

**FINAL REPORT**

**Mid Term Evaluation**

**SURINAME  
DECENTRALIZATION AND LOCAL GOVERNMENT  
STRENGTHENING PROGRAM II  
(SU-L1011)**

**Consultant**

**Claudio Ansorena Ph.D.**

**July 2012**

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## GLOSSARY

AOP Annual Operation Plan  
BAFA Budget, Accounting and Financial Affairs unit of MRD  
BFM Budget and Financial Management  
CBB Central Budget and Bookkeeping  
CIAT Inter-American Centre for Tax Administrators  
CIP Capital Improvement/investment Plan  
CLAD Governments Accounting Office  
CPP Citizen Participation Plan  
CTA Civil Technical Agency  
DA District Administrator  
DFP District Finance and Planning Unit  
DC District Commissioner  
DDP District Strategic Development Plan  
DIP District Implementation Plan  
DLGP Decentralization and Local Government Strengthening Program  
DNA The National Assembly  
FDIL Financial Decentralization Interim Law (2003# 33)  
GOS Government of Suriname  
HRMD Human Resource Management and Development  
IDB Inter-American Development Bank  
LSP Local Service Provider  
MD Managing Director  
MOF Ministry of Finance  
MRD Ministry of Regional Development  
NCB National Competitive Bidding  
NIMOS National Institute for Environment and Development  
OTA Tax Directorate of the Ministry of Finance  
PAC Program Advisory Council  
POD Proposal for Operation Development  
PCF Petty Cash Fund  
PCR Program Completion Report  
PIU Program Implementation Unit  
POP Project Operation Plan  
RSS Revenue Sharing System  
RM Result matrix  
SDP District Strategic Development Plan  
TA Technical Assistance  
TFMOF DLGP Taskforce of the Ministry of Finance  
TOR Terms of Reference  
TOT Training of Trainers

## Basic Data

Country SURINAME  
Project name DECENTRALIZATION AND LOCAL GOVERNMENT STRENGTHENING PROGRAM II (DLGP II)  
Loan number 2087/OC-SU (SU-L1011)  
Environmental and Social Classification

### Category C

#### Key Dates Post Board Approval

Date of Board approval (include project report PR number)

10-Dec-2008

PR-3357

Date of contract

signature/effectiveness

20-Mar-2009

Eligibility date 09-Jun-2009

Date of first disbursement 17-Jun-2009

#### Borrower/Key Terms and Conditions

Borrower REPUBLIC OF SURINAME

Executing agency MINISTRY OF REGIONAL DEVELOPMENT

Minister Mr. Stanley Betterson

Permanent Secretary: Mrs Drs Genia Corinde (Deputy)

Approved loan amount \$13,500,000

Source (OC, FSO) OC

Disbursement expiration date 20-Mar-2014

% of amount committed 00.00%

% of amount disbursed 26.54%

#### IDB- Project Team

Rafael de la Cruz (ICF/FMM), Project Team Leader; Gabriel Nagy (FMM/CSU), Alternate Team Leader; Carlos Pineda (ICF/FMM); Gilberto Chona (ICF/FMM); Karen Astudillo (ICF/FMM); Eduardo Rodal (FMM/CTT); and Diego Buchara (LEG/SGO). Gabriel Nagy (FMM/CTT), Project Team, Leader; Rafael de la Cruz (ICF/FMM) Alternate Team Leader; Carlos Pineda (ICF/FMM); Gilberto Chona (ICF/FMM); Karen Astudillo (ICF/FMM); Diego Buchara (LEG/SGO); Rinia Terborg (CCB/CSU); Roy Parahoo (CCB/CSU); Carol Lieveld (CCB/CSU); Irene Cartin (ICF/FMM); and Cecilia Bernedo (ICF/FMM).

#### DLGP- Project Team / Project Implementation Unit (PIU)

1. Basharat Ahmadali (DLGP-Managing Director)
2. Mahender Pershad (Task Manager Administration, Finance and Planning)
3. Martin Blenman (Task Manager civil Works & Capital Investment)
4. Iris Gilliad (Task manager Citizen Participation)
5. Riaz Ahmadali (Task Manager ICT/WAN)
6. Patricia Isselt (Financial & Procurement Officer)
7. Clarenca Sajat (Office Manager)

## **Executive Summary**

### **Program Description**

DLGP-II is a five-year, US\$15 million program, aiming at fomenting financial decentralization in Suriname in the remaining five districts, while strengthening the administrative capacity of local governments in the five new pilot districts, and the execution of a capital investment program in the five certified districts. The Program will be financed by the Inter-American Development Bank loan of US\$13.5 million, and counterpart contributions of US\$1.5 million.

The objective of the DLGP-II is to continue supporting Suriname's local government's decentralization efforts. The project will contribute to the attainment of a core legal framework, and will assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo obtain adequate institutional capacity for fiscal self-management and capacity for managing capital investment. The Program will also assist certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne in the implementation of community-based basic infrastructure investment projects and local services.

The project has four components: (i) legal framework; (ii) financial planning, and administrative capacity; (iii) citizen participation and program outreach; and (iv) capital investment capacity building and investment program.

### **Results as of June 2012**

The Program is on track and if nothing exceptional happens it will achieve its goal and objective. Moreover it exceeds the technical objectives of each of its components (legal framework, capacity building for tax collection, citizen's participation and investments in infrastructure); the program contributes to a cultural and political change, which will modify how people think of their government and how things are done. A change, from a colonialist and dependent perspective to a more autonomous and independent view, where citizens have to manage and be responsible for their own growth and development.

Each of its components is on time and most have delivered more than 50% of their products notwithstanding the natural complications of political approvals and natural sequences between the components. For example, the draft laws have been delivered and are waiting for approval in the National Assembly and some subcomponents of the financial, planning and administrative capacity component which depends on these laws. However, there are interim laws until the new ones are approved and institutional conditions are in place, which enables the districts to prepare themselves. All districts are in good track in obtaining Level 2 certification at the end of 2012. Same happens with infrastructure capital investment, which has been adequately managed from the technical and procurement point of view. The ICT has also accomplished the connectivity of the WAN in all districts and with the MRD and MOF, which is a major precedent. Citizen

participation is very active and PIU has been the organizing force in preparing and making the citizens involve in the decision making process of their Districts.

Budget wise the Program is on time considering not only the disbursements done but also the committed amounts with contracts signed. Given all the paper work required before actual work and disbursement is done, the Program shows to be advancing according to plan with 55% of the budget expended or committed.

The PIU has proven to have management capacity to solve problems and has a very pro-active attitude which demonstrates leadership, commitment and credibility. It has good relation with all stakeholders, i.e. Central Government, Districts, IADB and citizenship.

The program is aligned with Government Development Plan 2012-2016 and after the change of Minister of MRD in April of 2012, it has gained a more decisive support that will help approve laws and give an extra impulse to accomplish all DGLP activities on time.

### **Lessons Learned**

The Program shows a good flow between DLGP I and II complementing each other thanks to the continuity and stability of the Management Team at PIU. Maintaining the same team with high motivation and correct incentives is a key factor for the success of the Program, as well as a close cooperation among the PIU, the Bank and the MRD.

More than the actual increase in tax revenues that the districts may get in the medium run, the relevance and most important impact of this program is the cultural and political change it generates by breaking away from a dependent, colonialist mentality of the Districts with respect of the Central Government. In this regard, more emphasis should be given to the institutional capacity building than the actual tax revenue increase. The DLGPs should be considered more a learning process through creating the conditions first and consolidating a decentralization model in a period of five to ten years time, than imposing new taxes.

In order for the Program to be successful it is important to show results in all components but most of all in the capital investments with infrastructure that will promote development and quality of life for the citizens, by taking care of urgent and tangible problems such as health, drainage, garbage collection and transportation issues.

In order to convince and persuade all the actors involved of the benefits of decentralization and get their support, it is important to disseminate the information and results of the program through a communication strategy. It is not sufficient to train the staff at the central and local government levels but also to educate the citizens in general by showing results.

