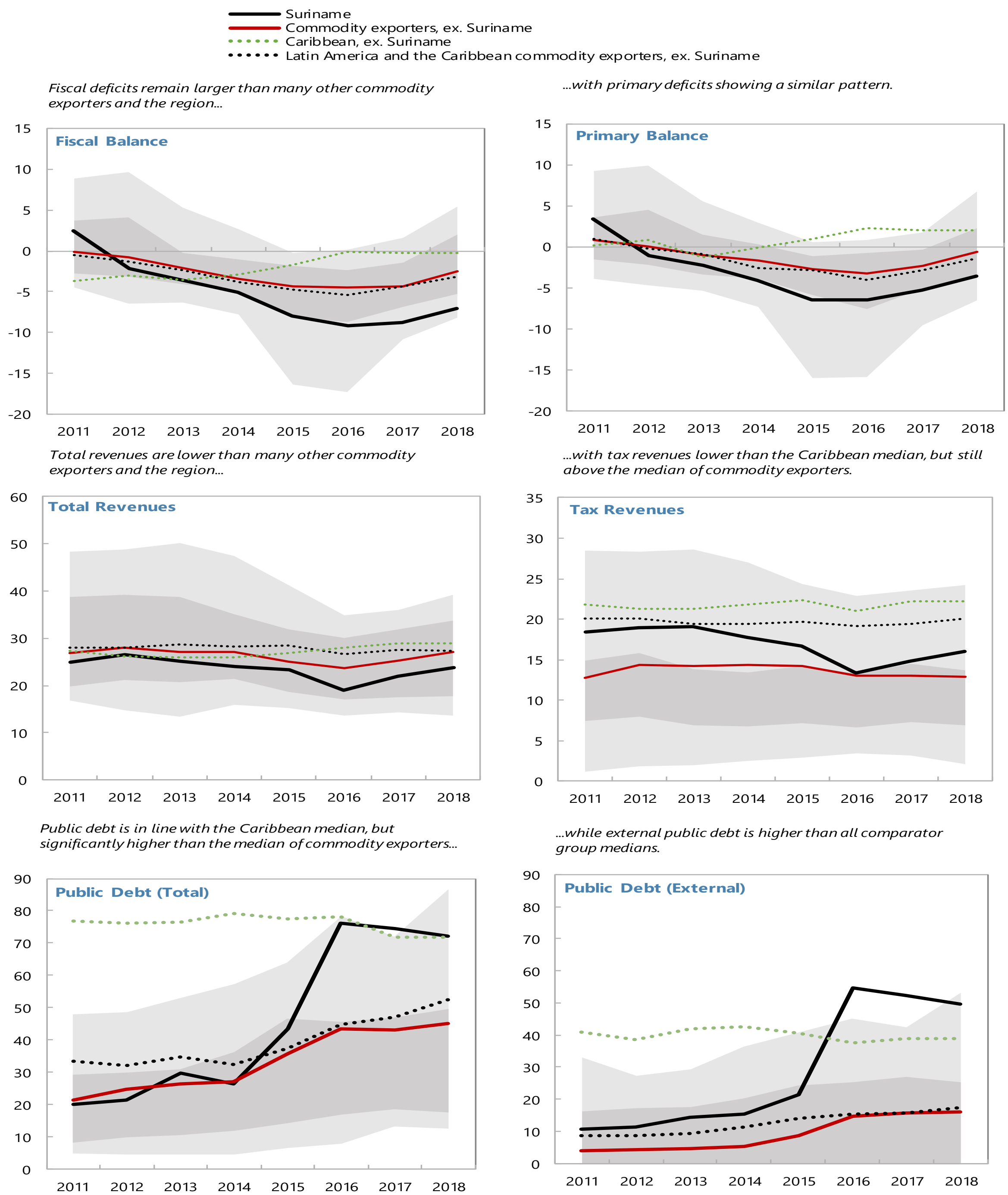
External debt has remains at a significantly more elevated level than comparators.



Sources: IMF World Economic Outlook; IMF Information Notice System; and IMF staff calculations.
1/ Figure reports Suriname and medians for aggregates of commodity exports, excluding Suriname (57 countries); Caribbean, excluding Suriname (12 countries); and Latin American and Caribbean commodity exporters, excluding Suriname (10 countries). Shading represents the interquartile range (dark shading) and the 10th and 90th percentile range (light shading) for the grou p of commodity exports, excluding Suriname (red line).

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

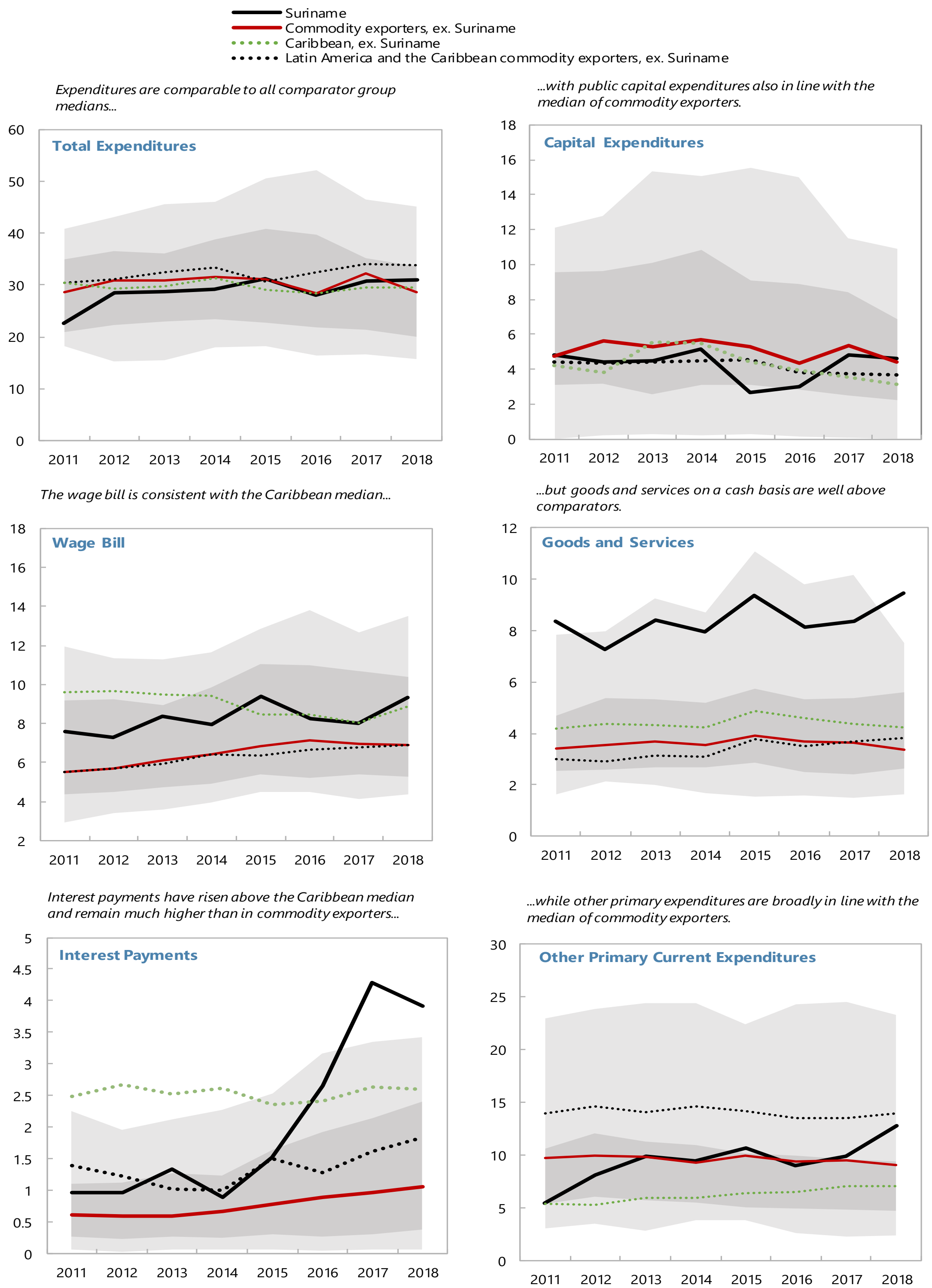
(Percent of GDP)



Sources: IMF World Economic Outlook; and IMF staff calculations.
1/ Figure reports Suriname and medians for aggregates of commodity exports, excluding Suriname (57 countries); Caribbean, excluding Suriname (12 countries); and Latin American and Caribbean commodity exporters, excluding Suriname (10 countries). Shading represents the interquartile range (dark shading) and the 10th and 90th percentile range (light shading) for the group of commodity exports, excluding Suriname (red line).

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

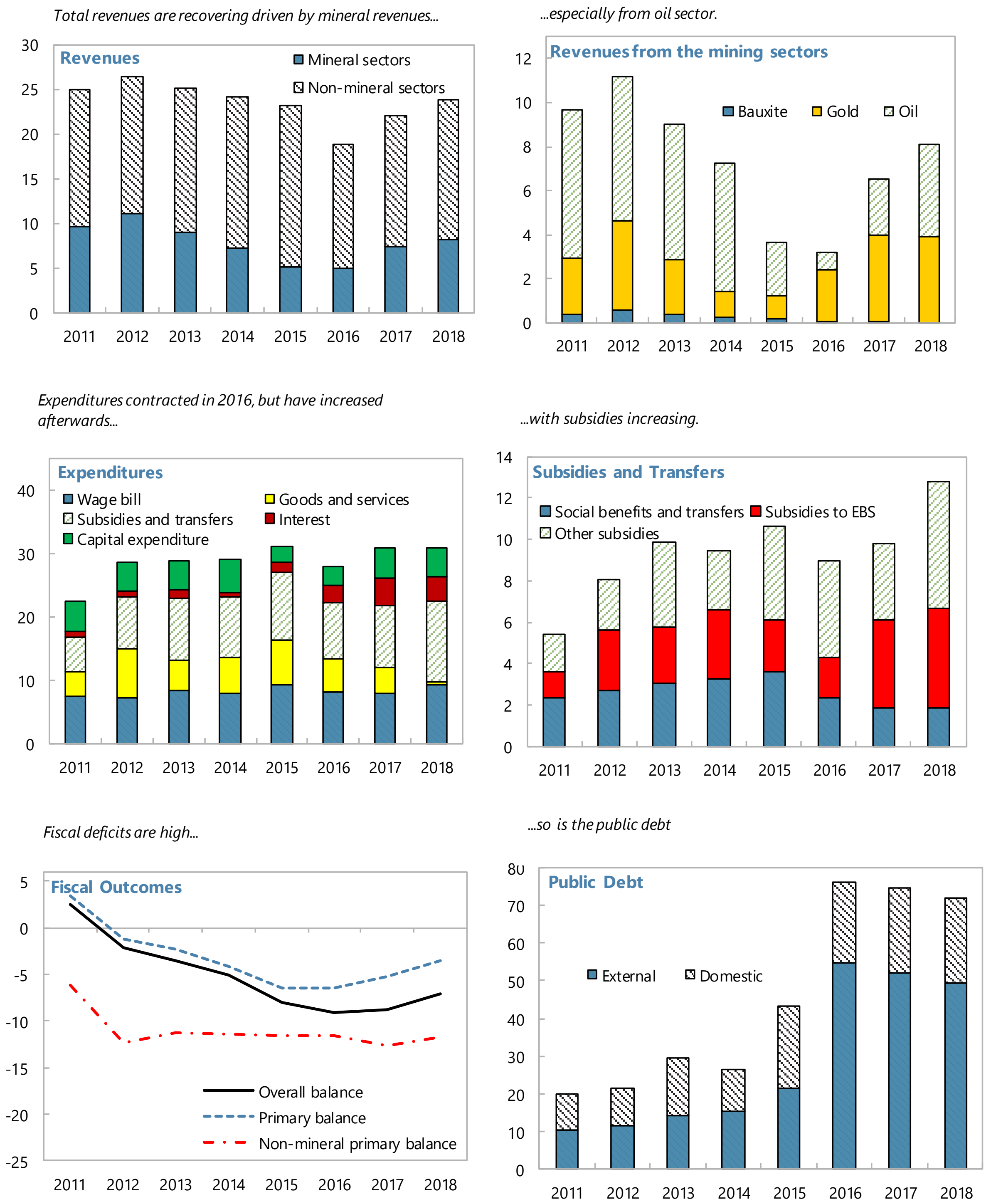
(Percent of GDP)



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).

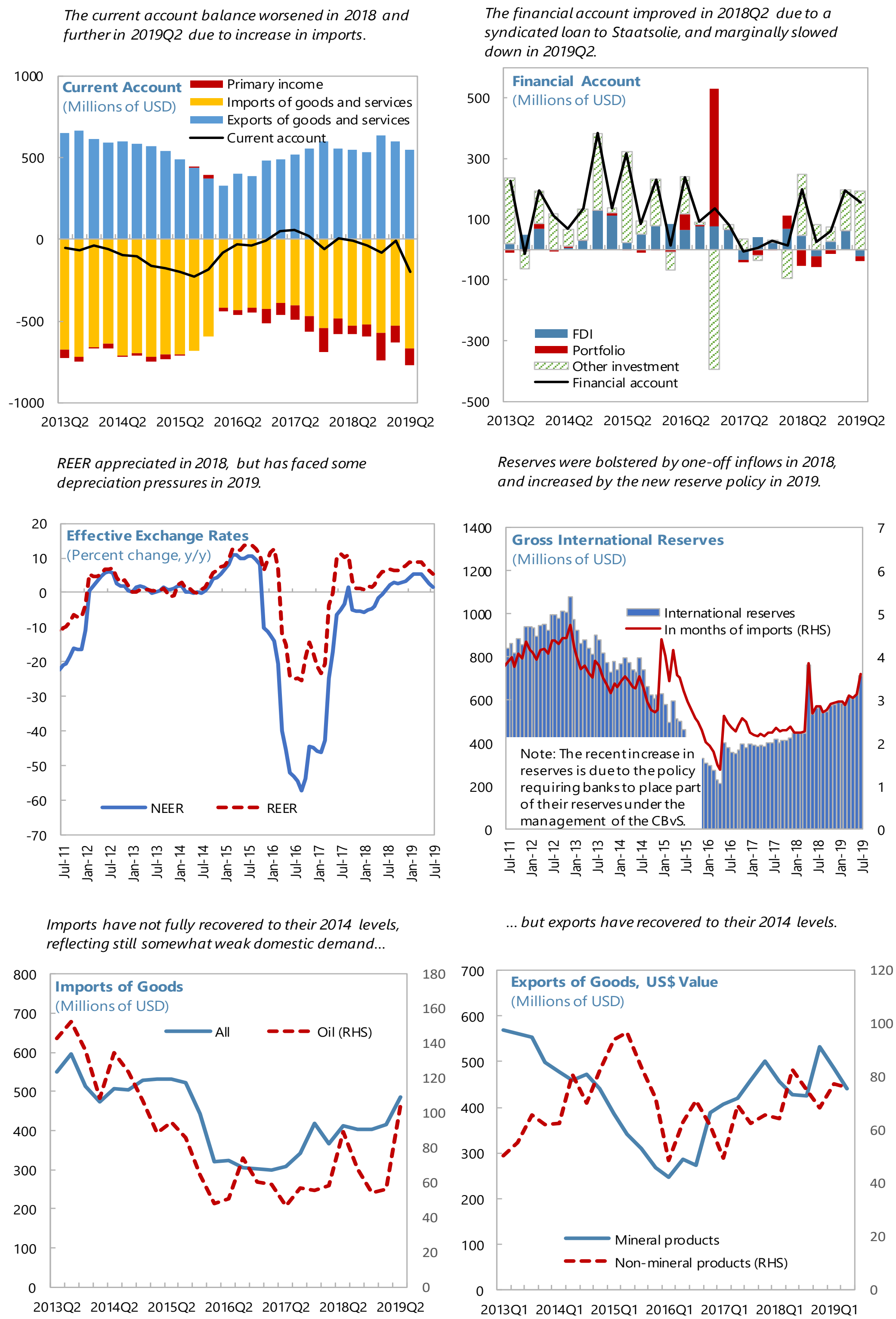
Figure 5. Suriname: Fiscal Developments, 2011–18

(Percent of GDP)



