

ANNEX

THE PROGRAM

Decentralization and Local Government Strengthening Program II

I. Objective

- 1.01** The objective of the Program is to continue supporting Suriname's local government decentralization efforts and to contribute to the attainment of a core legal framework, and as well as to assist new pilot districts of Paramaribo, Sipaliwini, Saramacca, Coronie, and Brokopondo to 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.

II. Description

- 2.01** In order to achieve the above-mentioned objectives, the Program will encompass the following components:

Component I: Legal framework

- 2.02** 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 ; and (iii) update laws included in Article 4 of the FDIL, 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

- 2.03** 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.

- 2.04** 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 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, supporting coordination, and technical cooperation activities of districts.
- 2.05** 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 alerting reluctant tax payers; (iii) improving methods to ensure 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.
- 2.06** Upon approval of the new District Tax Law is approved, the Program 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.
- 2.07** Once the State-Districts Financial Coordination Law has been 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 to in this paragraph.
- 2.08** 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 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.

- 2.09** 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.

Component III: Citizen participation and program outreach

- 2.10** 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 the Program Implementation Unit (PIU) regarding the legal framework.
- 2.11** The Program will support the creation of a CPC committee in each of the new pilot districts and 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.
- 2.12** 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.
- 2.13** 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.
- 2.14** 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 detailed description of specific activities, as well as guidelines and procedures for the CPC.
- 2.15** 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 capacity building and investment program

- 2.16** 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.
- 2.17** 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: (i) households size within the community; (ii) access to healthcare, utilities (electricity, potable water), education, and garbage collection; (iii) condition of the road network and drainage systems; (iv) agriculture activities; and (v) recreation facilities.
- 2.18** In parallel to the ranking exercise, the districts with the support of the PIU have been conducting hearings with communities from all the Ressorts. Four priority sectors were identified: (i) secondary and tertiary road paving; (ii) basic drainage; (iii) solid waste collection; and (iv) public market upgrades. Ressort and District Councilors, also with support from PIU consultants, are expected to identify project initiatives by the end of 2008.
- 2.19** 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.
- 2.20** This 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.

III. Total Cost of the Program and Financing Plan

- 3.01** The estimated cost of the Program is the equivalent of fifteen million dollars (US\$15,000,000), in accordance with the following investment categories and sources of financing:

Cost and Financing
(in thousands of US\$)

Categories	Bank	Borrower	Total	%
1. Program administration	1,500	244	1,744	11.6
Program implementation unit	1,350		1,350	9.0
PIU overhead (office rental, utilities, etc.)		244	244	1.6
Consultants	150		150	1.0
2. Direct Costs	11,555	1,120	12,675	84.5
Component I – Legal framework	85	0	85	0.6
Component II – Financial, planning, and administrative capacity	1,450	450	1,900	12.7
Component III – Citizen participation and program outreach	540	300	840	5.6
Component IV – Capital investment capacity building and investment program	9,480	370	9,850	65.7
3. Audit	75		75	0.5
4. Contingencies	370	136	506	3.4
Total	13,500	1,500	15,000	
%	90.0	10.0	100.0	100.0

IV. Execution

4.01 The Program will be executed by the MRD. Direct beneficiaries of the Program will be the sub-national governments (10 districts). The Program execution will be carried out by the MRD with the support of a PIU, which will act as implementation and coordinating unit for the Program.

4.02 The Program will be supported by a Program Advisory Council (PAC), which comprises a representative of MRD, MOF, Directorate of the OTA, Ministry of Justice, Ministry of Home Affairs and Ministry of Public Works. This Council will provide a consultative and problem-solving forum to the PIU and its functions are set forth in the Operating Regulations and Guidelines (ORG). The Program will support the task force created at the MOF (TFMOF). The TFMOF will continue to assist the PIU, the MRD and the districts in the process of certification aimed at assessing their capacity to manage the complete cycle of community based investment projects, as described in the ORG. A second task force will be established at the Ministry of Regional Development (TFMRD), which will participate in the implementation of the Program as a counterpart in all matters related to

the monitoring, evaluation and coordination of the implementation plans at district level . TFMOF and TFMDR are staffed by public servants and financed by the Government and act as a technical counterparts of the PIU. The Government Accounting Office (CLAD) will also support the PIU in the district's certification process.