An alliance is necessary between the local governments and the private sector to promote private investment and productive projects. The institutional strengthening of the districts to collect

taxes only makes sense if there are economic agents that can pay them. Therefore productive projects are needed to grow in all districts to generate wealth and hence tax revenues.

## **Recommendations**

It is important for the Bank to continue supporting and collaborating with the DLGP II and strengthening the capacity of the PIU to execute its activities in the last two years of the program. A “Change Manager” is necessary to emphasize cultural change and minimize resistance to new ideas and procedures.

There is the need to increase some personnel in all ten districts in order to assure institutional capacity to strengthen financial management: financial planner, ICT official, auditors and tax collectors.

In order to hire highly qualified professionals it would be important to revise the functions and salary scales according to an independent system of the central government scale.

Intensive training workshops are needed in financial management for MRD and District personnel, including financial planning, budget management, auditing and accounting, project management and tax collection.

Continue to insist to the new minister of MRD the importance to move pending laws to be approved by National Assembly. A more active role by the Minister in pressing Cabinet of Minister to cooperate is needed.

A communication strategy is important to have by the PIU in order to maintain, as it has, a presence in the media and show results of the DLGP. There is the need to create awareness and sensitize public opinion in the topic of decentralization. This should be part of the Change Manager functions.

An inventory of the infrastructure projects needed in each district should be done or coordinated by the PIU in order to create a Master Plan with an estimated budget for the next 10 years. This plan constructed with citizen participation will give the districts a vision of where they would want to be in a decade from now, creating necessary expectations and ambitions by the community and realizing how much revenue is necessary to obtain their goals.

Financial projections of tax revenues for each of the districts are needed in order to measure and compare with actual increase of tax revenues before and after the programs results. For this purpose it is important to obtain the cadastre information of GLIS in order to make the most accurate estimations as possible.

A strong alliance between Districts and Private Sector would be convenient to create in order to develop productive projects, which would create wealth and employment, hence tax revenues.

An inventory of possible projects by district to be developed should be part of the overall strategy of decentralization.

A strong alliance among the Districts would help the Districts to become stronger and support each other in a inter-district relation in the fields of overall management, financial and budget management, ICT/Wide Area Net Work, civil technical works, media monitoring, environment, which is to be achieved by operation of the current DLGP project Office as Inter District Cooperation (IDC).

## **1. Introduction**

### **1.1 Purpose of the Mid Term Evaluation**

The purpose of this Mid Term Evaluation is to provide an independent evaluation of the execution of the “Decentralization and Local Government Program” (DLGP II), based on the objectives and indicators set on the program’s results matrix. This mid-term evaluation will focus at the progress done so far at the operational level (technical and financial), identify possible difficulties and issues that may affect the execution of the program in order to recommend possible adjustments if necessary.

The loan contract with the IADB for DLGP II was signed on March 20, 2009 and started execution in June 2009 from where year 1 is counted which goes to June 2010. Being a 5 year program the program is planned to finish by March 2014. According to clause 4.10 of the Annex 1 of the loan program, a mid-term review would have to be conducted within 36 months after the first month of program execution or when up to fifty percent (50%) of the financing has been disbursed, whatever occurred first. In this case it was the former condition.

### **1.2 Methodology**

In order to evaluate the “DLGP II” according to the four stages defined in the Work Plan (Annex 1), the methods and activities used by the consultant where: first, a review of the related documents was done (Annex 2); secondly, a series of interviews were conducted following the format of the Work Plan, to the Director, Component Coordinators of the Program and corresponding beneficiaries, government officials in the MRD and Ministry of Finance and other related programs coordinators (Annex 3); thirdly, some field work was done to interview the Mayors of two of the Districts of the program (Wanaka and Para). Finally a draft of the mid-term evaluation was discussed with the PIU team in a participatory manner, in order to review comments and make final adjustments to present the final version. Two trips to Surinam were required to complete the evaluation process and draft the final version.

### **1.3 The Consultant**

Dr. Claudio Ansorena holds a Ph.D. in Economics from the University of Massachusetts and has more than 23 years of experience in development projects in Latin America as designer, manager and evaluator. He has worked in almost all countries of Latin America (Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Dominican Republic, Colombia, Venezuela, Ecuador, Perú, Bolivia, Chile and Uruguay) having been a country economist and programming officer at the IADB and as a consultant for many multilateral organization such as IADB, BIRF, UNDP, IICA, UNICEF, USAID, SICA and the governments of Nicaragua and Costa Rica.

At present he also teaches at the United Nations University for Peace in Costa Rica as Head of the Masters Program in Responsible Management and Sustainable Development. He can be reached at: [ansorenac@gmail.com](mailto:ansorenac@gmail.com)

## **2. Program description**

DLGP-II is a five-year, US\$15 million program, aiming at fomenting financial decentralization in Suriname in the remaining five districts, while strengthening the administrative capacity of local governments in the five new pilot districts, and the execution of a capital investment program in the five certified districts. The Program will be financed by the Inter-American Development Bank loan of US\$13.5 million, and counterpart contributions of US\$1.5 million.

The objective of the DLGP-II is to continue supporting Suriname's local government's decentralization efforts. The project will contribute to the attainment of a core legal framework, and will assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo obtain adequate institutional capacity for fiscal self-management and capacity for managing capital investment. The Program will also assist certified districts of Wanica, Para, Nickerie, Commewijne, and Marowijne in the implementation of community-based basic infrastructure investment projects and local services.

The project has four components: (i) legal framework; (ii) financial planning, and administrative capacity; (iii) citizen participation and program outreach; and (iv) capital investment capacity building and investment program.

### **Component I: Legal framework.**

The purpose of this component is to continue supporting changes in legislation that are necessary to improve fiscal relations between central and local governments, including: (i) preparation of draft laws on Traditional Authority; and District Cadastre; (ii) design of District Ordinances regulating financial accounting standards and procedures<sup>1</sup>; and (iii) update laws included in Article 4 of the FDIL<sup>2</sup>, dealing with transfer of revenues to the districts. The Program will provide consultancy services and training at the local level on decentralization-related laws.

### **Component II – Financial, planning, and administrative capacity.**

The objective of this component is to develop a core capacity in the new pilot districts to manage their own budget and financial systems. Specifically, the program will assist these districts in: (i) creating a District Administrator position; (ii) installing core financial and tax systems; (iii) providing human resources training; (iv) providing appropriate software and hardware; and (v) providing equipment and rehabilitating district offices which are necessary to install new financial systems.

The set of core financial systems to be established in the new pilot districts will include: (i) Administration and planning; (ii) budget and financial management; and (iii) local revenue generation. For all districts the Program will assist in: (i) creating an internal auditing capacity; (ii) installing an information and communication technology network that will connect the districts with both the MOF and MRD via a wide area network (WAN) to facilitate cost-effective harmonization<sup>3</sup> of financial systems, data transfer, and to facilitate taxpayers to

pay in any location; and (iii) providing training, equipment, furniture, and remodeling of facilities to manage the WAN, and supporting coordination and technical cooperation activities of districts.

This component will assist in the implementation of a simplified tax administration system in certified districts to manage the registration and collection process for all local taxes and fees. Activities supported by the Program will include: (i) training of tax administration personnel at the local and central level; (ii) revising and developing procedures for identifying and warning reluctant tax payers; (iii) ensuring compliance of non-tax payers, including administration of fines for reducing evasion; and (iv) converting manual taxpayer's registry into an electronic form that will feed into the Financial Administration System.

Upon approval of the new District Tax Law is approved, the project will support the creation of methodologies and correspondent training for the districts to: (i) audit taxpayers records; (ii) adopt warrant measures in order to ensure the collection of tax and non-tax revenues; (iii) keep updated records; (iv) identify and define taxpayer's violations (arrears, fraud, evasion); and (v) apply interests, fines and other penalties.