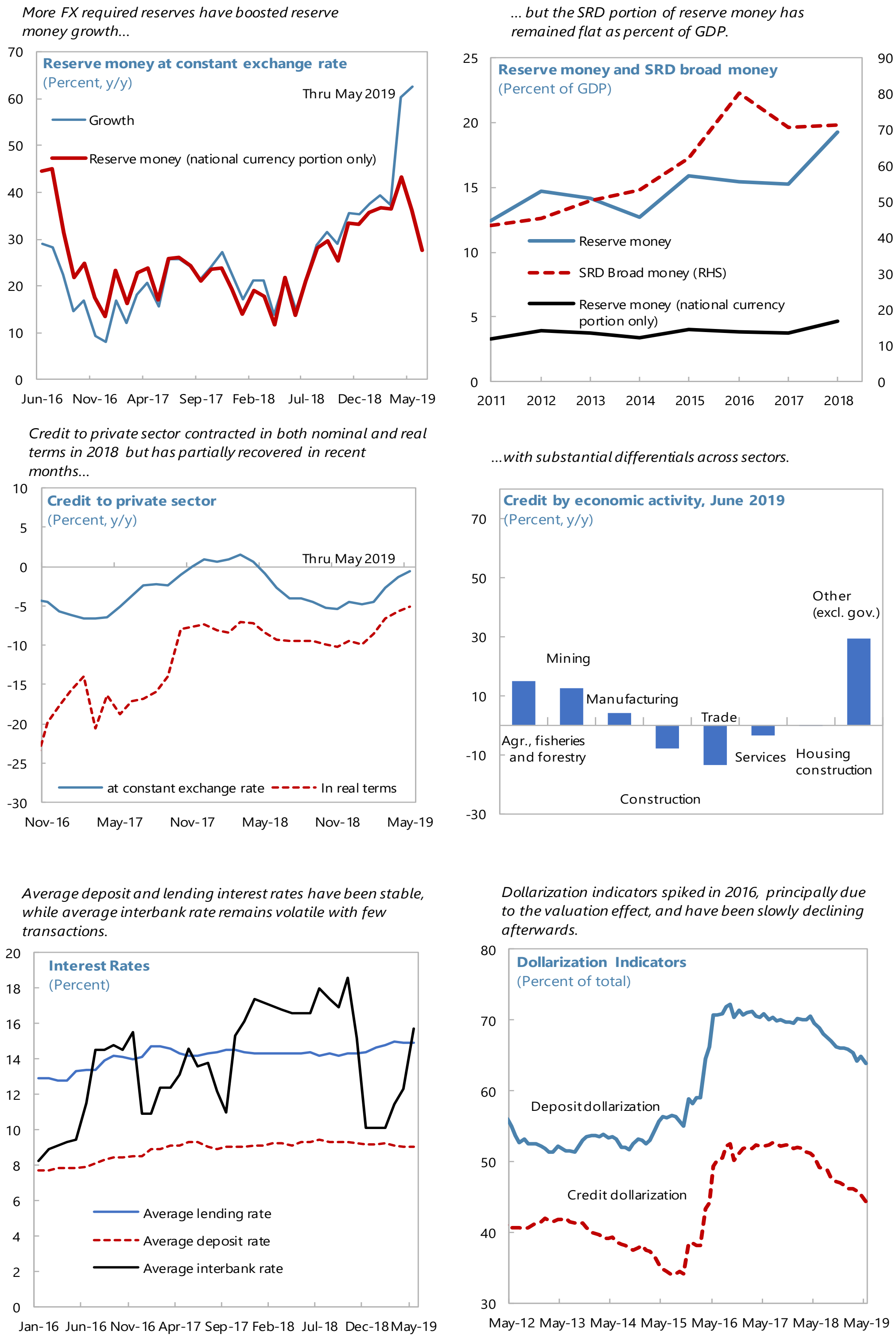
Sources: Ministry of Finance; and IMF staff calculations.

Figure 6. Suriname: External Sector Developments



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

Figure 7. Suriname: Money and Credit



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

Table 1. Suriname: Selected Economic Indicators

	2016	2017	2018	2019	2020	2021	2022	2023	2024
				Proj.					
Real sector (percent change)									
Real GDP	-5.6	1.8	2.6	2.3	2.5	2.4	2.0	2.4	2.5
Nominal GDP	19.1	23.3	7.4	11.8	12.6	8.0	10.7	6.0	6.7
GDP deflator	26.2	21.2	4.6	9.3	9.9	5.5	8.5	3.6	4.1
Consumer prices (period average)	55.5	22.0	6.9	4.5	5.8	4.7	10.2	5.1	4.8
Consumer prices (end of period)	52.4	9.3	5.4	4.8	4.8	5.7	8.3	5.2	4.4
Labor market (percent)									
Unemployment rate	9.7	7.6	7.1	6.7	6.3	5.9	5.5	5.1	4.7
Labor force participation rate	59.6	59.9	60.2	60.6	60.9	61.2	61.5	61.8	62.2
Money and credit (percent change)									
Broad money (constant exchange rate)	5.9	8.6	8.1	9.5	9.4	7.6	7.5	7.5	7.0
Broad money (local currency; percent of GDP)	27.7	25.3	28.0	28.8	29.3	29.7	29.4	30.2	30.7
Reserve money (constant exchange rate)	8.1	22.2	35.4	14.8	12.6	8.6	8.5	8.5	7.6
Reserve money (percent of GDP)	15.4	15.3	19.3	19.9	19.9	20.1	19.7	20.2	20.4
Private sector credit (constant exchange rate)	-5.7	0.9	-4.5	-4.7	7.4	12.8	10.6	14.5	12.8
Private sector credit (percent of GDP)	38.6	31.7	28.2	24.3	23.4	24.8	25.0	27.1	28.9
Central government (percent of GDP)									
Revenue and grants	18.9	22.0	23.9	25.4	24.9	24.9	26.3	26.2	26.0
Total expenditure	28.0	30.9	31.0	34.0	33.8	33.2	32.7	33.8	33.5
Of which: Primary expenditure	25.4	26.6	27.1	30.2	29.9	29.1	28.9	28.8	28.7
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (net lending/borrowing) 1/	-9.1	-8.8	-7.1	-8.6	-8.9	-8.2	-6.4	-7.6	-7.5
Primary balance	-6.5	-5.3	-3.5	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Net acquisition of financial assets 2/	13.2	0.3	-11.9	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	22.3	9.1	-4.8	8.6	8.9	8.2	6.4	7.6	7.5
Net domestic financing	-11.1	5.9	8.3	2.8	2.8	2.7	2.3	2.6	2.6
Net external financing	18.9	7.4	1.4	5.8	6.1	5.5	4.2	5.0	4.9
Central government debt 3/ (percent of GDP)	76.1	74.6	72.1	72.3	74.6	79.5	79.5	83.8	87.4
Domestic	21.4	22.4	22.5	21.0	21.8	23.3	23.8	25.6	27.2
External	54.7	52.2	49.6	51.3	52.8	56.3	55.7	58.2	60.1
External sector (percent of GDP)									
Current account balance	-5.1	1.9	-3.4	-6.1	-5.9	-4.5	-3.3	-4.8	-4.3
Capital and financial account	16.1	3.5	8.6	9.5	8.5	4.4	4.2	4.6	3.6
Overall balance	1.6	1.3	4.5	3.4	2.6	-0.1	0.9	-0.2	-0.6
Financing									
Change in reserves (- = increase)	-1.6	-1.3	-4.5	-3.4	-2.6	0.1	-0.9	0.2	0.6
Memorandum items									
GDP at current prices (SRD billions)	19.5	24.0	25.8	28.8	32.5	35.1	38.8	41.2	43.9
Terms of trade (percent change)	8.9	-2.8	-3.7	6.7	7.7	1.0	0.2	-0.2	-0.5
Gross international reserves (USD millions)	381	424	581	710	819	814	857	847	813
In months of imports	2.5	2.4	2.9	3.6	3.7	3.6	3.7	3.5	3.3
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,400	1,531	1,558	1,580	1,599	1,619
Oil price (USD per barrel)	42.8	52.8	68.3	61.8	57.9	55.3	54.6	54.7	55.3

Sources: Surinamese authorities and Fund staff estimates 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 2. Suriname: GDP by Expenditure 1/

(Percent change, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024
Growth rates (constant prices)						
Real GDP	2.3	2.5	2.4	2.0	2.4	2.5
Private Absorption (72.0%) 2/	6.5	7.6	2.6	1.4	4.4	1.5
Public Consumption (12.7%)	39.3	-1.6	0.8	2.0	2.4	2.5
Public Gross Investment (3.7%)	2.3	13.6	-1.6	-0.1	2.4	2.5
Exports (71.5%)	-2.0	5.8	2.2	1.5	0.8	0.8
Imports (60.0%)	11.5	13.1	1.9	0.6	4.1	-0.3
Contributions (constant prices)						
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Private Absorption	5.7	7.0	2.5	1.4	4.2	1.4
Public Consumption	3.8	-0.2	0.1	0.2	0.3	0.3
Public Gross Investment	0.1	0.6	-0.1	0.0	0.1	0.1
Net Exports	-7.3	-4.9	-0.1	0.4	-2.2	0.7
Growth rates (current prices)						
Nominal GDP	11.8	12.6	8.0	10.7	6.0	6.7
Public Consumption	52.2	8.2	6.3	10.7	6.0	6.7
Public Gross Investment	11.8	24.9	3.8	8.4	6.0	6.7
Exports	5.6	16.2	6.6	5.1	3.0	3.1
Imports	12.6	15.2	5.3	3.9	6.5	2.4
Contributions (current prices)						
Nominal GDP growth	11.8	12.6	8.0	10.7	6.0	6.7
Private Absorption	10.2	9.7	6.1	8.1	7.0	5.1
Public Consumption	5.0	1.1	0.8	1.3	0.8	0.8
Public Gross Investment	0.5	1.1	0.2	0.4	0.3	0.3
Net Exports	-4.0	0.7	0.9	0.8	-2.0	0.4
Deflators (Growth Rates)						
GDP	9.3	9.9	5.5	8.5	3.6	4.1
Private Absorption	5.7	4.0	4.8	8.5	4.1	4.7
Public Consumption	9.3	9.9	5.5	8.5	3.6	4.1
Public Gross Investment	9.3	9.9	5.5	8.5	3.6	4.1
Exports of goods and services	7.7	9.8	4.4	3.6	2.2	2.2
Imports of goods and services	1.0	1.9	3.4	3.3	2.4	2.7
CPI	4.5	5.8	4.7	10.2	5.1	4.8
GDP series (current prices, SRD billions)	28.8	32.5	35.1	38.8	41.2	43.9
GDP deflator (Index = 100 in 2007)	290	319	336	365	378	393

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

	2016	2017	2018	Proj. 2019	2020	2021	2022	2023	2024
Revenues	**3,682**	**5,294**	**6,160**	**7,321**	**8,097**	**8,752**	**10,193**	**10,782**	**11,400**
Taxes	2,586	3,544	4,142	5,039	5,551	6,025	7,263	7,721	8,188
Direct taxes	1,226	2,002	2,190	2,674	3,091	3,420	3,719	3,919	4,100
Of which: mineral taxes	420	700	1,033	1,149	1,340	1,527	1,624	1,696	1,729
Indirect taxes	1,360	1,542	1,952	2,365	2,459	2,605	3,543	3,802	4,088
Grants	0	0	0	0	0	0	0	0	0
Non-tax revenues	1,096	1,750	2,018	2,281	2,547	2,728	2,931	3,061	3,213
Of which:									
Mineral resource revenues	569	1,075	1,098	1,123	1,242	1,319	1,371	1,407	1,449
Interest receipts	…	180	90	0	0	0	0	0	0
Expenditures	**5,458**	**7,416**	**7,991**	**9,796**	**10,992**	**11,634**	**12,696**	**13,920**	**14,700**
Primary expenditures	4,942	6,385	6,981	8,717	9,714	10,192	11,234	11,858	12,604
Compensation of employees	1,602	1,923	2,414	2,921	3,120	3,300	3,652	3,872	4,130
Other primary current expenditure	2,754	3,303	3,379	4,469	4,936	5,172	5,718	6,008	6,365
Net acquisition of nonfinancial assets	586	1,159	1,188	1,328	1,658	1,720	1,865	1,977	2,109
Interest	516	1,031	1,010	1,078	1,278	1,442	1,462	2,061	2,096
Domestic	156	586	324	474	540	611	541	1,071	1,000
Foreign	360	265	686	604	738	831	920	990	1,096
Statistical discrepancy	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (net lending/borrowing) 1/	**-1,776**	**-2,122**	**-1,831**	**-2,475**	**-2,894**	**-2,881**	**-2,503**	**-3,138**	**-3,300**
***Of which:* primary balance**	**-1,260**	**-1,271**	**-911**	**-1,397**	**-1,616**	**-1,440**	**-1,041**	**-1,077**	**-1,204**
Net financial transactions	**-1,776**	**-2,122**	**-1,831**	**-2,475**	**-2,894**	**-2,881**	**-2,503**	**-3,138**	**-3,300**
Net acquisition of financial assets 2/	2,574	71	-3,081	0	0	0	0	0	0
Net incurrence of liabilities	4,349	2,193	-1,250	2,475	2,894	2,881	2,503	3,138	3,300
Domestic	-2,157	1,414	2,131	801	924	953	875	1,069	1,164
Central bank	-402	524	-152	794	-55	-39	-56	-35	-41
Claims on government	-70	-78	-7	670	0	0	0	0	0
Liabilities to government	332	-602	144	-124	55	39	56	35	41
Commercial banks	405	860	50	7	329	360	543	692	766
Other domestic	-2,056	30	2,233	0	650	631	388	412	439
Arrears	-105	-220	-993	0	0	0	0	0	0
Accumulation of arrears	455	481	49	0	0	0	0	0	0
Payment of arrears	-560	-700	-1,042	0	0	0	0	0	0
Foreign	3,679	1,783	349	1,674	1,970	1,929	1,628	2,069	2,136
Amortizations	1,117	402	1,039	731	803	929	997	1,136	1,354
Disbursements	4,795	2,185	1,388	2,404	2,773	2,858	2,625	3,206	3,491
Memorandum items:									
Primary cash balance	-1,365	-1,670	-1,994	-1,397	-1,616	-1,440	-1,041	-1,077	-1,204
Electricity tariff subsidy financed through the budget	377	1,026	1,244	1,298	1,364	1,316	1,450	1,482	1,537
Mineral resource revenues	989	1,775	2,131	2,272	2,582	2,846	2,995	3,103	3,177
Non-resource balance	-2,765	-3,897	-3,962	-4,747	-5,476	-5,728	-5,498	-6,242	-6,477
Non-resource primary balance	-2,250	-3,046	-3,042	-3,669	-4,198	-4,286	-4,037	-4,180	-4,381
Public (central government) debt 3/	14,826	17,934	18,606	20,856	24,222	27,901	30,853	34,488	38,364

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 4. Suriname: Central Government Operations

(Percent of GDP)

	2016	2017	2018	Proj. 2019	2020	2021	2022	2023	2024
Revenues	**18.9**	**22.0**	**23.9**	**25.4**	**24.9**	**24.9**	**26.3**	**26.2**	**26.0**
Taxes	13.3	14.7	16.1	17.5	17.1	17.2	18.7	18.8	18.6
Direct taxes	6.3	8.3	8.5	9.3	9.5	9.7	9.6	9.5	9.3
Of which: mineral taxes	2.2	2.9	4.0	4.0	4.1	4.4	4.2	4.1	3.9
Indirect taxes	7.0	6.4	7.6	8.2	7.6	7.4	9.1	9.2	9.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	5.6	7.3	7.8	7.9	7.8	7.8	7.5	7.4	7.3
Of which:									
Mineral resource revenues	2.9	4.5	4.3	3.9	3.8	3.8	3.5	3.4	3.3
Interest receipts	…	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	**28.0**	**30.9**	**31.0**	**34.0**	**33.8**	**33.2**	**32.7**	**33.8**	**33.5**
Primary expenditures	25.4	26.6	27.1	30.2	29.9	29.1	28.9	28.8	28.7
Compensation of employees	8.2	8.0	9.4	10.1	9.6	9.4	9.4	9.4	9.4
Other primary current expenditure	14.1	13.7	13.1	15.5	15.2	14.7	14.7	14.6	14.5
Net acquisition of nonfinancial assets	3.0	4.8	4.6	4.6	5.1	4.9	4.8	4.8	4.8
Interest	2.6	4.3	3.9	3.7	3.9	4.1	3.8	5.0	4.8
Domestic	0.8	2.4	1.3	1.6	1.7	1.7	1.4	2.6	2.3
Foreign	1.8	1.1	2.7	2.1	2.3	2.4	2.4	2.4	2.5
Statistical discrepancy	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (net lending/borrowing) 1/	**-9.1**	**-8.8**	**-7.1**	**-8.6**	**-8.9**	**-8.2**	**-6.4**	**-7.6**	**-7.5**
***Of which:* primary balance**	**-6.5**	**-5.3**	**-3.5**	**-4.8**	**-5.0**	**-4.1**	**-2.7**	**-2.6**	**-2.7**
Net financial transactions	**-9.1**	**-8.8**	**-7.1**	**-8.6**	**-8.9**	**-8.2**	**-6.4**	**-7.6**	**-7.5**
Net acquisition of financial assets 2/	13.2	0.3	-11.9	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	22.3	9.1	-4.8	8.6	8.9	8.2	6.4	7.6	7.5
Domestic	-11.1	5.9	8.3	2.8	2.8	2.7	2.3	2.6	2.6
Central bank	-2.1	2.2	-0.6	2.8	-0.2	-0.1	-0.1	-0.1	-0.1
Claims on government	-0.4	-0.3	0.0	2.3	0.0	0.0	0.0	0.0	0.0
Liabilities to government	1.7	-2.5	0.6	-0.4	0.2	0.1	0.1	0.1	0.1
Commercial banks	2.1	3.6	0.2	0.0	1.0	1.0	1.4	1.7	1.7
Other domestic	-10.5	0.1	8.7	0.0	2.0	1.8	1.0	1.0	1.0
Arrears	-0.5	-0.9	-3.8	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of arrears	2.3	2.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Payment of arrears	-2.9	-2.9	-4.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	18.9	7.4	1.4	5.8	6.1	5.5	4.2	5.0	4.9
Amortizations	5.7	1.7	4.0	2.5	2.5	2.6	2.6	2.8	3.1
Disbursements	24.6	9.1	5.4	8.3	8.5	8.1	6.8	7.8	7.9
Memorandum items:									
Primary cash balance	-7.0	-6.9	-7.7	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Electricity tariff subsidy financed through the budget	1.9	4.3	4.8	4.5	4.2	3.8	3.7	3.6	3.5
Mineral resource revenues	5.1	7.4	8.3	7.9	7.9	8.1	7.7	7.5	7.2
Non-resource balance	-14.2	-16.2	-15.4	-16.5	-16.9	-16.3	-14.2	-15.2	-14.8
Non-resource primary balance	-11.5	-12.7	-11.8	-12.7	-12.9	-12.2	-10.4	-10.2	-10.0
Public (central government) debt 3/	76.1	74.6	72.1	72.3	74.6	79.5	79.5	83.8	87.4