Once the State-Districts Financial Coordination Law is approved, the Program will support the Government in: (i) collecting information needed to define the distribution parameters of DEF and ensure sustainability of data collection; (ii) creating a methodology and corresponding training for calculating the transfers of DEF to each District in the MOF and MRD; (iii) installing hardware and software needed to perform this task; and (iv) training personnel. The approval of the State-District Financial Coordination Law will be a condition prior to the disbursement to finance the activities referred on this paragraph.

The Program will support the creation of an internal auditing capacity in the districts by: (i) supporting district councils to approve appropriate regulations; (ii) training of district personnel and the district council; (iii) providing consultancies to define appropriate audit methodologies and procedures in accordance with the existing legal regulations; and (iv) providing appropriate hardware and software. The districts will be able to have their own internal auditors, or to pull resources so that they can create an audit office serving all or part of the districts.

The Program will support the implementation of the WAN in all the districts and in the MOF and MRD by providing: (i) infrastructure; (ii) hardware and software; and (iii) training.

<sup>3</sup> DLGP I produced the WAN project design, to be implemented with support

### Component III: Citizens participation and program outreach.

The purpose of this component is to engage citizens and stakeholders in the decision making process to achieve greater transparency and accountability in the districts. Therefore, this component will support: (i) creation of the citizen participation committees (CPC) at the district level in the new pilot districts and also the strengthening of those existing in the certified districts; (ii) creation and training of neighborhood committees at the community level to monitor and report progress of capital investment projects; (iii) creation and operation of the Citizens

Information Centers (CIC) in all the *Ressorts*; (iv) provision of training to district trainers; (v) implementation of a promotion and outreach action plan by the CICs; and (vi) development and implementation of a strategy for consensus building of all central government stakeholders by PIU regarding the legal framework.

The program will support the creation of a CPC committee in each of the certified districts to engage citizens in the selection and monitoring of district projects. The Program will continue this effort by creating a committee in each of the new pilot districts and also by strengthening the existing committees. The CPC is comprised of representatives of non-governmental organizations and community based organizations and operates on a voluntary basis.

The Program will support the creation of another five CICs in the remaining districts. The recurrent costs of CICs will be financed by the Districts with their general budget. After Program termination, the Districts will assume the recurrent as well as the future capital costs of CICs.

The Program will support the implementation of Promotion and Outreach Plans (POP) in the new pilot districts and further implementation of POP in certified districts. POP will include awareness campaigns on the set of new laws, taxation and auditing functions.

The Program will support the formulation and implementation of a Citizen Participation Plan (CPP) in the new pilot districts. The CPP will describe the measures that the districts will undertake to ensure adequate citizen participation in the administration of the affairs of the district. The envisioned CPP is subject to the district attaining a certification Level 2. The CPP includes a logical framework for citizen participation, a detail description of specific activities, and also guidelines and procedures for the CPC.

Finally, the Program will support the development of a strategy for consensus building of all central government stakeholders to facilitate inter-governmental coordination.

#### Component IV: Capital investment program.

Under this component the program will:

(i) consolidate institutional capacity in the already certified districts; (ii) create institutional capacity for managing basic infrastructure projects and services in the new pilot districts; and (iii) finance basic infrastructure projects and services in the certified districts and trial projects for the new pilot districts once they are certified at Level 2.

The Program Implementation Unit (PIU) is carrying out a participatory methodology to identify, prioritize, and select beneficiary communities. A ranking system has been used in all 29 *Ressorts* in the certified districts considering the following indicators: size of the households within the community, and access to healthcare, utilities (electricity, potable water), education, and garbage collection, condition of the road network, drainage systems, agriculture activities, and recreation facilities<sup>4</sup>.

In parallel to the ranking exercise, the districts with the support of the PIU have been

conducting hearings with communities from all the resorts. Four priority sectors were identified: (i) secondary and tertiary road paving; (ii) basic drainage; (iii) solid waste collection; and (iv) public market upgrades. Resort and District Councilors, also with support from PIU consultants, are expected to identify project initiatives by the end of 2008.

Districts will select the priority projects based on: (i) ranked beneficiary communities; (ii) the four priority sectors; (iii) a cost-effectiveness analysis; and (iv) resources availability. All the projects will include provisions to achieve sustainability within the economic life of the project and define a clear plan for their maintenance.

The component will support the districts in formulating and evaluating the selected projects. It will also provide technical assistance for pre-investment activities, and the procurement and supervision of construction of the specific projects. Finally, the component will support the districts in formulating the necessary maintenance and operation plans, once projects are finished.

### 3. Program Status as of June 30, 2012

#### 3.1 Results Matrix

According to the Results Matrix, we can compare the planned results up to the end of year 3 which would be the mid-term goals and the actual status as of June 2012 of the DLPG II achievements. A more extensive explanation of the status as of June, 2012 is given in text following the Table.

Table 1  
Result Matrix for Mid-Term Evaluation

Component/Product	Baseline	End year 1 (2010)	End year 2 (2011)	End year 3 (2012)	Status June 2012
<b>Legal</b>					
1. Draft Law on Traditional Authority prepared.	Not exist	Draft	Discussion/ Approval	By laws	0 Consultancy cancelled by MRD
2. Draft Law on District Cadastre prepared.	Not exist	Draft	Discussion/ Approval	By laws	10 draft Agreements done.
3. Recommendations updating laws included in Art. 4 of FDIL prepared.	FDIL	Legal & Technical review	Draft/ Discussion/ Approval Implementation	By laws	2 draft laws done
4. District Ordinance regulating financial accounting standards and procedures prepared.	Existing Laws	Draft by laws			One final draft BUNDLE done.
5. State decree incorporating districts or Paramaribo, Sipaliwini, Saramacca, Coronie and Brokopondo to DLGP II issued.	6 Districts	4 Districts. LII			10 Districts at the end of the Program

6. MRD/MOF resolution certifying districts of Paramaribo, Sipliwini, Samancca, Coronie, and Brokpondo at Level 1 issued.	6 Districts	4Districts L-1	6Districs L-2		10 Districts at the end of the Program
<b>Component II: Financial, planning and administrative capacity</b>	<b>Baseline</b>	<b>End year 1</b>	<b>End year 2</b>	<b>End year 3</b>	<b>Status June 2012</b>
1. Administration and planning system implemented	5 Districts	2 Districts	3 Districts		3Districts done
2. Budget and financial management (BFM) system implemented.	7 Districts	3 Districts			4 done
3. Local tax administration system implemented.	0 districts	5 Districts	2 Districts		7 done
4. Local tax administration methodology and procedures in place.	0 Districts	0 Districts	If law approved 6 Districts.		Postponed
5. Internal auditing capacity in the districts implemented.	MRD external audit unit	1 Internal unit in place covering 5 cert. Districts	1 internal unit in place covering 5 Districts.		1 Unit for all Districts.
6. District Administrator position created.	7 District	3Districts	5Districts		5positions created
7. WAN in all districts, MOF and MRD implemented and operating	0 districts	5Districts and MRD and MOF	5Districts		12 installations done
8. Fully rehabilitated district offices within commissariats.	5 Districts	2 Districts	0 Districts	3 Districts	2 Districts done
<b>Component III: Citizen participation and program outreach.</b>	<b>Baseline</b>	<b>End year 1</b>	<b>End year 2</b>	<b>End year 3</b>	<b>Status May 2012</b>
1. Citizen Participation Plan (CPP) in DLPG II Districts.	5CPPs		5 CPPs		5CPPs done
2. Citizen participation committees (CPC) at the district level.	5CPCs	2CPCs	3 CPCs		5CPC done
3. Creation and training of neighborhood	0NCs	10NCs	19 NCs	26NCs	35

committees (NC) at the community level. 4. Citizens Information Centers (CIC) in all the resorts.	5CICs	a) 0CIC at District level and 30CICs at resort level	a) 10CIC at District level	and 24 CICs at resort level.	24 of 42 at end of Program
<b>Component IV: Investment Program</b>	<b>Baseline</b>	<b>End year 1</b>	<b>End year 2</b>	<b>End year 3</b>	<b>Status June 2012</b>
1) Resolution (Ministerial Decree) Level II of MRD certifying districts	5Districts	2Districts	3Districts		0
2) Pipeline of investment projects defined for certified districts	—	10	19	26	26
3) Capital investment Projects:					
a) Roads	10	0	5	10	15
b) Drainage	0	0	5	5	10
c) Garbage Collection	0	0	0	0	0
d) Markets	0		0	1	0