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 5. Suriname: Balance of Payments 1/
(Millions of U.S. dollars)

				Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current account	**-160**	**61**	**-118**	**-232**	**-248**	**-199**	**-159**	**-240**	**-223**
Trade balance, goods	187	672	547	489	552	568	610	527	575
Exports, f.o.b.	1,439	2,034	2,129	2,213	2,495	2,580	2,634	2,671	2,711
Of which: alumina, gold, and petroleum	1,194	1,788	1,838	1,883	2,104	2,176	2,217	2,242	2,269
Imports, f.o.b.	-1,252	-1,363	-1,582	-1,724	-1,943	-2,012	-2,023	-2,144	-2,137
Trade balance, services	**-283**	**-317**	**-380**	**-462**	**-500**	**-480**	**-489**	**-500**	**-527**
Exports	187	161	172	190	230	241	261	273	288
Imports	-469	-477	-552	-652	-730	-721	-749	-773	-815
Income, net	**-166**	**-394**	**-388**	**-358**	**-396**	**-383**	**-373**	**-358**	**-360**
Credit	21	27	36	36	37	37	38	39	39
Debit	-187	-422	-423	-394	-433	-420	-411	-396	-399
Current transfers, net	**102**	**100**	**103**	**100**	**96**	**95**	**92**	**91**	**89**
Capital and financial account	**502**	**113**	**297**	**362**	**357**	**195**	**201**	**229**	**189**
Capital account	**19**	**0**	**-1**	**0**	**0**	**0**	**0**	**0**	**0**
Financial account	**483**	**113**	**298**	**362**	**357**	**195**	**201**	**229**	**189**
Foreign direct investment	300	98	119	111	164	188	219	252	302
Portfolio investment	508	-27	-59	-9	-9	-9	-9	-9	-9
Other investment	-325	41	237	260	203	16	-9	-14	-104
Of which: Central government	111	134	46	222	255	242	200	251	256
Errors and omissions	**-291**	**-130**	**-23**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**51**	**43**	**156**	**130**	**109**	**-5**	**43**	**-11**	**-34**
Change in reserves (- = increase) 2/	**-51**	**-43**	**-156**	**-130**	**-109**	**5**	**-43**	**11**	**34**
Memorandum items:									
Gross international reserves	381	424	581	710	819	814	857	847	813
In months of imports of goods and services	2.5	2.4	2.9	3.6	3.7	3.6	3.7	3.5	3.3
Reserve adequacy (risk-weighted measure), USD millions 3/	669	733	797	841	879	904	928	963	998
In months of imports	4.4	4.1	4.0	3.8	3.9	3.9	4.0	4.0	4.1
Current account balance (Percent of GDP)	-5.1	1.9	-3.4	-6.1	-5.9	-4.5	-3.3	-4.8	-4.3
GDP in current US dollars	3,129	3,210	3,458	…	…	…	…	…	…
Gold price (USD per troy ounce)	1,248	1,257	1,269	1,400	1,531	1,558	1,580	1,599	1,619
Oil price (USD per barrel)	43	53	68	62	58	55	55	55	55
External debt (Percent of GDP) 4/	94.6	97.4	102.3	96.4	90.7	89.2	85.0	84.3	83.3

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 6. Suriname: Balance of Payments 1/

(Percent of GDP)

	2016	2017	2018	Proj. 2019	2020	2021	2022	2023	2024
Current account	**-5.1**	**1.9**	**-3.4**	**-6.1**	**-5.9**	**-4.5**	**-3.3**	**-4.8**	**-4.3**
Trade balance, goods	**6.0**	**20.9**	**15.8**	**12.8**	**13.1**	**12.9**	**12.8**	**10.6**	**10.9**
Exports, f.o.b.	46.0	63.4	61.6	57.9	59.4	58.6	55.4	53.6	51.6
Of which: alumina, gold, and petroleum	38.2	55.7	53.2	49.3	50.1	49.4	46.6	45.0	43.2
Imports, f.o.b.	-40.0	-42.4	-45.8	-45.1	-46.3	-45.7	-42.5	-43.0	-40.7
Trade balance, services	**-9.0**	**-9.9**	**-11.0**	**-12.1**	**-11.9**	**-10.9**	**-10.3**	**-10.0**	**-10.0**
Exports	6.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5	5.5
Imports	-15.0	-14.9	-16.0	-17.1	-17.4	-16.4	-15.7	-15.5	-15.5
Income, net	**-5.3**	**-12.3**	**-11.2**	**-9.4**	**-9.4**	**-8.7**	**-7.8**	**-7.2**	**-6.8**
Credit	0.7	0.9	1.0	0.9	0.9	0.8	0.8	0.8	0.7
Debit	-6.0	-13.1	-12.2	-10.3	-10.3	-9.5	-8.6	-7.9	-7.6
Current transfers, net	**3.3**	**3.1**	**3.0**	**2.6**	**2.3**	**2.2**	**1.9**	**1.8**	**1.7**
Capital and financial account	**16.1**	**3.5**	**8.6**	**9.5**	**8.5**	**4.4**	**4.2**	**4.6**	**3.6**
Capital account	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial account	**15.4**	**3.5**	**8.6**	**9.5**	**8.5**	**4.4**	**4.2**	**4.6**	**3.6**
Foreign direct investment	9.6	3.1	3.4	2.9	3.9	4.3	4.6	5.0	5.8
Portfolio investment	16.2	-0.8	-1.7	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Other investment	-10.4	1.3	6.9	6.8	4.8	0.4	-0.2	-0.3	-2.0
Of which: Central government	3.5	4.2	1.3	5.8	6.1	5.5	4.2	5.0	4.9
Errors and omissions	**-9.3**	**-4.0**	**-0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**1.6**	**1.3**	**4.5**	**3.4**	**2.6**	**-0.1**	**0.9**	**-0.2**	**-0.6**
Change in reserves (- = increase) 2/	**-1.6**	**-1.3**	**-4.5**	**-3.4**	**-2.6**	**0.1**	**-0.9**	**0.2**	**0.6**
Memorandum items:									
Gross international reserves (Millions of USD)	381	424.4	581	710	819	814	857	847	813
In months of imports of goods and services	2.5	2.4	2.9	3.6	3.7	3.6	3.7	3.5	3.3
External debt (Percent of GDP) 3/	94.6	97.4	102.3	96.4	90.7	89.2	85.0	84.3	83.3
GDP in current US dollars	3,129	3,210	3,458	…	…	…	…	…	…

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 7. Suriname: Monetary Survey and Central Bank Accounts

	2016	2017	2018	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
				(Millions of SRD)					
Monetary Survey									
Net foreign assets	**6,447**	**6,365**	**8,430**	**9,840**	**11,299**	**12,028**	**12,827**	**13,583**	**14,387**
Net international reserves (Held by the central bank)	2,216	2,515	3,685	4,871	6,063	6,367	6,812	7,171	7,569
Net other foreign assets	4,231	3,850	4,745	4,969	5,236	5,661	6,015	6,412	6,818
Net domestic assets	**9,173**	**10,665**	**9,957**	**10,606**	**11,360**	**12,835**	**14,078**	**15,506**	**16,905**
Net claim on the public sector	2,153	3,726	3,462	4,293	4,482	5,033	5,481	5,931	6,619
Of which: central government	2,373	3,912	3,612	4,415	4,691	5,018	5,505	6,169	6,897
Credit to the private sector	7,521	7,614	7,274	7,006	7,609	8,717	9,697	10,802	11,654
Other items, net	-500	-675	-780	-693	-731	-915	-1,099	-1,226	-1,369
Broad money	**15,621**	**17,030**	**18,403**	**20,445**	**22,659**	**24,863**	**26,906**	**29,089**	**31,292**
Broad money (Constant exchange rate)	**15,679**	**17,030**	**18,403**	**20,158**	**22,056**	**23,721**	**25,495**	**27,395**	**29,283**
Currency in circulation	1,184	1,288	1,504	1,677	1,855	1,965	2,074	2,182	2,263
Local currency deposits	4,218	4,783	5,731	6,643	7,652	8,455	9,322	10,268	11,178
Foreign currency deposits	10,218	10,959	11,168	12,125	13,151	14,443	15,510	16,639	17,850
Central Bank									
Net foreign assets	**1,137**	**512**	**1,992**	**3,055**	**4,163**	**4,394**	**4,809**	**5,138**	**5,506**
Net international reserves	2,216	2,515	3,685	4,871	6,063	6,367	6,812	7,171	7,569
Of which:									
Gross International Reserves	2,802	3,140	4,296	5,382	6,350	6,541	6,983	7,346	7,763
(In USD millions)	381	424	581	710	819	814	858	892	931
Liabilities	-586	-625	-611	-512	-287	-174	-170	-175	-194
Net other foreign assets	3,004	1972	4,975	5,730	6,467	7,046	7,649	8,299	8,910
Net domestic assets	**1,867**	**3,162**	**2,968**	**2,674**	**2,304**	**2,652**	**2,840**	**3,161**	**3,404**
Net domestic assets (Constant exchange rate)	**2,147**	**3,174**	**3,077**	**2,835**	**2,557**	**3,030**	**3,295**	**3,689**	**4,017**
Net claims on public sector	1,436	1,947	1,797	2,573	2,502	2,435	2,368	2,323	2,274
Of which: central government	1,436	1,947	1,797	2,573	2,502	2,435	2,368	2,323	2,274
Net claims on commercial banks	-140	186	23	-1,117	-1,366	-841	-548	-143	193
Claims (Open market operations)	34	236	23	-1,117	-1,366	-841	-548	-143	193
Liabilities 1/	-173	-51	0	0	0	0	0	0	0
Other items, net	570	1,030	1,147	1,218	1,168	1,058	1,020	980	937
Reserve money	**3,004**	**3,674**	**4,975**	**5,730**	**6,467**	**7,046**	**7,649**	**8,299**	**8,910**
Currency in circulation	1,384	1,550	1,757	1,959	2,167	2,295	2,422	2,548	2,643
Bankers deposits	1,557	2,007	3,109	3,660	4,189	4,638	5,113	5,636	6,152
Other demand deposits in national currency	25	74	68	68	68	68	68	68	68
Gold certificates	38	43	42	43	44	45	46	46	47
Memorandum items:				(12-month percent change, unless otherwise indicated)					
Monetary survey									
Velocity (GDP/broad money; end of period)	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Broad money (Constant exchange rate)	5.9	8.6	8.1	9.5	9.4	7.6	7.5	7.5	6.9
Broad money (Percent of GDP)	80.1	70.9	71.3	70.9	69.8	70.9	69.3	70.7	71.5
Broad money in local currency	12.6	12.4	19.2	15.0	14.3	9.6	9.4	9.3	8.0
Broad money in local currency (Percentage change, q/q)	5.3	6.4	…	…	…	…	…	…	…
Broad money in local currency (Percent of GDP)	27.7	25.3	28.0	28.8	29.3	29.7	29.4	30.2	30.7
FX deposits	2.7	6.6	1.9	6.0	6.0	6.0	6.0	6.0	6.0
Reserve money (national currency portion only)	2,721	3,246	4,320	5,059	5,780	6,335	6,928	7,569	8,172
Reserve money growth (real)	-24.2	11.9	28.4	7.5	7.7	3.1	0.2	3.1	2.9
Reserve money (percent of GDP)	15.4	15.3	19.3	19.9	19.9	20.1	19.7	20.2	20.4
Reserve money growth	15.5	22.3	35.4	15.2	12.9	9.0	8.5	8.5	7.4
Reserve money growth (national currency portion only)	13.5	19.3	33.1	17.1	14.3	9.6	9.4	9.3	8.0
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

Sources: 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 8. Suriname: Financial Soundness Indicators

(Percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Jul. 2019
Capital Adequacy										
Regulatory capital to risk-weighted assets	12.1	12.1	12.5	12.4	11.5	11.3	5.5	9.3	9.9	10.5
Regulatory Tier I capital to risk-weighted assets	10.7	10.9	11.4	11.2	11.4	11.3	5.5	8.7	9.3	10.0
Tier I capital to total assets (Leverage ratio)	5.5	5.7	5.7	5.7	6.4	6.5	3.3	5.0	4.9	4.3
Asset Quality										
NPL to gross loans	7.9	8.0	6.2	5.9	6.2	8.4	10.8	13.0	10.8	12.5
NPL net of provisions to Tier I capital	50.3	48.5	34.1	36.1	22.1	39.8	76.8	52.1	31.8	53.2
Provisions to total NPLs	30.7	30.6	33.5	28.1	26.4	42.7	38.9	53.2	61.6	56.4
Large exposures to capital	98.1	106.0	88.8	103.0	135.2	124.5	609.3	335.4	263.9	289.2
Foreign currency loans to total loans	37.1	40.7	42.2	40.1	39.0	39.1	54.7	54.9	49.0	49.4
Earnings and Profitability										
Return on assets (ROA, annualized)	2.1	1.9	1.9	1.7	1.7	1.3	-0.7	0.9	0.1	0.7
Return on equity (ROE, annualized)	29.1	27.2	24.8	21.8	20.3	15.4	-11.9	16.2	2.3	12.3
Net interest income to gross income	79.7	77.6	78.0	79.1	83.0	89.0	67.0	67.4	69.5	70.8
Spread between lending and deposit rates (ppts)	8.2	8.0	8.0	8.2	7.7	7.5	7.7	8.0	8.0	7.4
Liquidity										
Liquid assets to total assets	29.2	26.4	28.4	29.3	30.9	32.1	32.7	37.9	40.2	43.2
Liquid assets to short-term liabilities	52.2	48.8	53.4	59.0	63.0	69.1	69.2	82.3	82.3	86.6
Total loans to total deposits	58.4	56.8	54.1	56.9	58.6	61.3	52.4	53.7	44.6	44.4
Sensitivity to market risk										
Net open positions in foreign currency to capital 1/	-6.5	0.3	16.6	39.7	11.4	13.0	51.6	7.1	17.4	4.4

Source: Central Bank of Suriname.

1/ The increase in net asset position in 2016 includes a valuation effect attributable to significant depreciation. This ratio is calculated using Tier 1 capital only for 2015.

Annex I. Implementation of Past Fund Advice[1]

Recommendations	Status
Monetary and exchange rate policies	
Avoid monetary financing (2016 Art. IV).	**In progress, after being implemented in 2016 and backtracked in 2019.** The measure was implemented in 2016 through a signed MoU between the CBvS and MoF. However, the MoU was revoked by the MoF in early 2019, and monetary financing of the deficit was resumed. However, the authorities have indicated their intention to stop further monetary financing by deleting the existing provision in a revised draft Bank Act.
Develop indirect instruments of monetary policy including reserve targets, open market operations and standing facilities (2011–18 Art. IV).	**In progress.** The CBvS has taken steps towards establishing these instruments. They have introduced a framework for monitoring, forecasting and managing liquidity and growth of reserve money. The introduction of short-term bank lending and deposit facilities, and of gold certificates and certificates of deposits in 2019 will also help to manage liquidity and develop financial markets. The open market operations department has been set up, and the monetary policy advisory committee has been reestablished.
Move to a market-determined exchange rate regime (2012 Art. 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 (2016–18 Art. IV).	**Implemented in 2016, with some backtracking afterwards.** The exchange rate was floated in May 2016. After a period of flexibility in 2016, the central bank has been intervening in the foreign exchange market to stabilize the exchange rate. The CBvS temporarily set an exchange rate band for cambios in July 2019. The CBvS also 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 Art. IV).	**In progress.** The authorities have indicated their intention to stop further monetary financing by deleting the existing provision in a revised draft Bank Act. They are also taking steps to strengthen the audit function and have contracted Ernst and Young to support them on IFRS implementation.

[1] The list of main recommendations was compiled on the basis of Article IV discussions conducted in 2011, 2012, 2013, 2014, 2016 and 2018).

Recommendations	Status
Eliminate remaining multiple currency practices (2012 Art. IV).	**Implemented.**
Recapitalize the CBvS.	**In progress.** The draft amended of the Bank Act includes a recapitalization plan, and the authorities expect it to be discussed in the National Assembly in the fourth quarter of 2019.
Financial sector policies	
Strengthen prudential regulation (2012 Art. IV). Enhance financial sector stability by strengthening bank capital and the regulatory and supervisory framework in line with 2014 FSAP recommendations (2014, 2018 Art. 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 Electronic Payment System was operationalized in August 2015. The Financial Stability Department was established in 2014 and the first Financial Stability Report was published in March 2016.
Develop a robust contingency planning framework (2014, 2016, 2018 Art. IV): - Strengthen coordination mechanism between MoF and CBvS on financial stability issues, establish the Financial Stability Committee. - Strengthen the framework for emergency liquidity support.	**In progress**. The CBvS is working on a new Bank Resolution Law to strengthen contingency planning framework and effective banking resolution regime. The draft law is expected to be submitted to National Assembly by end-2019.
Modernize the bank resolution framework. Develop legal instruments for bank intervention and resolution (2014, 2016, 2018 Art. IV).	**In progress.** The Bank Resolution Act, an amendment to the Bank Act, an amendment to Bank Supervision Act, and the Deposit Insurance Act are currently being prepared.
Closely monitor the banking sector and conduct an asset quality review (2018 Art. IV).	**In progress.** The central bank monitors banks and requires banks that do not meet certain standards to present a plan to overcome shortcomings and periodically report to the central bank. The asset quality review has not yet been conducted.

Recommendations	Status
Improve AML/CFT regime (2012 Art. IV). Continue the reform process to align the AML/CFT regime with international standards to ensure Suriname's exit from CFATF review process. Enhance surveillance of foreign exchange bureaus to prevent AML/CFT abuses (2016, 2018 Art. IV).	**In progress.** CFATF announced that Suriname has substantially addressed the deficiencies identified in its first (2009) AML/CFT Mutual Evaluation Report. The CBvS has increased its capacity to conduct AML/CFT supervision but has not yet demonstrated effective supervision of the banking and foreign exchange sectors. Doing so will likely require continual increases in the number of annual on-site inspections and more active use of administrative sanctions, as and when appropriate to bolster compliance. Sustained efforts to implement the current FATF standard and ensure the effectiveness of the regime in mitigating ML/TF risks are also required.
Fiscal policies	
Introduce VAT (2011, 2018 Art. IV).	**Not implemented.** Substantial preparatory steps have been taken, but the implementation has been postponed to 2022.
Raise fuel taxes (2016, 2018 Art. IV).	**Implemented**. The authorities reset their fuel taxes in March 2017, from a percentage collection onto a flat rate, at an effective higher level. The tax for diesel was set at SRD 0.70 per liter, unleaded gasoline at SRD 1.30 per liter, and premium gasoline at SRD 1.40 per liter. The tax on gasoline was subsequently reduced to SRD 1.13 per liter in April 2018.
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 Art. 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, 2018 Art. IV). Phase out electricity subsidies (2018 Art. IV).	**Partially implemented.** The government nearly doubled electricity tariffs in late 2015 and implemented another substantial increase in mid-2016, but these increases were eroded by fuel cost increases and depreciation. Current tariffs cover currently at about a third of costs. There are no subsidies on gas and water.
Launch a broad-based reform of the civil service (2016 and 2018 Art. IV).	**Partially implemented.** A stop in hiring of non-academic personnel is in place. The authorities have implemented various institutional capacity strengthening programs, most notably the FISEG program (MoF/SDMO/Planning Office), and various cadre training programs at ministries of Agriculture

Recommendations	Status
	(LVV), Trade (HIT), Internal Affairs, and Foreign Affairs.
Strengthen the social safety net (Art IV 2016). Implement social support programs targeted at low-income households (Art. IV 2011, 2012).	**In progress**. In 2015, the authorities launched a new health system. The minimum wage law has been passed in July 2019 to update the minimum wage every other year so that the minimum wage would be closely in line with the poverty line.
Establish a sound fiscal framework considering the sensitivity of revenues to mineral sector developments (2013 Art IV). Develop a fiscal anchor rooted in the non-mineral balance, define an appropriate MT target for non-mineral balance. (2016, 2018 Art IV).	**Partially implemented.** The GFS accounting and statistics compilation framework has been set up to provide the needed parameters and analytical aggregates. These, such as the NRPB outcome, have been included in the published data. An FPP working group is established. The MoF and SDMO proceed through a joint internal fiscal sustainability analysis and debt management plan.
Establish a Sovereign Wealth Fund. (Art. IV 2016). Develop a framework for sound management of future mining revenues and building of policy buffers (2012 Art. IV).	**Implemented.**
Implement PFM reforms (new PFM Law). (2016, 2018 Art. IV).	**In progress.** The new PFM law was approved by the National Assembly in September 2019. The FISEG program, component 2, centers around implementing the PFM reform.
Improve tax and customs administration (2018 Art. IV).	**In progress.** The authorities have instituted several measures including**:** developing tax payer services, strengthening internal revenue operations and improving customs operations and updating the legal framework for tax and customs administration. Eleven top-of-the-line scanners have been purchased.
Improve government procurement practices (2016, 2018 Art. IV).	**In progress.** The new procurement law is being discussed in the National Assembly; approval is expected before end-2019.
Strengthen social safety nets to lower the impact of fiscal adjustment on vulnerable groups.	**In progress.**
Structural policies	
Implement supply-side reforms to improve business environment, including legal reforms to start a company, promoting competition,	**In progress**. Reformed the Companies Act; passed the Business and Professions Licensing law; established the national trade facilitation committee;

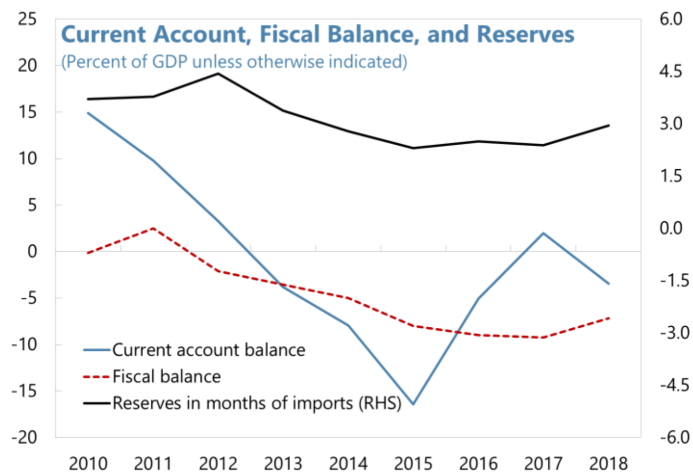
Recommendations	Status
protecting investors, registering property and expanding access to finance (2016−18 Art. IV).	passed the Electronic Transaction Law that grants legal status to electronic documents; developed a development plan to improve the investment climate.
Revise the Law on Investment (2016−18 Art. IV).	**In progress.**
Take steps to increase labor market flexibility, supported by a well-targeted social safety net (2016 and 2018 Art. IV).	**Partially implemented.** Labor market protection overseen through the Dismissals and Disputes intermediation Council. Minimum wage in effect. Parent Pregnancy and birth Leave protection Law and Insurance fund established. The Ministry of Social Affairs in charge of the social safety net has cleaned its database and is targeting the deserving group. Electronic payment mechanisms introduced.
Invest in education (2018 Art. IV).	**In progress.**

Annex II. External Sector Assessment

Suriname's current account (CA) balance worsened in 2018, mostly due to strong growth of imports, while exports/GDP declined compared to 2017. The external position is weaker than implied by the fundamentals and desirable policies. Staff's analysis points to a current account gap of around -3.5 percent of GDP in 2018. Staff recommends fiscal consolidation, exchange rate flexibility, and supply-side measures to raise productivity and enhance competitiveness. If implemented, this combination of policies will restore external balance and reduce pressure on international reserves.

A. Background

1. The CA balance worsened from about 1.9 percent of GDP in 2017 to -3.4 percent of GDP in 2018. The government's fiscal balance remained elevated in 2018, contributing to the current account deficit. A strong growth of imports of goods and services led to widening of the current account deficit, offsetting the small increase in gold exports. Imports of capital goods, oil, and transportation drove the increase in merchandise imports. There was also a boost in the imports of services due to increased import of oil exploration services by Staatsolie.



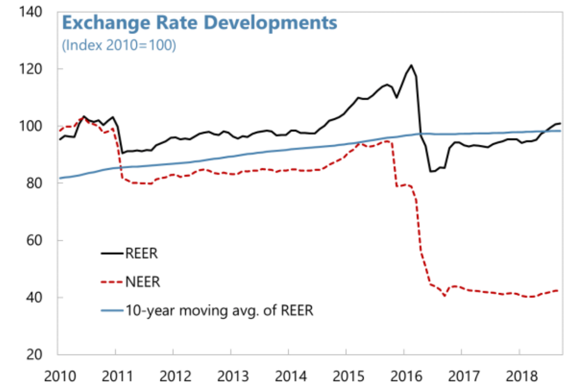
Sources: Central Bank of Suriname; and IMF staff calculations.

2. Reserves grew in 2018. Gross international reserves reached US$581 million (2.9 months of imports) at end-2018, from US$424 million (2.4 months of imports) in 2017. Reserves were boosted by the issuance of an external syndicated loan by Staatsolie of about 16 percent of GDP in 2018. Reserves further increased in 2019, supported by regulations to bring a portion of banks' required reserves that were previously managed by banks themselves, under the CBvS's management. Part of this foreign exchange inflow was drawn down to meet FX needs for fuel, medicine, and other essential imports and through CBvS's FX injection into banks.

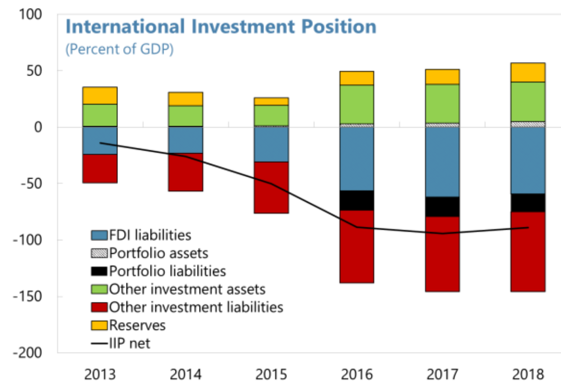
3. The real effective exchange rate appreciated by 4.9 percent in 2018, partially reversing the cumulative depreciation of about 16.0 percent in 2016–17. This reflects a narrowing of inflation differentials between Suriname and its trading partners. The nominal exchange rate versus the USD was stable in 2018 and depreciated modestly in 2019. Suriname's *de jure* exchange rate regime is a floating arrangement. However, by the Fund's definition, it is currently categorized as a *de facto* stabilized arrangement.

4. Suriname's net international investment position (IIP) slightly improved in 2018. It reached -89.1 percent of GDP in 2018 from -94.2 percent of GDP in 2017, largely reflecting base effects (increase in GDP).

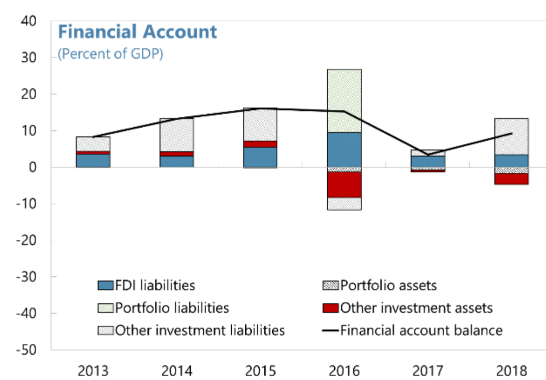
5. The financial account improved to 8.6 percent of GDP in 2018, driven by an increase in foreign direct investments, especially in the mining sector. Foreign direct investment (FDI) continued increasing to 3.4 percent of GDP in 2018, largely reflecting investments related to Merian Gold mine, Rosebel Gold mine, and Saramacca mine. The portfolio investment balance slightly worsened to -1.7 percent of GDP in 2018, from the peak in 2016, due to repayments of bonds and notes in the banking sector. Other investments edged up to 6.9 percent of GDP led by trade credits, assets held abroad, and currency and deposits on the asset side, while loans on the liabilities side rose as external borrowing increased. The large, external syndicated loan to Staatsolie drove liabilities in 2018. FDI is expected to pick up in the medium term, supported by increased reinvested earnings in the gold sector and new investments. The net balance of other investments is projected to turn negative, driven by decreases in assets in the banking sector and increases in amortization on the liability side. Overall, the positive financial account balance will help finance the current account deficit. Errors and omissions in the Balance of Payments (BOP) decreased to -0.7 percent of GDP in 2018, from -4.0 percent of GDP in 2017, possibly reflecting improvements in BOP accounting.



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



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



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

6. The income account improved but remained unfavorable in 2018. It stood at -11.2 percent of GDP in 2018. This is a slight improvement from -12.3 percent of GDP in 2017, due to lower repatriated profits from the Newmont gold mine.

B. Assessment

7. The IMF's External Balance Assessment (EBA-Lite) CA model estimates a weaker external position than implied by medium term fundamentals and desirable policies in 2018. The Multilaterally Consistent Cyclically Adjusted CA norm—the level consistent with medium-term fundamentals and desirable policies—was 0.2 percent of GDP in 2018. The cyclically-adjusted CA was -3.3 percent of GDP, resulting in an estimated CA gap of -3.5 percent of GDP in 2018. This is wider than the current account gap of -1.7 percent of GDP in 2017. The 2018 CA gap is fully attributed to the policy gap, which has been somewhat moderated by other factors. The policy gap is calculated as the effect on the CA from adjusting policies to their desirable levels and is largely attributed to inadequate reserves accumulation and the domestic fiscal gap. This suggests that Suriname needs a higher CA balance to build the stock of reserves. The current account gap implies an overvaluation of the REER of 7.4 percent in 2018.

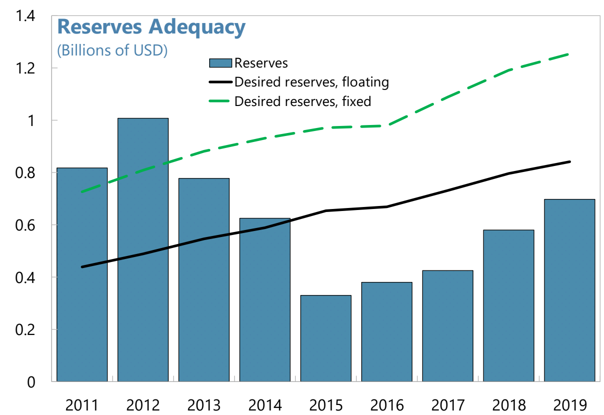
Current Account Model Results

(Percent of GDP, unless otherwise indicated)

CA-Actual	-3.4
Cyclical Contributions (from model)	-0.1
Cyclically adjusted CA	-3.3
CA-Norm	-0.4
Cyclically adjusted CA Norm	-0.3
Multilaterally Consistent Cyclically adjusted CA Norm	0.2
CA-Gap	-3.5
of/which Policy gap	-4.8
Elasticity (of current account to REER)	-0.5
REER Gap (percent)	7.4
CA-Fitted	-5.2
Residual	1.7
Natural Disasters and Conflicts	0.1

Source: IMF Staff calculations.

8. Despite the increase in international reserves, they remained short of adequate levels in 2018. Reserves increased to US$581 million (2.9 months of imports) in 2018, from US$424 million (2.4 months of imports) in 2017. However, they remained at 72.9 percent of the desired level of US$797 million (4 months of imports) suggested by the IMF's reserve adequacy metric in 2018.



Source: IMF staff calculations and projections.

9. Overall, staff assesses Suriname's 2018 external position to be weaker than implied by medium term fundamentals and desirable policies. Based on the CA model, and allowing for uncertainty around point estimates, the CA gap was assessed to be about -2.5 to -4.5 percent of GDP, implying that the REER was overvalued by about 5 to 9 percent.[1] Developments so far in 2019 point to a further widening of the imbalance. The CA is expected to widen to 6.1 percent in 2019 as imports rise due to higher fiscal spending and higher service imports from near-shore explorations by Staatsolie. Developments in the external sector remain prone to commodity price shocks due to the dominance of commodities in exports.

[1] The EBA-lite REER model estimates suggests that the exchange rate was overvalued by 1.4 percent. However, for Suriname, the CA model is considered more reliable 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.

C. Policy Implications

10. Staff recommends a set of policy measures to address external imbalances. Fiscal consolidation should help close the fiscal deficit in the medium term. Allowing for more exchange rate flexibility would help address imbalances and reduce downward pressures on reserves. Allowing for more exchange rate flexibility and implementing structural reforms would also enhance competitiveness.

Annex III. Suriname: Risk Assessment Matrix[1]

	Likelihood	*Impact*	*Policy Advice*
Country-specific risks			
Further deterioration of fiscal deficit.	**High**	**High** • A further 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. • Limited financing options may prompt authorities to increase monetary financing, which may raise inflationary pressures and weaken the SRD.	Consistently implement revenue and expenditure measures to improve the fiscal position. Strengthen the public management framework. Reduce debt levels. Build up reserves buffer.
Financial sector risks materialize. Undercapitalization and high NPLs in a large bank can weaken the banking sector and dampen confidence in the system.	**Medium**	**High** • A confidence shock could trigger deposit outflows. • Vulnerabilities in a weak systemically important financial institution can generate spillovers to a broader financial system.	Enhanced monitoring of the bank should continue, and the Central Bank must monitor the rest of the financial sector closely to identify possible contagion and take swift supervisory action when necessary. Supervision and resolution should ensure adequate capital and liquidity buffers in banks. Strengthen the crisis preparedness and resolution frameworks.