## 3.2 Accomplishments so far by Component

### 3.2.1 Component I: Legal Framework

The purpose of this component is to continue supporting changes in legislation that are necessary to improve fiscal relations between central and local governments, through:

- i) *Draft Law Traditional Authority.* Draft technical paper was done in 2010 and contract was signed with consultant to draft the law regulating the role of the Traditional Authorities. However in September 2011 the political decision of MRD Minister was to stop the consultancy due to the political sensitivity of the law. In January 8, 2012, DLGP MD, Bas Ahmadali sent a letter to Desi Bouterse, President of the Republic of Suriname and Jennifer Simons, Speaker of The National Assembly, requesting the approval of the draft laws on decentralization as soon as possible. A complete package of drafts was sent to the Government through the Ministry of Regional Decentralization in 2007 during DLGP-I. A new Minister of MRD in place since march 2012 is committed to carry on with the process of decentralization and is expected to send these laws to Congress in order to approve them hopefully before the end of the Program.
- ii) *Draft Law District Cadastre.* The objective here was to prepare technical and legal background papers and to draft legislation in the field of cadastre at district level; basically for the registration of all type of used and unused land/properties in the districts, and the several category of buildings and objects in the context of the Law on Rental Value Tax, the draft Law on District Tax and the draft district ordinance on

taxation of houses to fix the tax as income for the District Fund in close cooperation with GLIS-project team. Technical background paper, legal background paper and draft of 10 Agreements, for each district was done in September 2011 between GLIS Authority and the District Commissioners, guaranteeing the cadastre and related facilities from the GLIS Law to the Districts with the aim to deliver additional sources of income from taxable and non-taxable resources.

While this consultancy was ongoing, the National Law on Cadastre was approved by The National Assembly. Without affecting the outcome of the consultancy the PIU agrees with the consultant, after having received the technical and legal background papers, to deliver the 10 draft Agreements between the MD of GLIS and the District Commissioner of each District for free use of all facilities applying on the National Cadastre Law.

- iii) *Draft District Ordinance for financial accounting standards and procedures.* The objective here was to draft laws/bylaws/district ordinance regulating the Financial and Accounting Standards and Procedures at district level. One final Draft BUNDEL including the legal explanatory and complete package of existing/current laws/bylaws/district ordinance, ministerial decrees, financial guidelines regulating the Financial and Accounting Standards and Procedures at district level, in hard copy and on CD all deliverables included, was done in September 2011.
- iv) *Update Article 4 of FDIL (Interim Law Financial Decentralization).* The objective here was to review the outdated laws with very low tariffs for tax and non taxes mentioned in Art. 4 of FDIL as well as incorporating these sources of tax and non-tax income for the districts in the draft bills regulating district taxes and non taxes to increase revenues for the districts, taking into account the purpose to strengthen the financial position of the districts.

Technical background paper, legal background paper and draft of 2 laws was done in September 2011. After having read the technical and legal background papers, there was no need to produce 10 draft laws. One draft law and one state decree, including the revision of the tariffs of each article 4 FDIL was determined to be effective, without affecting the outcome of the consultancy. It was agreed with the consultant to deliver one draft law and one draft state decree.

### 3.2.2 Component II: Financial, Planning and Administrative Capacity

The objective of this component is to develop a core capacity in the new pilot districts to manage their own budget and financial systems by assisting these districts in: i) creating a District Administrator position; ii) installing a core financial and tax system; iii) providing human resources training; iv) providing appropriate software and hardware; and v) providing equipment and rehabilitating districts offices, which are necessary to install new financial systems.

- i) *Administration and planning system implemented in 5 new districts (Paramaribo,*

Sipaliwini, Coronie, Saramacca and Brokopondo) of which the last 3 have been implemented.

Coronie, Saramacca and Brokopondo had their “technical” level 1 certification in 2011 which is a prior condition for the level 2 certification to be obtained at the end of 2012 as scheduled. Paramaribo (NE and SW) were certified level 1 in 2007 and Sipaliwini in 2010. The five Districts are in the process of level 2 certification, while waiting for the “legal” certification Level 1 by the MRD. These districts will execute their trial projects in 2013 to complete DLGP project cycle *Administration and planning system implemented in 5 new pilot districts (Paramaribo, Sipaliwini, Coronie, Saramacca and Brokopondo)*. The last three have been done obtaining technical Level 1 certification.

- ii) *Providing Appropriate Software and Hardware BFM (DFP’s new pilots)*. Up to now 4 districts have been provided with complete software and hardware. Transition to Open Enterprise Resource Planning software, open ERP-Manual, training and operation in one system completed in all 10 Districts. First quarterly circuit rider report has been completed in June 2012. Some district’s are updated and some have to update their administration.
- iii) *Implementation core Financial and Tax System (new pilots)*. This component will assist in the implementation of a simplified tax administration system in certified districts to manage the registration and collection process for all local taxes and fees through a) training of tax administration personnel; b) revising and developing procedures for identifying and alerting reluctant tax payers and c) improving methods to ensure compliance of non-tax payers by imposing fines for reducing evasion and converting manual taxpayer’s registry into an electronic form that would feed into the Financial Administration System.

However, the consultancy was suspended in September of 2010 by the GoS, due to a difference of criteria between the software being proposed by the Program and the type of software the GoS favored, which tended to uniform non-licensed open source software for all the government. The idea is that the software used by the PIU and the OTA also match. In June 2011 the PIU decided to restart the consultancy with new assessment given the advancement of the OTA system that the local tax system will be connected with MOF/OTA. By December 2011 all technical provisions were in place for the connection of 7 Districts and ready to be connected to the OTA system in 2012.

- iv) *Approval of new Financial Coordination Law*. This and the other laws presented by the PIU to the GoS is a precondition in order for the creation of methodologies and correspondent training for the districts to implement their tax administration system. However the draft laws submitted in 2008 to MRD Minister during DLPG-I are still in the process within GoS.
- v) *Implementation Internal Auditing Capacity*, by supporting District Councils to approve appropriate regulations; training district personnel and the District

Council; providing consultancies to define appropriate audit methodologies and procedures in accordance with the existing legal regulations; and iv) providing appropriate hardware and software. The districts will be able then to have their own internal auditors, or to pull resources so that they can create an audit office serving all or part of the districts.

This subcomponent has had a long delay due to: high cost of creating internal capacity; no qualified personnel available in the districts and the option of one audit office with a team of qualified staff serving all or part of the districts had to wait for the completion of the WAN/LAN services, which are now in place. The PIU has done technically all what was planned to do by this date of the program, in order to connect the District Audit Office through WAN Central. The PIU supported the Ministry in strengthening of MRD's internal control by financing the studies of 3 staff persons and equipment. The internal audit capacity is of high importance for the improvements of the administration units commissariats especially the DFP unit, which is expected that the new minister will strongly support.

- vi) *Creation of District Administrator Position.* The Recruitment, selection, hiring and training of the DA for Coronie, Saramacca and Brokopondo and two for Paramaribo which has two District Commissioners Offices. Initial, during DLGP-I only one DA position was created. In DLGP-II it split The District Administrator's Unit (DFP) in two units, reason to create one more position. In total 5 positions were created. Due to the May 2010 elections, this component suffered minor delays that were addressed with minimal damage control. This included the rescheduling and fast tracking of training activities. Training activities had to wait on the appointment of new District Commissioners and staff.
- vii) *Wide Area Network (WAN) installed at districts, MOF and MRD.* The objective here is to support the implementation of the WAN in all the districts and in the MOF and MRD by providing infrastructure, hardware and software and training. WAN is in operation connecting all 12 locations in the 10 districts and the two ministers.