[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*
Loss of correspondent banking relationships (CBRs). This is a possibility given recent overseas investigations of potential money laundering via Suriname's financial sector. The reputational risk to both local banks and the foreign banks acting as their correspondents is substantial.	**Medium**	**Medium** • 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 adversely affected.	Bring the AML/CFT framework into line with the current FATF standard and demonstrate effective implementation of the related tools already in place, including with respect to law enforcement and financial sector supervision. Monitor the status of CBRs; address drivers behind CBR pressures, including ML/TF risks and ML/FT deficiencies; effectively publicize new or redoubled efforts and any resultant successes.
		External risks	
Rising protectionism and retreat from multilateralism. In the near term, escalating and unpredictable trade actions can produce adverse confidence effects and financial market volatility. In the medium term, geopolitical competition, protracted tensions, and fraying consensus about the benefits of globalization lead to economic fragmentation and undermine the global rules-based order, with adverse effects on investment, growth, and stability.	**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. • Protectionism could impact Suriname's exports, especially agricultural.	Allow the exchange rate to function as a shock absorber by allowing greater exchange rate flexibility. Implement appropriate monetary policy to prevent large swings in capital flows.
Weaker-than-expected global growth, including in Europe and the U.S.	**High (Europe)/ Medium (U.S.)**	**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 help buffer against commodity price shocks. Monetary policy needs to react to global conditions and have the proper tools at its disposal to respond adequately.

	Likelihood	*Impact*	*Policy Advice*
Large swings in energy/commodity prices, with sizeable deviations from their baselines.	**Medium**	**High** • A fall in energy and commodity prices could impact Suriname as it did in 2014. High dependence on the mining sector remains a source of risk to the economy. • Suriname does not have adequate buffers to withstand another strong price shock. • Lower commodity prices would dampen exports, adversely affect investments in the mining sector.	Diversify the economy away from the extractive industries and accelerate structural reforms to support non-oil sector growth. Build reserves and undertake countercyclical fiscal policies. Continue fiscal consolidation to increase fiscal space.
Sharp rise in risk premia. An abrupt deterioration in market sentiment (e.g., prompted by policy surprises, renewed stresses in emerging markets, or a disorderly Brexit) could trigger risk-off events such as recognition of underpriced risk. Higher risk premia cause higher debt service and refinancing risks; stress on leveraged firms, households, and vulnerable sovereigns; disruptive corrections to stretched asset valuations; and capital account pressures—all depressing growth.	**High**	**High** • External borrowing costs could rise • External debt service could rise	Fiscal consolidation reduces the risks of higher external borrowing costs.

Annex IV. Debt Sustainability Analysis

A. Public Sector DSA

The Public Debt Sustainability Analysis (DSA) suggests significant weaknesses in the baseline debt profile, exposure to risks from high financing needs, and vulnerabilities to various shocks. The level of public debt will rise over the projection period and financing needs will double. Vulnerabilities have increased since the last assessment (2018 Article IV), largely due to a fiscal expansion. Shocks from several scenarios worsen the debt dynamics. A high share of foreign currency debt amplifies the risk from a currency depreciation. A large fiscal adjustment is required to place public debt firmly on a downward path.

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 (as well as the rest of this report), "public debt" refers to Suriname's central government debt (statistics for the broader public sector are not compiled). Total gross debt reached 72.1 percent of GDP in 2018, comparing unfavorably with many other commodity-exporting countries, including those in Latin America and the Caribbean. The increase was due to large fiscal deficits and exchange rate depreciation. The government issued a large external bond of US$550 million (16.8 percent of GDP) in late 2016. About a half of the external bond proceeds was on-lent to the state oil company Staatsolie to cover its external debt service.

2. **In the second half of 2018 and first half of 2019, public debt declined.** This was because the government used proceeds from repayment of a Staatsolie loan to the government to repay domestic debt. Staatsolie issued a large syndicated external loan in May 2018 (US$625 million, 16.3 percent of GDP) with the objective of refinancing its external debt and repaying the govenment the loan extended to the company in 2016.[2] Despite this, public debt as a share of GDP is expected to grow in 2019 due to the high fiscal deficit.

3. **At the end of 2018, external public debt amounted to 49.6 percent of GDP—about three quarters of total public debt.** This makes the stock of public debt vulnerable to a real exchange rate depreciation shock.[3] The share of short-term debt in the total stock fell slightly in

[1] The authorities' methodology to calculate debt-to-GDP ratios is different from the IMF's. The authorities' methodology uses the latest available GDP and the corresponding exchange rate for any following year. Thus, according to the authorities' methodology, the debt-to-GDP ratio for 2018 uses the GDP for 2017, which is the latest available. These ratios are not revised when official GDP data becomes available. The IMF's methodology, on the other hand uses same year data for debt-to-GDP ratio, and where official GDP data is not available, uses IMF's estimates of GDP.

[2] Staatsolie placed a syndicated loan in May 2018 for US$625 million (16 percent of GDP). 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.

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

2018, declining 0.6 percent of GDP. The spread on the external bond exceeds 800 basis points, suggesting unfavorable market sentiment towards Suriname.

Outlook and Risks

4. The DSA is applied to the staff's baseline scenario, which features adjustment measures starting 2022. The primary fiscal deficit is projected to rise due to the fiscal stimulus from 3.5 percent of GDP in 2018 and peak 5.0 percent of GDP in 2020, but decline to 2.7 percent of GDP in 2024, mostly due to the introduction of a VAT in 2022, but also due to somewhat reduced electricity subsidies following the transfer of the Afobaka Dam to the government in late-2019.

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 A4.2). Apart from this episode, staff's growth projections have been generally conservative. The baseline assumes that a shock of the magnitude seen in 2015–16 is not going to be repeated in the projection horizon.

6. Under the baseline, Suriname's public debt-to-GDP ratio will gradually increase to 87.4 percent of GDP by 2024 (Figure A4.1). The increase is driven primarily by rising fiscal deficits in the short term. Gross financing needs, which include rolling over the short-term debt stock, are forecast to increase from 17 percent of GDP in 2017 to 21 percent of GDP by 2020 and rising sharply to over 33 percent of GDP in 2024. This increase is due to the assumption of a high share of expensive domestic short-term debt. Financing is assumed to be 75 percent external (mostly multilateral) and 25 percent domestic, where supplier credit is the residual.

7. The fan charts illustrate the baseline public debt dynamics, along with a symmetric and asymmetric distribution of risks (Figure A4.1). 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, 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 A4.4). 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.** It assumes historical averages for real GDP growth of (1.5 percent) and the primary balance from 2020 onward (-2.2 percent of GDP). This implies a 3.6 percent of GDP primary fiscal adjustment in 2020. Nevertheless, the debt-to-GDP ratio increases over the medium term as the primary balance is still below the debt stabilizing value of 0.2 percent of GDP.

- **Constant primary balance scenario.** It assumes that the primary deficit is maintained at its projected 2019 value of 4.8 percent of GDP. This would increase the debt-to-GDP ratio to 104.7 percent of GDP by 2024, with public gross financing needs rising to 44.0 percent of GDP.

9. The public debt projections are vulnerable to various macroeconomic shocks (Figure A4.5). 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 85 percent, respectively. A downside scenario shock assumes the risks in the risk assessment matrix (Annex III) materialize. Relative to the baseline, growth falls 2 percent in the first year of projection then 1 percent in each year thereafter and the nominal exchange rate rises by 16 percent in the first year with a corresponding rise in inflation. These shocks drive public debt to 96-106 percent of GDP in the medium term and increase gross financing needs to around 50 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 175 percent of GDP by 2024 and increases financing needs to more than 70 percent of GDP. Banking sector vulnerabilities also pose contingent fiscal risks, though these are difficult to quantify.

B. External Debt Sustainability Analysis

10. External sector debt increased sharply during 2015–18. It rose from 53 percent of GDP in 2015 to 95 percent of GDP in 2016 as borrowing costs increased, the real exchange rate depreciated, and GDP growth declined. External debt rose further to 102 percent of GDP by 2018 as the fiscal expansion increased the CA deficit.

11. Under the baseline scenario, external debt is projected to decline to around 83 percent of GDP by 2024. Although central government external debt to GDP ratio is increasing, total external debt to GDP ratio is falling due to governments' expected repayments of loans to the IMF and by Staatsolie to external lenders. The decline in the external debt to GDP ratio is also explained, in part by base effects, as external debt is accumulating at a slower pace than nominal GDP growth. Gross external financing needs are expected to decline to about 4 percent of GDP by 2024, from 9 percent in 2018, in line with the projected lower external debt ratios. Fiscal consolidation efforts in the medium term, are needed to reduce pressure on the current account and put debt accumulation on the downward trend.

12. The external debt is sensitive to real exchange rate and non-interest current account shocks (Figure A4.6). A 30 percent depreciation of the real exchange rate could push up external debt to 147 percent of GDP in the short term, falling to 135 percent of GDP in the medium term. A one-half standard deviation increase in the non-interest current account deficit would put the public external debt ratio on an increasing trajectory, reaching 104 percent of GDP by 2024. Growth and interest rate shocks seem to have limited impact on external debt dynamics. However, combined shocks of a permanent one-quarter standard deviation applied simultaneously to the real interest rate, growth rate, and current account balance would also significantly raise the debt level.

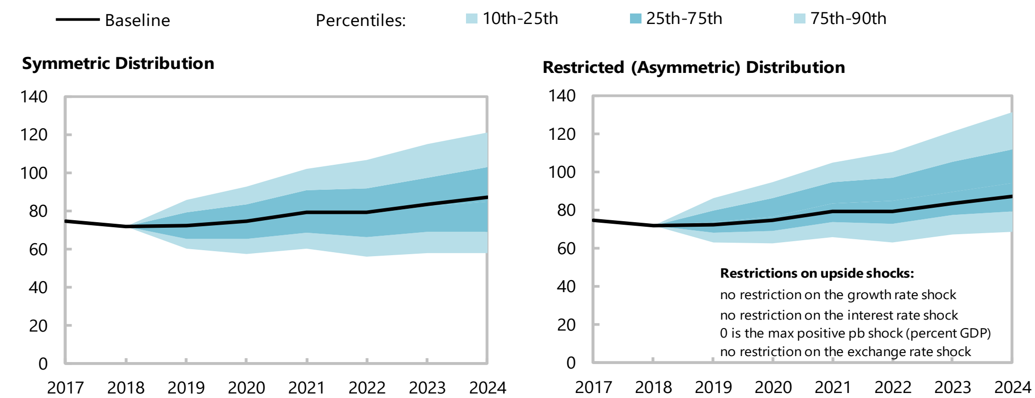
Figure A4.1. Suriname Public DSA Risk Assessment

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

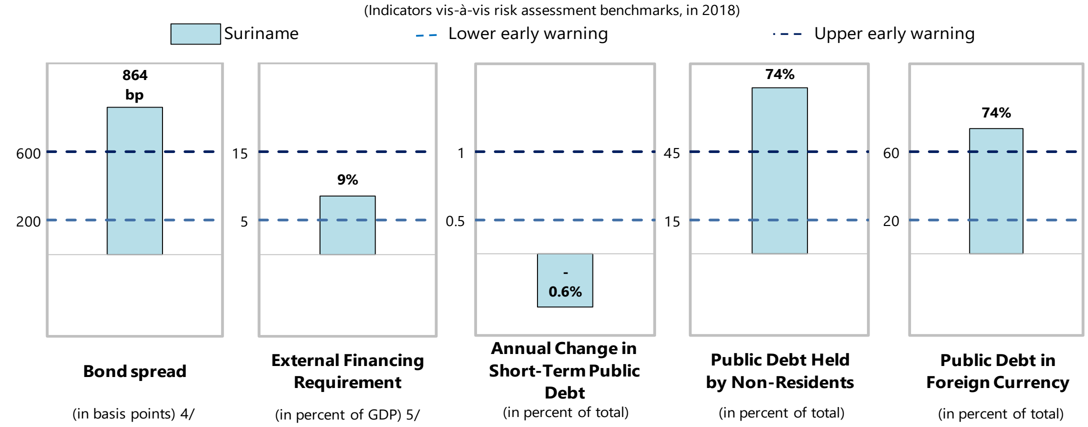
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2018)



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:

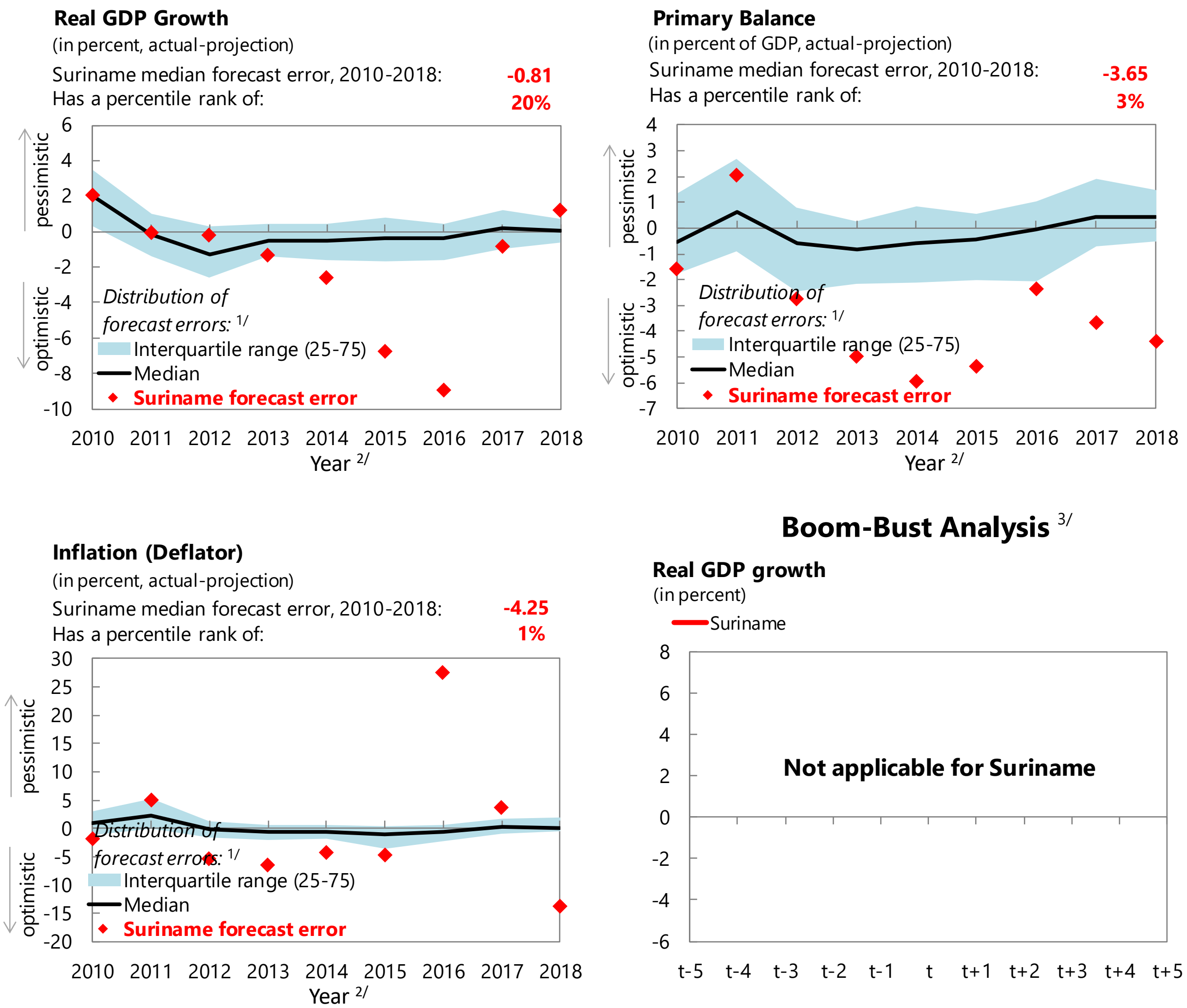
200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ Long-term bond spread over U.S. bonds, an average over the last 3 months, 05-Jun-19 through 03-Sep-19.

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 A4.2. Suriname Public DSA – Realism of Baseline Assumptions

Forecast Track Record, versus all countries



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.