The Wide Area Network (WAN) system went live at the Control Building as well as within all of the 10 Districts and one extra connection was made with the server in the new commissariat of Apoera in Sipaliwini. This is an overwhelming milestone. Less people had believed in this Network, and it's now in operation. Initially, it was not even as task for the PIU, that's the reason why there is no ICT component in the previous Programs. PIU started in 2003 in the Districts implementing the Program with an ICT baseline of 0 (zero).

The relation of the PIU with the MOF is very good. The PIU has been provided with financial data regarding RVT and PET. A transformation plan for PET is now being prepared by the OTA and the PIU FPA task manager in order to delegate the functions of this law to the 10 districts and to involve them in the collecting process of revenues.

PIU ICT staff is implementing technical guidelines and training to the ICT staff of all districts according to the international Information Technology Infrastructure Library (ITIL) standards and organizing in collaboration with MRD the ICT departments in every district.

- viii) *Rehabilitation of District Offices.* There have been 4 Commissariats rehabilitated and 5 Commissariats renovated their units/agencies. The objective here is to: i) Provide equipment and rehabilitating district offices, which are necessary to install new financial systems for full operation of the new agency within the District Commissariats (DFP), headed by the DA as a priority, because of the level 1 requirement (phase 1); and (ii) Rehab all other units within the district offices, where necessary to extend the commissariats to accommodate the new agencies.

### 3.2.3 Component III: Citizen Participation and Program Outreach.

This component also suffered some delays due to changes in policy and strategy in order to realign with the new government's Political Agreement Document 2010-1015. The existing CPPs were revised and in place for all 10 Districts. The neighborhood Committees (CPCs) in each of the new pilot districts were linked with the works of Capital Investment Projects by following the schedule of the latter component. By May 2012, three of the five CPC new pilot districts have been done.

The training provided to the elected Resort and District Councils in Citizen Participation harmonization mechanisms as well as in useful tools used to organize the hearings, and in community involvement aspects including district officials, Resort and district council members, citizen participation groups and neighborhood committee members resulted in the best performance of the hearings in January and February 2012. The Media paid much more attention to the hearings than ever before. This is a fruitful outcome of well done efforts within this component. Twenty two of the thirty five neighborhood committees planned have been already created.

The Citizens Information Centers (CIC) at resort level were planned to 44 after the policy modification out of which 24 have been done by May 2012. The test of the WAN-based Citizen Information Database in March 2011 was a success, and now resulted in the link with the one-stop-window service. The databases has been worked out to implement 11 at commissariat level, and 33 at resort level in 2012 and 2013. This database will allow citizens anywhere in Suriname to access information about the Districts and more services to the citizens.

This component has also developed a promotion and outreach action plans for the 10 districts. This includes especial programs for the media. However, the knowledge of what the DLGP is doing and the general idea and benefits of decentralization has still not

reached the general public and needs to position itself as an important political topic in the communities.

#### 3.2.4. Component IV: Capital Investment Program (CIP)

Within this component progress is satisfactory. Suriname Environmental Agency (NIMOS) was fully engaged mid 2010 providing advice and supervision of construction work. In early 2010 there was a four month delay as technical staff needed to be trained on the IDB's procurement procedures.

*Execution of Road Projects in the Certified Districts.* Initial planning was 35 'individual' Road projects in 5 Districts, spread over different resorts. Once the PIU started with the procurement processes the conclusion of the best practice was to contract bidders not per road project per resort, but one bidder for the whole package of projects per District. So, it was better to indicate the number of projects as 1 project per contract per district per round. The PIU executed the Road program in 1 round 5 projects (in each District 1) and clustered 2 rounds in one round, which means 2 projects per districts equivalent to 10 projects plus an extra round in Wanica, because of the scale of the District and the amount.

The first round of road projects was delivered around July 2010 and was executed successfully in five certified districts. The first round of road projects costs approximately US\$1.2 million. Preparation was time consuming. The PIU changed the strategy to prevent more delays taking into account the demand to execute 50% of the project budget at the midterm of the Program. The remaining 2nd and 3rd road projects were "fast tracked" into one round of procurement started in November 2011 and the execution started in December 2011 with the delivery date of February 2012. Total cost was US\$ 1,512,919.02. However, according to the infrastructure Task Manager of PIU, the program represents less than 2% of the 20% of the roads that are paved in Surinam.

*Execution of Drainage Projects in Certified Districts:* PIU succeeded in clustering of the draining projects from two-round track to one-track round. The procurement of these projects in 5 districts started in December 2012. The execution started in June 2012 with a delivery date October/November 2012. The execution of 2 projects started in June 2012 and 3 projects will start in July 2012. These projects would represent close to 40% of the actual drainage infrastructure of Surinam.

Key to the success of the CIP program is establishing and following a very high standard quality control system and planning system on the job. A long-term maintenance program is being prepared in maintenance of road and drainage and will be transferred to the proper authorities in order to take responsibility of ownership.

The impact of PIU's approach and the transparency in the process during the preparing and execution is big on the community and the central government. The districts are paving the roads, which are more sustainable (construction life 40 years). The nationwide road asphalt program of the central government cannot match the sustainability of the

roads paved by DLGP. Given the success and the impact of DLGP's Capital Investment Program, the central government Ministry of Public Works) is overruling the DLGP's road and drainage improving program. The Government and the IDB have to consider reviewing the strategy in the country in line with the countries in the region, and as discussed during IDB's Technical Dialogue Group Meeting in November 2011 to leave the investment in improving of the overall infrastructure for the central government. The Local Government needs to concentrate better on the social-economic development.

*Investment Projects for Garbage Collection:* Scheduled planned for 2013.

*Investment Projects for Market Place Construction:* schedule planned for 2013.

### 3.3. Budget Execution

Table 2

Budget Cost, Committed and Actual Expenditure  
May 31 2012

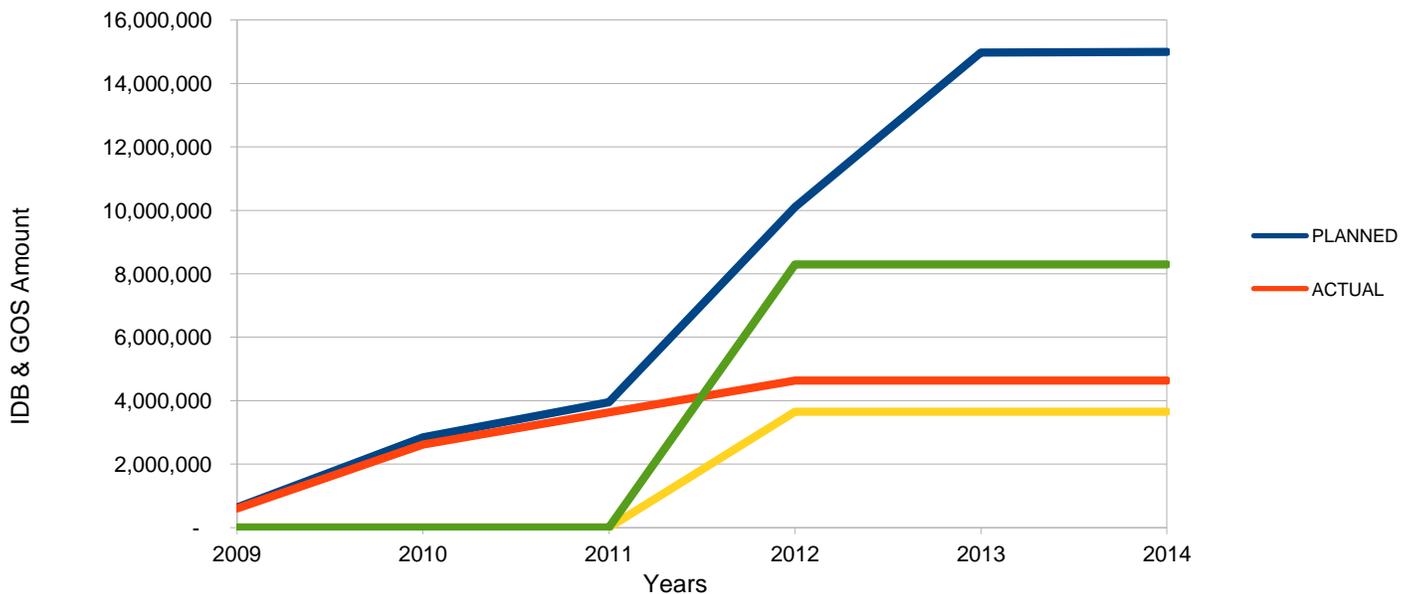
CODE	PROJECT COST BY COMPONENT/ACTIVITY	BUDGET COST	ACTUAL COST (to date)		PROJECTED ACTUAL COST	%	BALANCE
			COMMITTED	AMOUNT			
		USD	USD	USD	USD		USD
Category 2							
<b>1</b>	<b>Legal Framework</b>	<b>85,000</b>	<b>66,325</b>		<b>66,325</b>	<b>0.78</b>	<b>18,675</b>
2.1.1	Draft Law - fiscal relations Centr	27,400	13,312		13,312	0.49	14,088
2.1.2	Draft Law - District Cadastre	16,500	17,533		17,533	1.06	(1,033)
2.1.3	District Ordinance financial acco	15,000	17,533		17,533	1.17	(2,533)
2.1.4	Update Article 4 of FDIL	21,100	17,646		17,646	0.84	3,454
2.1.5	Training, workshps, materials, c	5,000	300		300	0.06	4,700
<b>2</b>	<b>Financial Planning and Administrati</b>	<b>2,132,248</b>	<b>971,498</b>	<b>162,995</b>	<b>1,134,493</b>	<b>0.53</b>	<b>997,755</b>
2.2.1	Creation of DA position	187,800	199,454		199,454	1.06	(11,654)
2.2.2	Implementation Financial and T	1,001,578	444,716	122,240	566,956	0.57	434,622
2.2.3	HR training	73,360	33,992		33,992	0.46	39,368
2.2.4	Implementation BFM system (ha	30,000	22,822		22,822	0.76	7,178
2.2.5	Rehabilitation of offices for inst	231,490	80,919	5,170	86,089	0.37	145,401
2.2.6	Implementation LTAS + procedu	80,000	18,586	27,200	45,786	0.57	34,214
2.2.7	Approval new Distict Tax Law	75,000	-		-	-	75,000
2.2.8	Approval new State Districts Fin	75,000	-		-	-	75,000
2.2.9	Implementation Internal Audit C	31,000	8,340	885	9,225	0.30	21,775
2.2.10	WAN installed at Districts, MRD	324,000	144,840	2,500	147,340	0.45	176,660
2.2.11	Operational Costs	23,020	17,827	5,000	22,827	0.99	193
<b>3</b>	<b>Citizen Participation/Outreach</b>	<b>852,000</b>	<b>252,294</b>	<b>116,785</b>	<b>369,078</b>	<b>0.43</b>	<b>482,922</b>
2.3.1	CPC creation & streghening Exix	160,920	124,074		124,074	0.77	36,846
2.3.2	Creation and training NC	69,350	25,827		25,827	0.37	43,523
2.3.3	Creation and operation CIC/ Ser	71,350	20,915	18,075	38,990	0.55	32,360
2.3.4	Training of District Trainers	40,950	-		-	-	40,950
2.3.5	Promotion and Outreach action	250,585	41,310	88,710	130,020	0.52	120,565
2.3.6	Strategy Development/Consensu	40,200	-		-	-	40,200
2.3.7	Program Launching	12,000	12,000		12,000	1.00	(0)
2.3.8	Operational Costs	206,645	28,167	10,000	38,167	0.18	168,478
<b>4</b>	<b>Capital Investment Program (CIP)</b>	<b>9,850,000.00</b>	<b>2,025,123</b>	<b>3,084,023</b>	<b>5,109,146</b>	<b>0.52</b>	<b>4,740,854</b>
2.4.2.6	Trial/Training project	906,000	19,744		19,744	0.02	886,256
2.4.3.1	CIP: Roads (two projects per dist	4,000,000	1,761,890	1,161,148	2,923,039	0.73	1,076,961
2.4.3.2	CIP: Drainage	2,550,000	-	1,784,021	1,784,021	0.70	765,979
2.4.3.3	CIP: Garbage Collaction	858,000	-		-	-	858,000
2.4.3.4	CIP: Markets facilities	673,375	-		-	-	673,375
2.4.1,2.4.2.1-2.4.2.5	Other Capacity Investments	492,625	139,526	78,854	218,380	0.44	274,245
2.4.4	Operational Costs	370,000	103,963	60,000	163,963	0.44	206,037
Category 1	<b>Program Administration</b>	<b>2,005,752</b>	<b>1,300,283</b>	<b>272,849</b>	<b>1,573,132</b>	<b>0.78</b>	<b>432,620</b>
1.1	PIU	1,350,000	868,150	173,475	1,041,625	0.77	308,375
1.2	PIU overhead	485,752	352,888	52,798	405,687	0.84	80,065
1.3	Consultants	170,000	79,245	46,576	125,821	0.74	44,179
Category 3	<b>Audits</b>	<b>75,000</b>	<b>23,055</b>	<b>18,075</b>	<b>41,130</b>	<b>0.55</b>	<b>33,870</b>
	<b>Contingencies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL</b>	<b>15,000,000</b>	<b>4,638,579</b>	<b>3,654,727</b>	<b>8,293,305</b>	<b>0.55</b>	<b>6,706,695</b>

Table 2 shows the Budget Planned or Budget Cost, the amount committed as of May 2012 and the actual expenditure made by this date. If we add the expenditures executed and the committed amounts the Programs shows an overall progress of 55% which is very much in line with its schedule. Considering that component IV and to a less degree component II are the largest investments and that each has spent and committed 52% of its budget, it shows that the Program is advancing according to plans and there seems no expected delays in the budget execution. The PIU has trained its staff on procurement procedures and institutional capacity among local governments and neighborhood organizations seem to be in place to deliver the projects on time.

Graph 1 shows the planned, actual and committed lines in blue, red and yellow and green respectively. By adding the yellow and green lines to the red one it would give the blue planned line as scheduled. The project cycle in this Program is clearly more intensive in preparation activities in the first two years and more intensive in the execution of the projects in the third and fourth years, which is normal for a Program of this kind. The advancement therefore should not only look at the executed budget amounts but also the paper work, training, planning and preparation activities involve before the actual disbursements can be done.

**Graph 1**

Projected actual cost till +/- 2nd quarter 2013



## 4. Evaluation

### 4.1 Design: quality and relevance.

The DLGP II is built as a sequence of DLGP I. This has many advantages in terms of the design: i) much of the justification and political persuasion for a decentralization program was already done by DLGP I enabling DLGP II to focus on investment projects

and consolidating capacity building; ii) the organizational structure and the PIU was in place which helped ensure continuity and develop a more specialized and experienced team; iii) the program had to replicate what was done in DLGP in the pilot districts in the other five districts left in order to complete all 10 districts of Surinam; iv) given the experience and lessons learned from DLGP I, DLGP II could be more ambitious in terms of its development objectives and investment amount, which it is. In all of those terms the Program was well thought and designed given the financial limits given by the GoS in order to consolidate a process that is long term and continuous.

However, the design of DLGP II continued to have the same difficulties as its predecessor and even more so, due to the increase in the investment amount and complexity of the program. High costs, huge general backlog and institutional weaknesses, unbalanced regional growth, ethnic and cultural diversity, bureaucratic inefficiencies, underdeveloped market mechanisms and unwillingness to modernize by certain sectors of the population are problems and obstacles that were considered in the design to determine the scope and scale of the Program. The Program Manager is well knowledgeable of these circumstances and was also part of the design team from the beginning of the Program, which helped to match the needs, the possibilities and minimize the risks; key factors for a good project design. DLGP II with its four components, was well designed considering these factors.