Figure A4.3. Suriname Public DSA – Baseline Scenario

(Percent of GDP unless otherwise indicated)

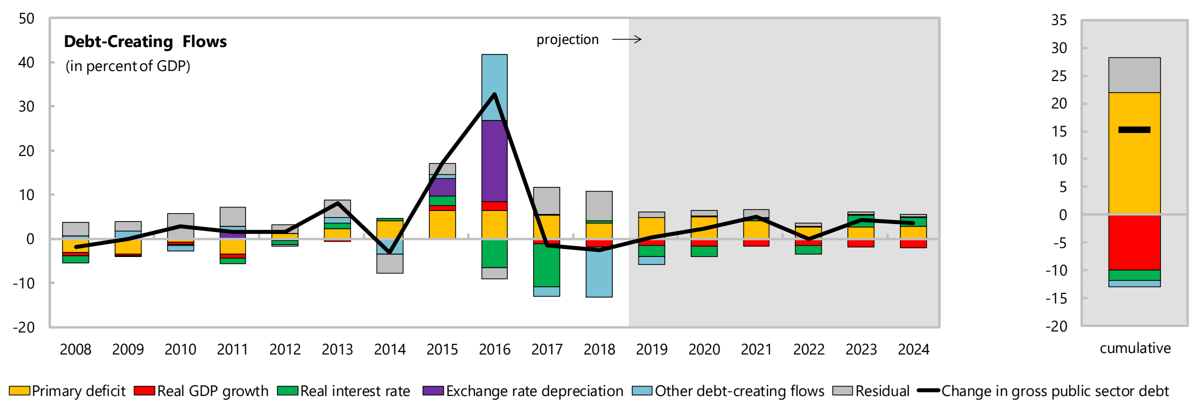
Debt, Economic and Market Indicators [1]

	Actual			Projections					
	2008-2016 [2]	2017	2018	2019	2020	2021	2022	2023	2024
Nominal gross public debt	29.6	74.6	72.1	72.3	74.6	79.5	79.5	83.8	87.4
Of which: guarantees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public gross financing needs	6.3	14.1	17.2	16.8	20.8	23.4	25.1	29.7	33.4
Real GDP growth (in percent)	1.7	1.8	2.6	2.3	2.5	2.4	2.0	2.4	2.5
Inflation (GDP deflator, in percent)	8.9	21.2	4.6	9.3	9.9	5.5	8.5	3.6	4.1
Nominal GDP growth (in percent)	10.7	23.3	7.4	11.8	12.6	8.0	10.7	6.0	6.7
Effective interest rate (in percent) [4]	5.9	7.0	5.6	5.4	6.3	6.3	5.8	7.3	6.8

As of September 03, 2019		
Sovereign Spreads		
EMBIG (bp) 3/		979
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	B2	B2
S&Ps	B	B
Fitch	B-	B-

Contribution to Changes in Public Debt

	Actual			Projections							
	2008-2016	2017	2018	2019	2020	2021	2022	2023	2024	cumulative	debt-stabilizing primary balance [9]
Change in gross public sector debt	6.5	-1.5	-2.5	0.2	2.3	5.0	-0.1	4.3	3.6	15.3	
Identified debt-creating flows	4.6	-7.5	-9.1	-1.0	1.1	3.1	-0.7	3.6	2.9	9.0	
Primary deficit	1.1	5.3	3.5	4.8	5.0	4.1	2.7	2.6	2.7	22.0	0.2
Primary (noninterest) revenue and grants	24.2	21.3	23.5	25.4	24.9	24.9	26.3	26.2	26.0	153.7	
Primary (noninterest) expenditure	25.3	26.6	27.1	30.2	29.9	29.1	28.9	28.8	28.7	175.6	
Automatic debt dynamics [5]	1.8	-10.5	-1.3	-4.1	-4.1	-1.2	-3.5	0.9	0.1	-11.8	
Interest rate/growth differential [6]	-0.9	-10.8	-1.3	-4.1	-4.1	-1.2	-3.5	0.9	0.1	-11.8	
Of which: real interest rate	-0.8	-9.7	0.5	-2.6	-2.5	0.5	-2.1	2.7	2.1	-1.9	
Of which: real GDP growth	-0.1	-1.1	-1.8	-1.5	-1.6	-1.7	-1.4	-1.8	-2.0	-9.9	
Exchange rate depreciation [7]	2.7	0.3	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	1.8	-2.2	-11.4	-1.7	0.2	0.1	0.1	0.1	0.1	-1.1	
Privatization/Drawdown of Deposits (+ reduces financing need)	0.3	-2.5	0.6	-1.7	0.2	0.1	0.1	0.1	0.1	-1.1	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Government & Public Sector Finance: Assets: Net acquisition of financial assets	1.5	0.3	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [8]	1.9	6.0	6.6	1.2	1.2	1.9	0.6	0.7	0.7	6.3	



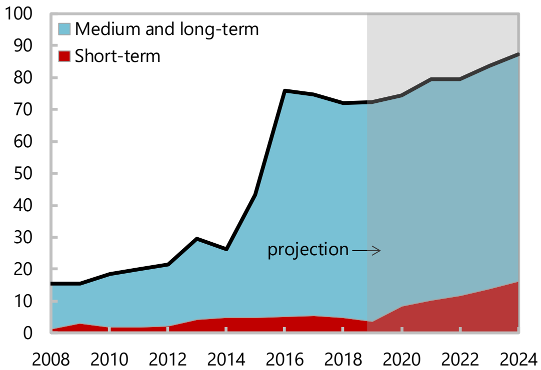
Source: IMF staff.
1/ Public sector is defined as central government and includes public guarantees, defined as .
2/ Based on available data.
3/ Long-term bond spread over U.S. bonds.
4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.
5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate;
a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).
6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.
7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).
8/ Includes 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 A4.4. Suriname Public Sector DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

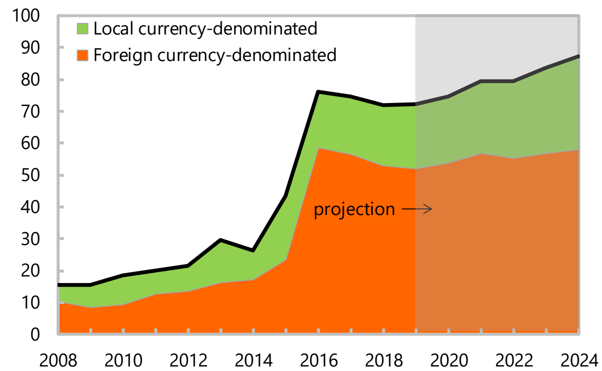
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

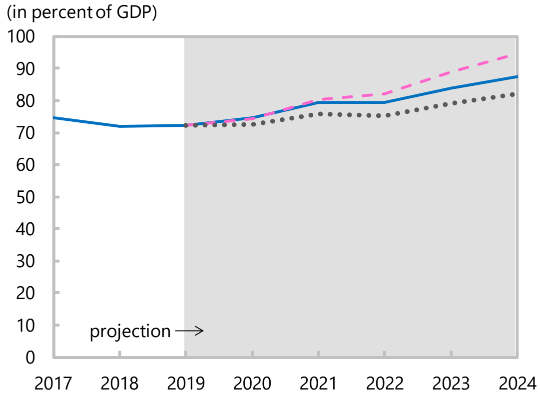


Alternative Scenarios

Baseline Historical Constant Primary Balance

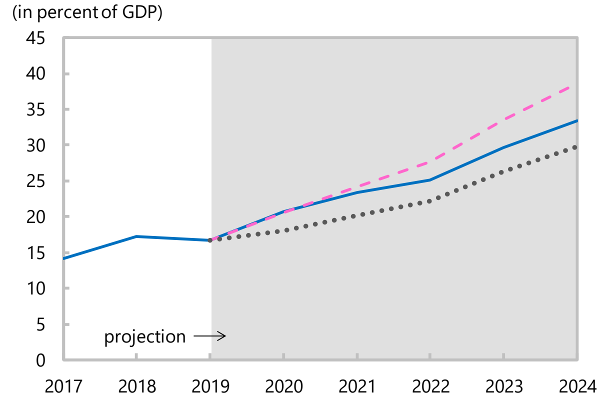
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

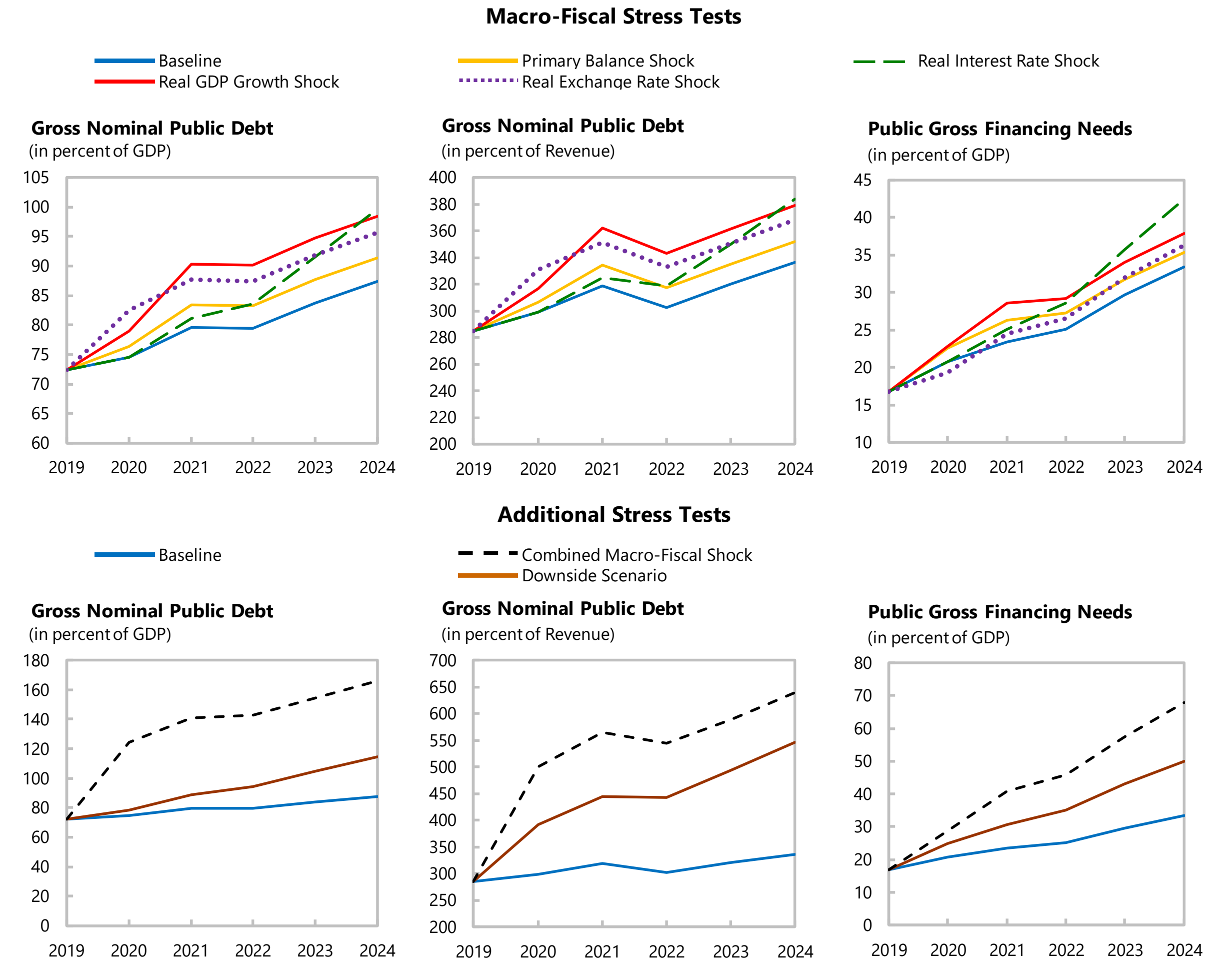
(in percent)

Baseline Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Inflation	9.3	9.9	5.5	8.5	3.6	4.1
Primary Balance	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Effective interest rate	5.4	6.3	6.3	5.8	7.3	6.8
Constant Primary Balance Scenario						
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Inflation	9.3	9.9	5.5	8.5	3.6	4.1
Primary Balance	-4.8	-4.8	-4.8	-4.8	-4.8	-4.8
Effective interest rate	5.4	6.3	6.3	5.8	7.4	6.8

Historical Scenario	2019	2020	2021	2022	2023	2024
Real GDP growth	2.3	1.5	1.5	1.5	1.5	1.5
Inflation	9.3	9.9	5.5	8.5	3.6	4.1
Primary Balance	-4.8	-2.2	-2.2	-2.2	-2.2	-2.2
Effective interest rate	5.4	6.3	5.9	5.1	6.5	5.9

Source: IMF staff.

Figure A4.5. Suriname Public Sector DSA – Stress Tests



Underlying Assumptions
(in percent)

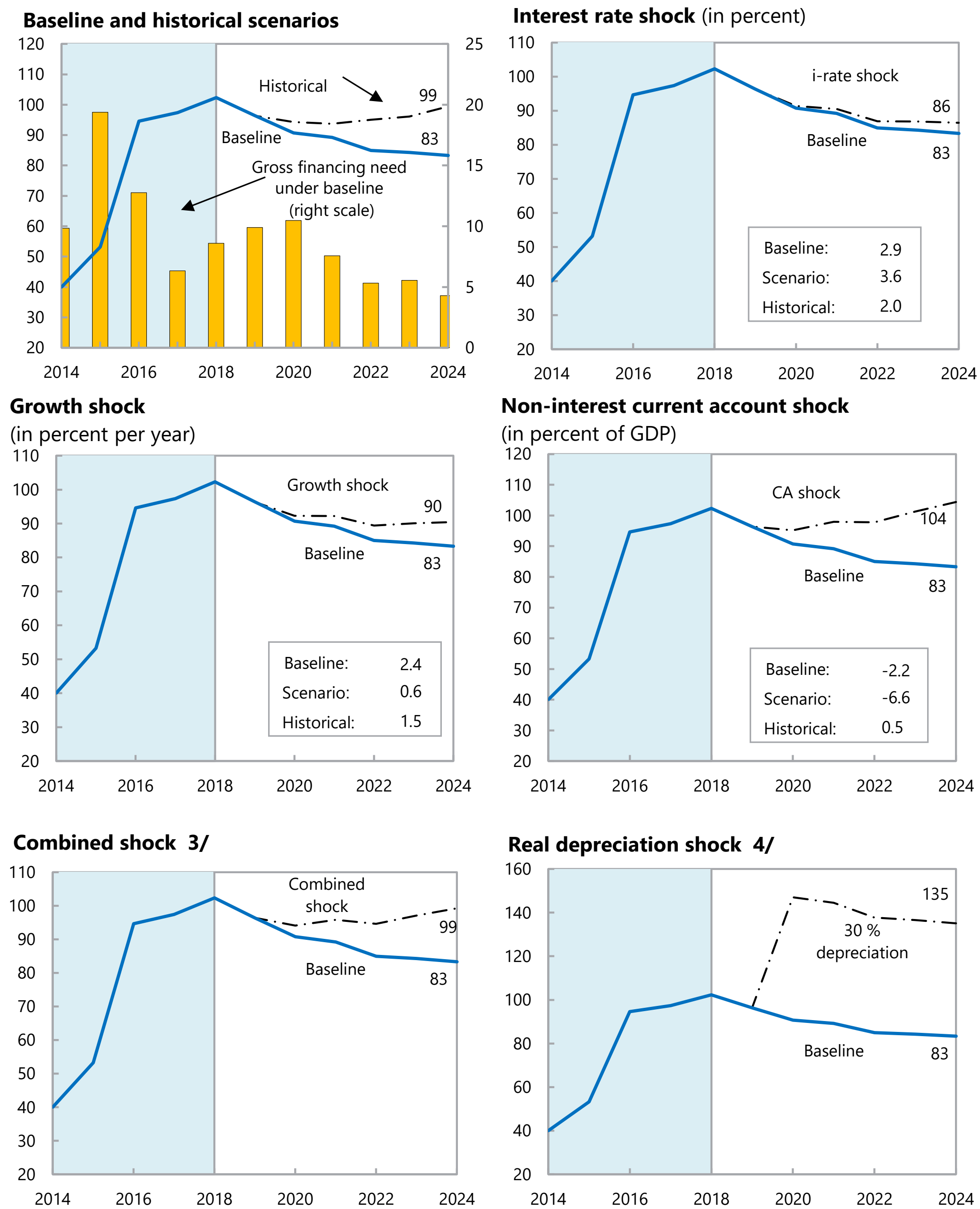
	2019	2020	2021	2022	2023	2024
Primary Balance Shock						
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Inflation	9.3	9.9	5.5	8.5	3.6	4.1
Primary balance	-4.8	-6.8	-6.0	-2.7	-2.6	-2.7
Effective interest rate	5.4	6.3	6.5	5.9	7.4	6.8
Real Interest Rate Shock						
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Inflation	9.3	9.9	5.5	8.5	3.6	4.1
Primary balance	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Effective interest rate	5.4	6.3	8.6	9.3	11.8	12.0
Combined Shock						
Real GDP growth	2.3	-1.1	-1.2	2.0	2.4	2.5
Inflation	9.3	9.0	4.6	8.5	3.6	4.1
Primary balance	-4.8	-6.8	-6.8	-2.7	-2.6	-2.7
Effective interest rate	5.4	9.8	8.2	9.1	11.5	11.8

	2019	2020	2021	2022	2023	2024
Real GDP Growth Shock						
Real GDP growth	2.3	-1.1	-1.2	2.0	2.4	2.5
Inflation	9.3	9.0	4.6	8.5	3.6	4.1
Primary balance	-4.8	-6.3	-6.8	-2.7	-2.6	-2.7
Effective interest rate	5.4	6.3	6.4	6.0	7.4	6.8
Real Exchange Rate Shock						
Real GDP growth	2.3	2.5	2.4	2.0	2.4	2.5
Inflation	9.3	59.7	5.5	8.5	3.6	4.1
Primary balance	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Effective interest rate	5.4	9.8	6.3	5.9	7.4	6.9
Downside Scenario						
Real GDP growth	2.3	0.5	1.4	1.0	1.4	1.5
Inflation	9.3	24.9	5.5	8.5	3.6	4.1
Primary balance	-4.8	-5.0	-4.1	-2.7	-2.6	-2.7
Effective interest rate	5.4	6.8	6.3	5.7	7.5	6.8

Source: IMF staff.