The relevance of this program is paramount for a young country such as Surinam, which needs to consolidate and deepen its democracy by empowering its citizens at the community and local government level through fiscal and institutional decentralization. Both decentralization programs (DLGP I and II) and future programs that should continue to expand and pursue these objectives, represent a new model of governing which contribute to the development of better quality of life for the citizens of Surinam not only as receivers of better services, but as participating actors in the construction of their communities and national identity.

#### 4.2 *Challenges encountered and management effectiveness.*

Many challenges were encountered by the PIU but solved effectively. One of them was the project's six month delay caused by the mid 2010 general election. The countering of the project's delays caused by bureaucracy within GoS, for instance the time consuming processes in handling of proposals and or in decision making on strategic issues should be mentioned also. The project team was on alert exercising control to prevent damage in the Program.

Another problem encountered was the joint evaluation in November 2010 of DLGP II by the Vice President and the new Minister of Regional Development came with changes to the implementation approach of DLGP II related to the type of software, and announced:

- To use more open sources software instead of acquiring licensed software;
- To include NGOs and CBO's in the Citizen Participation Commission; and

- To use a one-stop-shop window approach for the Citizen’s Information Centers at the Commissariats and at a later stage at the sub-districts offices.

By not continuing the announcements with instructions, directives and decisions of GoS within the time frame of 2 weeks as promised in September 2010, it was a big challenge for the PIU to handle all the activities related to those issues. The PIU proceed ‘process wise’ the planned activities to achieve the goals within the objective of The Program. By following this strategy the implementing of the financial systems of the districts in ‘open source’ software “Open ERP” was done successfully, the one-stop-shop service window could be designed in a workable way, and the registering of the NGO’s etc. in 5 districts could come in fully process.

Another problem was the delayed caused by the procurement requirements in the road projects. The PIU changed strategy to prevent more delays and succeeded to implement the road improvement program and the drainage program by “clustering” those projects within Component 4 in one round of procurement instead of two and more separate rounds.

In all three cases mentioned, the PIU responded with solutions and efficiency to solve them.

#### *4.3 Efficiency of Planning and Implementation.*

The measure of efficiency of planning and implementation is basically the compliance of the planned schedule which in the case of DLGP II is on time in physical and budget expenditure terms, as we saw in chapter 3. Management uses Ms Project to specify all activities and time table, which they review permanently to check progress or delays that are presented in order to correct or modify any dates or changes in strategy.

Implementation progress in the new districts is on track. Technically all Level 1 provisions are done in the districts of Coronie, Saramacca and Brokpondo. Awaiting the legal certification the execution of the Level 2 package is ongoing. The GoS expects to formalize the Level 1 certification in September 2012 while the PIU is expected to finalize the implementation of the Level 2 requirements at the end of 2012. Paramaribo and Sipaliwini, since they achieved the legal Level 1 status already, are together with the above mentioned Districts in the race for achieving the level 2 status at the end of 2012 and in 2013 it is expected they will be able to execute their trail projects.

The non-level activities as one stop service desks, the rehab of the commissariats, the review of the BFM handbook, the operation of District Auditing Unit and the network connectivity’s are still on track to get delivered on time.

The capital investment component is also on time. The road improvement program is in stage of closing in July 2012; the drainage projects is in execution (Marowijne Commewijne and Para) and is expected to end by November 2012, the projects on garbage collection and public market in the districts are being prepared and discussed

with the communities so that they start as the roads and drainage projects are closing and executed in 2013, as planned.

#### *4.4 Impact; progress towards Vision and Goals.*

The objective of the program is to continue supporting the decentralization efforts that Surinam's local governments started in 2001 with DLGP I and attain a core legal framework, while assisting the rest of the districts to obtain adequate institutional capacity for fiscal self-management and capital investment management. The DLGP II will also assist the previous certified districts in the implementation of community based basic infrastructure investment projects and local services.

So we should analyze the impacts in the three main elements of the objective of the program: i) fiscal revenues, ii) institutional capacity of the districts for fiscal self-management and iii) the effects of the infrastructure investments.

The impact on fiscal revenues should not be expected to increase significantly in the short term. Never the less, the importance is the learning process that the Districts are acquiring by the institutional capacity building through training, new positions for DA, equipment and new laws which will create the conditions for increasing tax collection in the medium and long term.

Institutional capacity of the Districts will have a great impact on the governability of the local governments to increase their revenues and manage their own budget and capital investment projects. This local capacity will have multiple positive effects on creating opportunities for development of productive projects and bringing together the local governments and the private sector. The better the conditions and services in the Districts the more private investment they will attract. An example of this, is the case of the District of Para which has a Commissioner that comes from the private sector and has promised to joint efforts with the local government initiative to build 1000 homes.

In addition to these two factors, the investment on roads, drainage, markets rehabilitation and garbage collection will have a developmental impact in the communities in terms of health, commerce and better transportation conditions. However the capital investment of the Program is minimum and insufficient compared to the needs of the Districts. A master plan program to cover all the needs of all Districts should be done in order to cover all the needs of the communities within a time frame and an estimated cost. This master plan should give the vision of how districts see themselves 10 and 20 years from now.

#### *4.5 Risks and Sustainability.*

The Program runs some risks of different kind which may undermine its sustainability if they are not controlled. These could be political, legal, of institutional capacity or financial constraints.

*4.5.1 Political.* The political risk is always a permanent risk, mostly if we consider this program is very political and sensitive in terms of the power structure of Surinam. Decentralization is viewed by most politicians in the Central Government as giving up power and control. However, the Constitution of Surinam of 1987 stipulates decentralization as a model of governing and organizing its political system defined as “Decentralized Monocratic State” and is recognized by all parties that the Central Government by itself cannot bring development for the people. A common effort of the Central Government, District Authorities, Private Sector and Civil Society represented in NGOs is needed to push forward Surinam into a modern, developed country.

So depending on the view that the government representatives may have of decentralization and specially the Minister of Regional Development, they will support or hamper the DLGP. A recent positive shift in policy occurred with the new Minister of RD which helped overcome many of the risk of this sort, as confirmed by my interview with Minister Betterson, who’s policy is to carry on with decentralization and repeatedly stated that decentralization is one of the four priorities of the present government that will be in power until 2014.

*4.5.2 Legal.* From the legislation point of view, which can be also considered political but it also includes the writing and spirit of the law, there is the need to approve two draft laws on Financial Relations between Central Government and Districts and a draft District Tax Law on the financial and accounting standards and procedures, as well as updating article 4 of FDIL to revised tariffs. The approval of these two laws and the update of article 4 of FDIL is critical for Component II of the program which upon approval, will support the creation of methodologies and correspondent training for the districts to: i) audit taxpayers records; ii) adopt warrant measures in order to ensure the collection of tax and non-tax revenues; iii) keep updated records; iv) identify and define taxpayer’s violations (arrears, fraud, evasion) and v) apply interest, fines and other penalties.

These laws as well as others submitted in 2008 from DLGP I to the MRD, are still in the review process within the GoS. However the new Minister of MRD has promised to support and push for approval of these laws which he expects to be approved by mid 2013.

*4.5.3 Institutional Capacity.* One of the most common risk, especially in new and breakthrough programs such as DLGP is the institutional capacity of the organization that should take responsibility for its execution; in this case MRD and the Districts which need to be trained and prepared for a new role and protagonism. In the case of the Central Government, it requires the MRD to have a more proactive role in coordinating all ministries and their services at the district level. This weakness may be attributed to lack of ownership of the Program and a slow bureaucratic approach towards problem solving management instead of a proactive attitude of cooperation. As the Deputy Director of Decentralization of MRD stated: “...we want more involvement so that MRD takes control of the decentralization process...”. However she also admitted that MRD is not

prepared to take over because it lacks trained personnel in financial management, accounting, on project planning, on how to make legislation and procurement procedures. Possible the ‘change manager’ can get the Ministry in the new role to manage 10 local governments.

At the district level the limitations are also great in terms of infrastructure and capable personnel in applying new legislation, financial planning, budget management, tax collection and capital investment project making. An additional difficulty is that District Councils is an elective body which changes every 5 years so that they have to be trained periodically. This weakness in the districts have been improved by the Program by successfully implementing and operating the new financial system in the new open source software (Open ERP) and assisting and coaching all district management teams in their new roles. The positions created in each district to have a District Administrator has improved their management capacity and a future “change manager” that is planned to be incorporated to the PIU in 2012 will help create “awareness” of the new role of the districts in order to make the transition to better self- managed districts, including economic, social and environmental issues.

*4.5.4 Financial.* We need to consider that districts receive around 90% of their budget from Central Government transfers and their lack of experience and knowledge in financial management in terms of tax collection, budget management, auditing, procurement and investment project management is perhaps their main weakness to gain financial independence. The financial training should also be included at the resort level where the budget planning starts as a bottom up process. As I was able to observe in the districts of Wanica and Para, citizens participate actively in their districts and cooperate voluntarily. They see local governments as the most direct and closest governing organizations and where they can participate in solving their own problems.

Tax revenues for the districts come from two taxes: the rental value tax and the entertainment tax. The first one is based on the value of real states for which it is important the 10 Agreements done between the District Commissioners and the GLIS- project authorities. The Global Land Information System is an ongoing project that will give the necessary cadastre information of plots, buildings and houses for the Districts to have in order to know the values of the properties and hence tax them accordingly. The DLGP should guarantee the cadastre information reaches de districts and there is personnel and equipment to handle it. The second one is of less importance and it only affects those districts that have entertainment events. However the tariffs of these two taxes are very low, the RV is only 8/1000 of the value registered for which the tariff and the value of real stated property should be updated.

Non tax revenues for the districts should also be considered. In the case of Para we saw the initiatives to charge some fees to the transportation and exploitation of wood extracted from the districts natural resources or for just passing through. Services given by the districts such as garbage collection, licenses authorizing certain type of businesses, and rents from public buildings could be an important source of income for the districts and financial sustainability.

## 5. Conclusions

- 5.1 The Program is on track and if nothing exceptional happens it will achieve its goal and objective. Moreover it exceeds the technical objectives of each of its components (legal framework, capacity building for tax collection, citizens participation and investments in infrastructure); the program contributes to a cultural and political change which will modify how people think of their government and how things are done. A change from a colonialist and dependent perspective to a more autonomous and independent view, where citizens have to manage and be responsible for their own growth and development.
- 5.2 Each of its components is on time and most have delivered more than 50% of their products notwithstanding the natural complications of political approvals and natural sequences between the components. For example, the draft laws have been delivered and are waiting for approval in the National Assembly and some subcomponents of the financial, planning and administrative capacity component which depends on these laws. However, there are interim laws until the new ones are approved and institutional conditions are in place, which enables the districts to prepare themselves. All districts are in good track in obtaining Level 2 certification at the end of 2012. Same with infrastructure capital investment which has been adequately managed from the technical and procurement point of view. The ICT has also accomplished the connectivity of the WAN in all districts and with the MRD and MOF, which is a major precedent. Citizen participation is very active and PIU has been the organizing force in preparing and making the citizens involve in the decision making process of their Districts.
- 5.3 Budget wise the Program is on time considering not only the disbursements done but also the committed amounts with contracts signed. Given all the paper work required before actual work and disbursement is done, the Program shows to be advancing according to plan with 55% of the budget expended or committed.
- 5.4 The PIU has proven to have management capacity to solve problems and has a very proactive attitude which demonstrates leadership, commitment and credibility. It has good relation with all stakeholders, i.e. Central Government, Districts, IADB and citizenship.
- 5.5 The program is aligned with Government Development Plan 2012-2016 and after the change of Minister of MRD in April of 2012, it has gained a more decisive support that will help approve laws and give an extra impulse to accomplish all DGLP activities on time.
- 5.6 The document was sent for comments to PIU, Bank and MRD. The Bank and PIU had no comments, while MRD came with questions to explain some issues and subjects. MRD was provided with additional information and the explanations as requested.

## **6. Lessons Learned**

- 6.1 The Program shows a good flow between DLGP I and II complementing each other thanks to the continuity and stability of the Management Team at PIU. Maintaining the same team with high motivation and correct incentives is a key factor for the success of the Program, as well as a close cooperation among the PIU, the Bank and the MRD.
- 6.2 More than the actual increase in tax revenues that the districts may get in the medium run, the relevance and most important impact of this program is the cultural and political change it generates by breaking away from a dependent, colonialist mentality of the Districts with respect of the Central Government. In this regard, more emphasis should be given to the institutional capacity building than the actual tax revenue increase. The DLGPs should be considered more a learning process through creating the conditions first and consolidating a decentralization model in a period of five to ten years time, than imposing new taxes.
- 6.3 In order for the Program to be successful it is important to show results in all components but most of all in the capital investments with infrastructure that will promote development and quality of life for the citizens, by taking care of urgent and tangible problems such as health, drainage, garbage collection and transportation issues.
- 6.4 In order to convince and persuade all the actors involved of the benefits of decentralization and get their support, it is important to disseminate the information and results of the program through a communication strategy. It is not sufficient to train the staff at the central and local government levels but also to educate the citizens in general by showing results.
- 6.5 An alliance is necessary between the local governments and the private sector to promote private investment and productive projects. The institutional strengthening of the districts to collect taxes only makes sense if there are economic agents that can pay them. Therefore productive projects are needed to grow in all districts to generate wealth and hence tax revenues.

## **7. Recommendations**

- 7.1 It is important for the Bank to continue supporting and collaborating with the DLGP II and strengthening the capacity of the PIU to execute its activities in the last two years of the program. A “Change Manager” is necessary to emphasize cultural change and minimize resistance to new ideas and procedures.
- 7.2 There is the need to increase some personnel in all ten districts in order to assure institutional capacity to strengthen financial management: financial planner, ICT official, auditors and tax collectors.

- 7.3 In order to hire highly qualified professionals it would be important to revise the functions and salary scales according to an independent system of the central government scale.
- 7.4 Intensive training workshops are needed in financial management for MRD and District personnel, including financial planning, budget management, auditing and accounting, project management and tax collection.
- 7.5 Continue to insist to the new minister of MRD the importance to move pending laws to be approved by National Assembly. A more active role by the Minister in pressing Cabinet of Minister to cooperate is needed.
- 7.6 A communication strategy is important to have by the PIU in order to maintain, as it has, a presence in the media and show results of the DLGP. There is the need to create awareness and sensitize public opinion in the topic of decentralization. This should be part of the Change Manager functions.
- 7.7 An inventory of the infrastructure projects needed in each district should be done or coordinated by the PIU in order to create a Master Plan with an estimated budget for the next 10 years. This plan constructed with citizen participation will give the districts a vision of where they would want to be in a decade from now, creating necessary expectations and ambitions by the community of how much revenue is necessary to obtain their goals.
- 7.8 Financial projections of tax revenues for each of the districts are needed in order to measure and compare with actual increase of tax revenues before and after the programs results. For this purpose it is important to obtain the cadastre information of GLIS in order to make the most accurate estimations as possible.
- 7.9 A strong alliance between Districts and Private Sector would be convenient to create in order to develop productive projects, which would create wealth and employment, hence tax revenues. An inventory of possible projects by district to be developed should be part of the overall strategy of decentralization.
- 7.10 A strong alliance among the Districts would help the Districts to become stronger and support each other in a inter-district relation in the fields of overall management, financial and budget management, ICT/Wide Area Net Work, civil technical works, media monitoring, environment, which is to be achieved by operation of the current DLGP project Office as Inter District Cooperation (IDC).

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