Figure A4.6. 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 A4.1. Suriname: External Debt Sustainability Framework, 2014–2024
(Percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2014	2015	2016	2017	2018			2019	2020	2021	2022	2023	2024	Debt-stabilizing non-interest current account 6/
Baseline: External debt	40.0	53.2	94.6	97.4	102.3			**96.4**	**90.7**	**89.2**	**85.0**	**84.3**	**83.3**	**-7.4**
Change in external debt	4.2	13.2	41.4	2.8	4.9			-5.9	-5.6	-1.5	-4.2	-0.7	-0.9	
Identified external debt-creating flows (4+8+9)	4.2	14.8	7.5	-6.5	-5.3			1.3	0.0	-1.6	-2.7	-2.0	-3.3	
Current account deficit, excluding interest payments	7.6	16.1	3.6	-4.4	0.8			4.0	3.6	2.2	1.0	2.4	1.8	
Deficit in balance of goods and services	8.0	17.5	3.1	-11.1	-4.8			-0.7	-1.2	-2.0	-2.6	-0.5	-0.9	
Exports	45.0	38.8	51.9	68.4	66.5			62.9	64.9	64.1	60.8	59.1	57.1	
Imports	52.9	56.3	55.0	57.3	61.7			62.2	63.6	62.1	58.3	58.5	56.2	
Net non-debt creating capital inflows (negative)	-3.1	-5.4	-25.8	-2.2	-1.7			-2.7	-3.7	-4.1	-4.4	-4.9	-5.6	
Automatic debt dynamics 1/	-0.3	4.2	29.7	0.1	-4.3			0.0	0.1	0.3	0.7	0.5	0.5	
Contribution from nominal interest rate	0.3	0.4	1.5	2.5	2.6			2.1	2.3	2.4	2.4	2.4	2.5	
Contribution from real GDP growth	-0.1	1.5	4.5	-1.6	-2.4			-2.1	-2.2	-2.1	-1.7	-1.9	-2.0	
Contribution from price and exchange rate changes 2/	-0.6	2.3	23.7	-0.8	-4.6			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	0.1	-1.6	33.9	9.3	10.3			-7.2	-5.7	0.1	-1.5	1.3	2.4	
External debt-to-exports ratio (in percent)	89.1	137.3	182.2	142.4	153.8			153.2	139.9	139.2	139.7	142.7	146.0	
Gross external financing need (in billions of US dollars) 4/	0.5	0.9	0.4	0.2	0.3			0.4	0.4	0.3	0.3	0.3	0.2	
in percent of GDP	9.8	19.4	12.8	6.3	8.6	10-Year	10-Year	9.9	10.5	7.6	5.3	5.5	4.3	
Scenario with key variables at their historical averages 5/								**96.4**	**94.3**	**93.7**	**95.0**	**96.1**	**99.4**	**-2.5**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	0.3	-3.4	-5.6	1.8	2.6	1.5	3.6	2.3	2.5	2.4	2.0	2.4	2.5	
GDP deflator in US dollars (change in percent)	1.6	-5.4	-30.8	0.8	5.0	-0.9	11.6	8.0	7.3	2.3	5.9	2.3	2.8	
Nominal external interest rate (in percent)	0.9	0.8	1.8	2.7	2.9	2.0	1.5	2.3	2.6	2.7	2.9	3.0	3.1	
Growth of exports (US dollar terms, in percent)	-9.2	-21.2	-12.5	35.1	4.8	3.2	21.5	4.4	13.4	3.5	2.6	1.7	1.8	
Growth of imports (US dollar terms, in percent)	1.7	-2.8	-36.1	6.9	16.0	3.3	18.5	11.3	12.5	2.2	1.4	5.2	1.2	
Current account balance, excluding interest payments	-7.6	-16.1	-3.6	4.4	-0.8	0.5	8.9	-4.0	-3.6	-2.2	-1.0	-2.4	-1.8	
Net non-debt creating capital inflows	3.1	5.4	25.8	2.2	1.7	3.8	8.4	2.7	3.7	4.1	4.4	4.9	5.6	

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 V. Strengthening Governance in the Extractive Industries[1]

1. **The first EITI report of Suriname was published in 2019.** The report highlights key steps taken by the authorities to improve transparency and strengthen governance in the extractive industry: The Multi-Stakeholder Group was established in 2016 to oversee the governance and implementation of EITI in Suriname. Subsequently, the authorities disclosed the legal and institutional framework in the extractive sector including the fiscal regime (taxes, royalties, production sharing agreements, and incentives), processes for allocating contract and licenses, and government participation. The main laws governing the extractive sector are published in the government gazette. The institutional role and participation of the government in the extractive industry is also articulated, including the participation in the oil sector through Staatsolie and in the gold sector through Grassalco. They published the beneficial ownership roadmap in October 2017 with the aim of full disclosure of beneficial ownership information by January 1, 2020. The Annual Accounts Law, which was enacted in 2017 (scheduled to take effect in 2020) and the Anti-Corruption law passed in 2017 will also enhance transparency on the beneficial ownership of extractive industry companies. In addition, information related to exploration, production and export data in the oil and gas and mineral sectors for the fiscal year 2016 has been disclosed and revenue streams from extractive companies have gone through a reconciliation process.

2. **In addition to this progress, the report makes recommendations to:**

- Improve the institutional/organizational structure for EITI by developing standard working procedures for the MSG secretariat, clear processes and milestones, a repository for laws and regulations in the extractive industry, and data collection processes.
- Reform the legal and regulatory framework for the extractive industry to align it with the EITI requirements, especially for small and medium mining companies. Review regulations for safeguarding the environment; formalize the draft mining code 2004; and enforce the law for Protection of Living and Living Areas.
- Establish a separate government entity to supervise and handle contracts for production sharing agreements in oil and gas sector (currently this is conducted by Staatsolie).
- Improve the financial reporting by state owned enterprises by adopting international financial reporting standards (IFRS).
- Enhance the reconciliation process for EITI by developing a database to reconcile and report reconciling discrepancies automatically. The reconciliation process between the Ministry of Finance and reporting companies should be formalized and implemented semi-annually.

[1] EITI Report for the Republic of Suriname for the fiscal year 2016.

- Develop specific regulations or inclusion of regulations in licensing agreements/contracts for EITI reporting.

- Improve the issuance and monitoring of licenses for oil and gas and mining companies by developing a database for the mining licenses, which is centrally managed by the Ministry of Natural Resources (MONR).

- Improve the reporting of financial and non-financial flows by increasing monitoring compliance of reporting production data to the MONR and making payments in-kind transparent.

- Strengthen the enforcement of periodic reporting of gold exports, royalties, and in-kind payments and quarrying materials by mining companies, particularly for small scale miners, buyers, and exporters of gold.

- Clarify the validity and application of the Grassalco 80/20 percent rule (an arrangement made by government for the distribution of monthly royalty payments by Rosebel to Grassalco where the government would get 80 percent and Grassalco the remaining 20 percent of the revenues) and make it transparent.

- Enhance the assurance environment of government financial information for EITI purposes, by performing annual audits of revenues reported for the mining sector in the government budget. Financial data for 2016 which has been reported as preliminary should be updated.

- Improve government systems for recording, keeping data and controlling information related to financial flows and other related flows from the extractive industry through automation.

- Improve registration of licenses and data collection at the MONR by developing an inventory of all existing mining licenses and concessions, register of all applications for licenses and concessions in the mineral and oil and gas sectors, and establish a database of legislation and regulations on the extractive industry. Have a register of surface fees to be earned for each mining right and set guidelines for reliable data registration of licenses with a visible audit trail.

- Separate from the Suriname Environmental and Mining Foundation (SEMIF) a certain part of revenues from the oil and mining sectors that are allocated to the sustainable development of the mining industry to support regulatory functions, EITI MSG, GMD, establishment of a mineral institute, and funding of small and medium size miners in certain cases.

Annex VI. Strengthening the Monetary Policy Framework

1. The CBvS has implemented new tools to enhance the reserve monetary targeting regime:

- **1-day Liquidity Facility (ILF).** This facility aims to prevent stagnation in payment transactions by providing intra-day credit to eligible banks. The facility is collateralized for example by treasury bills or any other assets deemed acceptable by the CBvS and valued at nominal value. The loan ceiling is set at 1 percent of the SRD reserve base of the relevant general bank. The ILF is available to banks every working day during the Bank's opening times. There is no interest charged on the use of the facility, but if it is not settled intra-day, or the bank has insufficient funds to meet its payment obligation, the lending facility will be converted automatically to an interest-bearing lending facility.

- **5-day Lending Facility.** This is a short-term lending facility for up to 5 days that helps banks meet their temporary liquidity needs and smoothen liquidity positions. It is offered against a collateral valued at nominal value registered with the CBvS. If the bank does not repay the outstanding debt in time, a haircut of 20 percent on the nominal value will apply when the collateral is recovered. This facility starts with an annual interest rate of 6 percent and will be settled at the end of the loan and will be determined by the CBvS quarterly. A bank can also gain access to the loan facility through the ILF. The facility can only be used for a maximum of five days in a month. If a bank uses the loan facility for three consecutive months for five days, the CBvS's Bank Supervision department will conduct an in-depth investigation into the liquidity management of the bank.

- **Multi-day Deposit facility.** This deposit facility is a short-term (multi-day) interest-bearing investment product aimed at mopping excess liquidity in the banks. It offers banks an alternative low risk investment instrument and serves as a fund for the short-term lending facilities, and the emergency liquidity assistance. The facility is accessible to all banks but not to banks that are already using other liquidity support facilities. The interest on the deposit facility is 1 percent per annum. It is offered for a maximum of 5 working days, but can be extended for more days, under some circumstances at adjusted interest rate.

- **Gold-indexed bonds.** They pay a fixed interest rate over the nominal gold value of the gold certificates, expressed in gold but paid out in Surinamese legal tender, with annual interest rate between 2 and 3 percent and maturities from 1 to 5 years. These certificates are transferable.

- **Certificates of Deposit.** They pay a fixed interest rate over the nominal value of the instrument in Surinamese legal tender. They are available with 6-24-month maturities, at annual interest rates of 8−12 percent and are transferable during the term.

2. The CBvS has also implemented an Emergency Liquidity Assistance (ELA) tool. The ELA is provided to banks to help them cover temporary liquidity shortages. It is offered on a discretionary basis in very specific circumstances to solvent banks at an interest rate set by the CBvS.

To access the facility, a bank must provide the reasons why it is unable to meet its liquidity needs, supported by a short- and medium-term liquidity forecast, and must demonstrate that other sources of liquidity have already been fully utilized. The support is collateralized, and the central bank applies a discretionary haircut to the market value of the accepted collateral (such as treasury bills and other marketable securities). The value of the collateral after application of the haircut must always be equal or less than the amount of credit granted. The ELA is provided to banks for collateral with a maximum duration of one month with the possibility of extension to three months. Increased supervision and conditionality are necessary conditions for granting the ELA to ensure that banks continue to actively comply with its liquidity recovery plans. Non-repayment of the ELA is considered as default, which allows the CBvS to terminate the ELA loan agreement.

3. The CBvS has also formed new monetary and banking committees. These committee will help better coordinate and implement policies. They include:

- **Monetary policy advisory committee (MPAC).** Is an internal professional body established to provide advice on appropriate monetary policy instruments to foster price stability. The committee meets every month to analyze relevant data and intelligence reports on monetary, financial, and other macroeconomic developments to help monitor liquidity and identify excess liquidity in the banking system, prepare a monetary policy report with appropriate recommendations, and provide regular discussions and advice on economic policy issues. The MPAC may establish thematic working groups to or suggest specific research or analysis to improve policy advice.

- **Monetary and Fiscal Policy Coordination Committee (MFPCC).** The Ministry of Finance and the CBvS established a joint committee chaired by the Minister and Governor. The MFPCC aims at better forecasting liquidity needs by the private and public sectors and ensure macroeconomic consistency of fiscal and monetary policies.

- **Commercial Bank Credit Oversight Committee (CBCOC).** The purpose of the CBCOC is to establish and maintain a framework for liquidity assistance to commercial banks. This includes developing or modifying lending and deposit facilities, rules for collateral requirements, solvency, duration and penal rates, develop and maintain the lending portfolio and operations, determine collateral and counterparts' limits and rules of commitment. CBCOC is also responsible for establishing necessary information systems and review the operations to ensure compliance. The committee is comprised of staff from the following CBvS departments: financial markets, open market operations, banking supervision, statistics, and domestic departments. It meets quarterly to review and analyze the system, evaluate the effectiveness of the mandated lending facilities and framework, and assess adherence of mandated facilities to the requirements in terms of credit types, durations, collateral and counterpart limits, evaluate interest rates and the charter of the committee.

4. The CBvS is finalizing drafts of various important legislation related to monetary and financial policies. These drafts include:

- **Bank Act:** Upon a request from the Ministry of Finance, the CBvS has included, in a draft revised Bank Act, removal of the provision for government to withdraw advances from the central bank (monetary financing) and recapitalization of the central bank. Other revisions include addition of the central bank's objectives to include fostering stability of the financial system through enhanced supervisory powers, taking recovery and resolution measures on troubled banks, supervision of electronic transactions and developing and expanding domestic money and capital markets, use of other forms of instruments for monetary policy, setting the threshold for foreign exchange reserve coverage to at least three months of imports and new requirements for the appointment of governor and deputy governors.

- **Credit Institutions Resolution Act.** This new draft law aims to give power to the central bank to institute preventive, early intervention and resolution measures on troubled banks to maintain financial stability. The preventive measures include establishment of a financial stability commission to monitor the stability of the financial system, enhanced coordination between the central bank and the ministry of finance, conduct of on-site inspections with full access to information, and development of recovery plans and implementation of corrective measures. Early intervention measures include central bank instructions on credit institutions to implement changes on the structure, procedures and activities of the institution, power to limit or suspend the shareholders rights, and take other corrective measures. The resolution measures include power to transfer assets and liabilities, institute mergers and capital increases, set up a bridge bank, appoint external administrators and liquidation.

- **Banking and Credit Supervision Act.** The draft amendments to this existing act focus on aligning the rules with those of the Credit Institutions Resolution Act. It allows expansion of the informational obligations of external auditors to the central bank, provides changes to the fining policy, and envisions actions by the central bank on illegal acquisition and distribution of funds of third parties, aligning them with the non-disclosure obligations in the Bank Resolution Act.

- **Insurance Supervision Act.** This is a new act, aiming to enhance protection of the insured and third parties entitled to insurance payments and to promote public confidence in the insurance sector. It places the licensing and supervision of insurance companies under the supervision of the central bank and highlights powers and supervisory actions and measures, which can be taken.

- **Deposit Insurance Act.** This law allows the establishment of a deposit protection scheme to limit systemic risk and prevent problems from spreading from one credit institution to another, as well as provide some protection to account holders of credit institutions that collapse. Thus, this law would enhance confidence and contribute to the stability in the financial system. The act outlines procedures for capitalization, contributions operations and compensations of depositors from the scheme.

- **Pension Funds and Provident Funds Act.** This law lays out the structures and rules for managing pension and provident schemes, roles and responsibilities of employers, licensing and supervision of pensions funds by the central bank. This Act also highlights the rules for pension contributions by members, entitlements of pension benefits, assets and liability structures, rules for investments of pension funds and financial reporting. The amendments aim to regulate (individual) defined contribution funds and broaden the supervisory tools of the CBvS.

- **General Pensions Act.** This act would contain rules relating to the introduction of a mandatory pension system, that is based on the pay as you go (PAYG) method, as part of the development of a national social security system. It highlights the rules for contributions to the pension system, accrual of pension entitlements and nature of benefits, indexation of pension benefits, requirements for payment of pension benefits, employer and employee obligations, establishment of the pension council to supervise and implement activities under the act, establishment of the general pension fund to manage the fund, administrative sanctions, and the appeal procedures. All provisions in this law related to occupational pension schemes that are based on the full funded method and supervised by the Bank, have been deleted.

- **Money Transactions Offices Supervision Act*:*** The amendment of this law aims to enhance the supervision of money transaction companies (money transfer offices and cambios) with a view to prevent money laundering and combating terrorist financing and to implement the recommendations of the Financial Action Task Force (FATF). The act sets guidelines for improved financial reporting, external audit functions, includes provisions for unusual transactions and identification obligation, and power of the central bank to take measures for misconduct.

- **Electronic Payment Transactions Act:** The Act serves for licensing, regulations, operational guidelines and supervision of electronic service providers by the CBvS. It also sets the rules for deposits, liquidity and solvency requirements, reporting procedures, information exchange, risk management, customer due diligence, domestic and cross border transactions by electronic service providers and measures which can be taken by the central bank.

- **Credit Bureaus Act:** The act aims to protect individuals and legal entities against over-indebtedness and to achieve a balanced socio-economic and financial development for Suriname. It provides for the systematic registration of credit agreements to facilitate credit providers in the making of credit-related decisions; further develop the credit market and facilitate access to credit by reducing information asymmetry between borrowers and credit providers. It sets guidelines for licensing and supervision of credit bureaus by the CBvS, confidentiality and information sharing, operational guidelines and appeal procedures.

INTERNATIONAL MONETARY FUND

SURINAME

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 19, 2019

Prepared By	Western Hemisphere Department (In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of September 30, 2019)

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)	170.45	132.23
Reserve Tranche Position	9.20	7.14

SDR Department:	**SDR Million**	**Percent of allocation**
Net cumulative allocation	88.09	100.00
Holdings	23.68	26.88

Outstanding Purchases and Loans:	**SRD Million**	**Percent of Quota**
Stand-by Arrangement	50.75	39.37

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				
	2019	2020	2021	2022	2023
Principal	7.25	29.00	14.50		
Charges/Interest	0.40	1.19	0.68	0.55	0.55
Total	**7.65**	**30.19**	**15.18**	**0.55**	**0.55**

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 November 16, 2018 (The last published IMF Article IV country report is from December 2018: IMF Country Report No. 18/376). 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. These measures were included as part of program conditionality. The authorities have made progress in implementation of some of the recommendations. Several pieces of legislation are being finalized and expected to be submitted to Parliament end of 2019 (see staff report).

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)
- Improved budget execution and control (October 2016)
- National Account Statistics (February 2017)
- Price Statistics (August 2017)
- Macro fiscal scoping mission (July 2018)
- External sector statistics (November 2018)
- Macroprudential and financial interconnectedness (November 2018)
- Public financial management (April 2019)
- International financial reporting system (IFSR9) implementation (March 2019)
- International financial reporting system (IFSR9) implementation, follow-up (July 2019)

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)
- Tax and customs: Preparing for the Value-Added Tax (March 2017)
- Legal and Tax Policy Frameworks: Preparing for the Value-Added Tax (April 2017)
- Revenue Administration: Follow up on the preparation for the Value-Added Tax (October 2017)
- Desk reviews for the PFM law and the establishment of a sovereign wealth fund (2017–18).

LEG

- Fiscal law (August and November 2011)

MCM

- Banking system assessment (March 2011)
- Introduction of indirect monetary instruments (June 2011)
- Bank resolution (January 2012)
- TA results-based 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)

- Liquidity management and monetary operations (June 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: https://www.caribank.org/countries-and-members/borrowing-members/suriname

- CDB's Strategy Paper: https://www.caribank.org/publications-and-resources/resource-library/country-strategies/country-strategy-paper-suriname-2014-2018

Islamic Development Bank (IsDB)

- Country Page and IsDB's project operations: https://www.isdb.org/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. CPI data, including for individual basket items are available. However, other 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) or imports and exports price indices, 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. 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 further develop labor market indicators to fill the labor statistics gap.

Real sector statistics: The CARTAC has provided 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 is working on rebasing GDP to 2015 and the process is expected to be completed in June 2020. There are plans to start producing quarterly GDP by production, with support from the Economic Commission for Latin America and the Caribbean (ECLAC), Canada's Project for the Regional Advancement of Statistics in the Caribbean (PRASC), and the National Institute of Statistics and Geography of Mexico (INEGI), starting end-2019. The ABS has updated the CPI basket based on the results of the 2013/2014 household budget survey and published a census of enterprises. The ABS is also expected to receive TA on developing gender statistics from CARICOM and ESTAT in 2020. The ABS received support from PRASC in July 2019 to conduct trade and freight transport margin studies, produce adjustment factors and indicators, improve classification and quality of International Merchandise Trade Statistics (IMTS), and establish the Integrated Business Register (IBR). Following the publication of the Demographic Data 2015–18, the ABS plans to continue producing it every two years starting in 2020.

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. The MoF received technical assistance from STA in recent years 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 encourage 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 depository corporations (ODCs) on a monthly basis. 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. The CBvS does not yet provide SRFs for other financial corporations and the authorities have requested technical assistance in this field. Parallel market exchange rate data is not available.

Financial sector surveillance: The CBvS compiles financial soundness indicators (FSIs) for the banking system on a monthly and quarterly basis with a lag of about one quarter. However, 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 and to begin reporting Suriname's FSIs to STA on a regular basis, as recommended by the April 2016 STA TA mission. Suriname reports data on some key series and indicators to the Financial Access Survey (FAS), including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

External sector statistics: The CBvS compiles and disseminates quarterly balance of payments and international investment position (IIP) statistics. The CBvS has transitioned to the sixth edition of *the Balance of Payments and International Investment Position Manual (BPM6)*. However, it has not yet begun to publish the BPM6-based data. The CBvS also disseminates quarterly external debt statistics on its website and reports them to the World Bank's Quarterly External Debt Statistics (QEDS) database. The coverage of public sector external debt and private sector external debt loans is adequate. In more recent years, the CBvS has strengthened the compilation and coverage of foreign direct investment and prepared inward direct investment data by partner economy and economic sector. There is a further need to expand the coverage of deposits abroad of the nonfinancial sector, private sector external debt other than loans, and services (transport, travel, insurance and pension services, financial, and other business services), which will continue to contribute to reduce the persistent high net errors and omissions in the balance of payments statistics. The improvement of travel services estimates requires the implementation of visitor surveys in coordination with the Suriname Tourism Office and the General Bureau of Statistics (ABS). Remittances can also be improved by using the household survey of the ABS to compile remittances through informal channels. Improved interagency coordination (CBvS, ABS, Ministry of Finance, Debt Management Office, and other agencies) will also strengthen consistency and harmonization among macroeconomic statistics.

B. Data Standards and Quality

Suriname implemented e-GDDS in 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.

Suriname: Table of Common Indicators Required for Surveillance (As of November 12, 2019)					
	Date of Latest Observation	**Date Received**	**Frequency of Data[4]**	**Frequency of Reporting[4]**	**Frequency of Publication[4]**
Exchange Rates	10/31/2019	10/31/2019	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	August 2019	9/27/2019	Weekly	Monthly, less than 1-month lag	M
Reserve/Base Money	August 2019	9/17/2018	M	Monthly, 1-2-month lag	M
Broad Money	August 2019	9/17/2019	M	Monthly, 1-2 month lag	M
Central Bank Balance Sheet	October 2019	10/25/2019	W	Weekly, less than 1-2 week lag	W
Consolidated Balance Sheet of the Banking System	July 2019	9/26/2019	M	Monthly, 1-2 month lag	M
Interest Rates[1]	July 2019	9/26/2019	M	Monthly, 1-2 month lag	M
Consumer Price Index	Aug 2019	10/17/2019	M	Monthly, often 1-2 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 2019	7/23/2019	M	Monthly, 6-week lag	M
Stocks of Central Government and Central Government – Guaranteed Debt	August 2019	10/15/2019	M	Monthly, 6-week lag	M
External Current Account Balance	Q2/2019	08/30/2019	Q	Q	Q
Exports and Imports of Goods and Services	Q2/2019	08/30/2019	Q	Q	Q
GDP	2018	9/27/2019	A	A	A
Gross External Debt	Q2/2019	08/30/2019	Q	Q	Q
International Investment Position[3]	Q2/2019	08/30/2019	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. Afonso Bevilaqua, Executive Director for Suriname and Mr. Karel Eckhorst, Advisor to Executive Director December 11, 2019

On behalf of our Surinamese authorities, we thank staff for this year's Article IV consultation. While broadly agreeing on many of the key issues detailed in the report, we would like to highlight the progress recently made on the fiscal, monetary and financial frameworks.

Macroeconomic developments

After a deep recession in 2015-16, when inflation spiked and fiscal deficit ballooned, the economy has returned to a sounder track. The recovery is broad based and is premised on institutional enhancements and improved fundamentals. GDP growth reached 2.6 percent in 2018, up from 1.8 percent in 2017. Following a peak of over 50 percent in 2016, inflation dropped sharply to 6.8 percent in 2018 and is expected to remain contained within single-digit levels. This positive outcome has been supported by recently developed monetary policy instruments under the new reserve money targeting framework. The authorities remain committed to implementing both revenue and expenditure measures to achieve fiscal stabilization. That said, the primary fiscal deficit declined by about four percentage points of GDP between 2015 and 2018. Going forward, the authorities are committed to implementing additional measures to increase tax revenues and strengthen public sector efficiency.

Fiscal policy and public debt

The Surinamese authorities are committed to fiscal sustainability. The authorities are focused on further enhancing domestic revenue mobilization and on maintaining the strict expenditure policy at all levels of government. In addition, reform of the energy sector will reduce the budgetary transfer of cost subsidies and hence create space for capital investments. This will enable further development of non-mineral domestic sectors and contribute to the improvement of the non-resource fiscal balance. Combined with ongoing economic growth, these initiatives will strengthen fiscal sustainability and increase debt repayment capacity in the medium term.

The fiscal policy framework has been enhanced to magnify the benefits of improving commodity prices and increasing government mining revenues. Revenues improved steadily with recovering prices of Suriname's main export commodities – gold and oil. Going forward, this virtuous trend is expected to continue with the exploration of new gold mines in 2019 and 2020 and the completion of accelerated depreciation schemes. Increased revenue collection efficiency combined with positive economic growth have resulted in steadily higher revenues from the non-mining sectors since 2017. Furthermore, as a key mechanism to counter commodity cycles, the authorities launched the Savings and Stabilization Fund Suriname (SSFS) and installed its Board of Directors in August 2019. This new sovereign wealth fund will allow windfalls to be syphoned off to be used in the future to stabilize revenue and expenditure in times of high volatility and create a buffer for future generations. The authorities welcome the Fund's expertise and support to this initiative and are preparing to approach the World Bank Group (WBG) with a request for technical assistance.

The authorities plan to curb electricity tariff subsidies through institutional reforms and the reduction of energy production costs. The authorities are committed to curtail electricity tariff subsidies, which account for almost half of the estimated 2019 overall deficit. To that end, they have taken initial steps to reorganize the sector, revamping the legal framework and establishing cost-effective regulations. The energy cost is anticipated to be reduced with the transfer of the Afobakka hydro-energy dam to the Government, which is scheduled for the end of 2019. Furthermore, the authorities understand that phasing out electricity subsidies in a gradual way is important to avoid new inflationary pressures and social disruption, while at the same time creating fiscal space. We want to underscore the fact that the recent uptick in current account deficit does not have a fiscal origin, but has resulted from an increase in mining related imports for investment purposes. Moving forward, we can expect an improvement in the current account deficit as this effect wanes off.

Recent debt law amendments will help to stabilize fiscal and public debt indicators. Authorities are decided to make a sensible use of their indebtedness capacity. They are committed to keep medium-term debt levels on a sustainable path and refrain from measures that might undermine this objective. The revised Debt Law allows for debt to exceed the 60 percent of GDP ceiling under certain circumstances, as long as the amount does not surpass the annually approved budget deficits and total debt does not exceed 95 percent of GDP. The new enhanced public financial management feature establishes that the government cannot contract new debt above the 60 percent threshold before approval by the parliament. In addition, the Debt Act now requires a debt sustainability analysis to be presented in conjunction with the submission of the budget to the National Assembly. While ensuring sustainability, the framework allows for concessional loans to help diversify the economy, which ultimately improves the overall fiscal balance. Moreover, reforming the tax system to enhance revenues is a high priority for the authorities. This will include the introduction of new tax laws – the already drafted VAT bill shall be sent to congress next year – and adjustments of existing legislation in order to comply with internationally acceptable standards and procedures. Regrettably, the delays in the implementation plan have been due to technical impediments, given the intrinsic complexity of collecting a value-added tax and the requirements to smoothen the transition from sales tax to VAT. These efforts combined will increase debt repayment capacity.

Institutional capacity strengthening to support transparency, governance and financial accountability is a priority. Extensive technical assistance from the Fund has supported domestic efforts to improve capacity and institutions. In particular, a number of TAs on government finance statistics have been highly useful and resulted in notable progress on this front. Other multilateral assistance also supported the modernization on the fiscal sector. The MoF's Fiscal Strengthening to Support Economic Growth (FISEG) program is a case in point. In 2019 the Parliament approved the new Accounting Act, emphasizing accountability and control in the use of public resources, as well as the principle of single audit to ensure an integrated audit program. It also considers international developments by the International Accounting Standard Committee (IASC). The adoption of new rules with regard to the composition, organization and working methods of the Supreme Audit Chamber of Suriname were part of the revised Law on the Supreme Audit Chamber. Furthermore, the MoF presented a new draft act on Procurement to Parliament, for approval.

Monetary and exchange rate policies

Keeping liquidity at a manageable level is a crucial policy priority. To that end, the monetary authorities are diligently monitoring and controlling excess reserves. The Centrale Bank van Suriname (CBvS) successfully switched its nominal anchor from the nominal exchange rate to reserve money. As a result, and underpinned by a more stable exchange rate, inflation has decelerated continuously since 2016 and is now projected to end 2019 at 4.5 percent. The Central Bank has introduced new liquidity management instruments and is committed to further improving the effectiveness of the available monetary instruments. Coordination of monetary and fiscal policies is ensured through the newly formed Monetary and Fiscal Policy Coordination Committee (MFPCC), which encompasses both the MoF and CBvS.

Accumulation of international reserves is geared to avoiding disruptive conditions affecting the domestic currency. In a small and less diversified economy, the central bank has limited possibilities to boost its international reserves, other than buying gold or foreign exchange from a small number of exporters. Accordingly, the increase in international reserves was bolstered by prudent purchases of foreign exchange and gold at the local market, as well as the obligation of commercial banks to place a share of foreign currency required reserves with the Central Bank. Also, outstanding foreign currency swap arrangements were terminated in October 2019 hence eliminating currency risk for the CBvS. Foreign exchange market reform has proceeded alongside other measures to safeguard financial stability and improve financial intermediation, including the newly drafted and enhanced financial legislation.

Improved legislation and close monitoring will increase resilience against FX market misalignments. Underdevelopment of the Surinamese FX markets creates space for disruptions by some dominant market participants. Nevertheless, the Central Bank encourages responsible FX-market behavior with increased monitoring and strengthening of supervision and regulation of cambios (foreign exchange houses).

Financial sector policies

Despite significant challenges, key indicators reveal the banking sector's resilience under the supervision of the CBvS. Overall, the timely tightening of the regulations and subsequent follow up by the CBvS' Supervision Directorate have placed banks in a better position to withstand shocks. Banks have proven to be sufficiently liquid with improving capital adequacy ratios. Non-performing loans ratio has declined in Q2 2019 when compared to the previous quarter. The implementation of IFRS 9 is not expected to have a significant impact because of the strict requirements of the current regulations. However, challenges remain with regard to overall profitability. The CBvS is in continuous consultation with banks with a view to improve risk management and efficiency, thereby enhancing profitability across the system.

The CBvS has taken decisive steps to enhance its supervision capacity. The CBvS is aware of the fact that the existing legislation regarding the financial sector needs to be modernized and adapted to international standards. In this regard, a proposal to amend the Bank Act in accordance to the core functions of the CBvS as the guardian of monetary and financial stability has been drafted. The proposed amendments would eliminate articles that make possible monetary financing, introduce new regulations with regard to Islamic banking and electronic payments, and enhance supervision of other financial institutions. In addition, the Act on Banking and Credit System Supervision was adjusted in accordance with international standards and the recommendations of the FATF.

The Bank Resolution Act contains a set of rules that will enable the CBvS to take effective action to curtail risks at the level of individual financial institutions and the financial sector as a whole. New legislation involves rules on electronic transactions (Electronic Payments System Act), the setup of a credit registry office and a deposit insurance scheme. The authorities agree with staff that enhancing the AML/CFT framework is instrumental in mitigating risks regarding the withdrawal of correspondent banking relationships and intend to amend the legislation accordingly. In preparing for the CFATF mutual evaluation in 2021, the authorities are giving the highest priority to the National Risk Assessment (NRA) to identify key areas for improvement, which would result in an action plan with a view to enhance the country's risk profile.

Medium-term development prospects

A set of policies are being implemented to strengthen the real economy and its foreign exchange earning capacity, with particular attention to economic diversification and infrastructure improvement. The authorities are implementing several measures to improve the business climate, especially for the non-resource sectors, such as the WBG "Suriname Competitiveness and Sector Diversification" program, to be launched in the first quarter of 2020. The highway construction from the airport to the capital city is well underway and will provide Suriname with much improved connectivity. Both projects have been financed with foreign loans and are overseen by technical support and domestically created new expertise. Furthermore, to facilitate investments in sectors like tourism, forestry and agriculture, an infrastructure project to restore important irrigation systems and improve a myriad of waterways was launched in September 2019. Other upcoming infrastructure projects aim to enhance Suriname's connectedness with the world, including the dredging of the Suriname River and the expansion of the main international airport. With significant infrastructure in-place, Suriname was able to attract investments from a multinational agribusiness corporation to setup large scale production and processing facilities that will boost exports, create jobs and amplify the economy's foreign exchange earning capacity.

Mining earnings will be used to catalyse development in other sectors. Offshore oil findings would dramatically change the growth outlook, when accounting for upstream and downstream effects. The upcoming oil exploration in neighboring Guyana is expected to provide many opportunities to the people of Suriname. Many Surinamese companies have already established branches in Guyana that support local content and absorptive capacity in both countries. Reforms in the small-scale gold sub-sector should be geared towards the development of cleaner and more costs-efficient methods of mining. Enhancing revenue administration and collection in this sub-sector will increase mining revenues. The newly established mining institute will be at the center of these reforms.