- 4.03** Other participating entities at the local level will be the districts, as direct beneficiaries of all the legislative reforms, systems, technical assistance, equipment, infrastructure initiatives and training that will be provided by the Program. District participation in the Program will be reached through an agreement approved by their respective District Council and the MRD, in accordance to specific terms agreed with the Bank. Also at this level, the Citizen Participation Committees, comprised of NGOs and community based organizations, will be responsible for assisting the districts in developing their Citizen Participation Plans. Districts will be eligible to participate in the Program once they have signed an agreement with the MRD by which they commit themselves to the execution and implementation of the technical assistance and capital investment projects in accordance with the provisions set forth in this Contract and the regulations previously approved by the Bank. The Program will be implement through Annual Working Plan (AWP) prepared by the PIU and approved by the MRD and the Bank's no objection. The AWP will cover an 18-month period and includes all the activities that are part of the Program's implementation. The AWP will be reviewed for possible adjustments, every six months, integrating the specific work-plans and activities of the PAC, TFMOF, TFMRD and other participating entities. Any modification to the approved AOP in execution will require the approval of MRD and have the written non-objection of the Bank
- 4.04** The Program Implementation Unit. The PIU is headed by a Managing Director and assisted by four (4) Task Managers (Civil Works; Financial Planning and Administration; Citizen Participation; and an Information and Communication Technology (ICT) System Manager), a Financial Administrator and a secretary. The Manager Director reports to the Permanent Secretary of the MRD and is responsible for the day-to-day management of the Program, including all legal matters and institutional relations. The Task Managers will coordinate and supervise their corresponding responsibilities within the Program. The Financial Administrator is responsible for the general financial administration of the PIU and for ensuring that the procurement of goods and services is done in accordance with the Bank's procurement guidelines and policies. A detailed description of the PIU's staff's responsibilities, profiles and Terms of Reference (TOR) will be included as part of the Operating Regulations and Guidelines (ORG). The Program may provide consulting services to support PIU activities, for which the Bank's written non-objection will be needed.
- 4.05** The execution and supervision of the Program will be carried out at both the central government and at the district levels. At the central government level, the MRD will be

responsible for the overall performance of the Program within the districts, and the MOF will be responsible for timely budget allocation. The scope of involvement of the MRD and MOF is to ensure that the Program adheres to agreed fiduciary and procurement rules and policies. No financial resources will be directly transferred to the districts. The PIU will prepare and submit to the Bank, within a sixty (60) days period after the closing of each semester, a semi-annual report showing the use of the Loan resources as of June 30 and December 31.

- 4.06** The PIU will be responsible for the overall management, executing, monitoring, budget expenditure, and evaluation of all of the components of the Program, including managing the technical assistance required for certification of the new participating districts. The PAC will be responsible for advising the PIU on issues pertaining to the implementation of the Program. The CLAD will be responsible for evaluating and validating the performance of each of the district's financial and planning units. CLAD will ensure that the procurement guidelines for the districts have been taken into account.
- 4.07** NIMOS will provide technical advice to the districts and will ensure that the districts observe the required environmental rules for capital investment project design and implementation.
- 4.08** The PIU will be in charge of monitoring the performance of the Program, according to the Program's Results Framework Matrix. The PIU will evaluate the Program's performance periodically through semi-annual progress reports, annual reviews and a mid-term and final evaluation. The content of the semi-annual progress reports will be agreed with the Bank and should include, at least, disbursement information, Program implementation progress on key delivery performance indicators, and a brief description of Program status, including the Procurement Plan and assessment of the issues affecting the Program's execution and proposed solutions. The annual review will consist of: (i) assessment of the overall Program execution during the previous year, including a comparison of specific Program achievements with the indicators of the Results Matrix; (ii) evaluation on the effectiveness of Program management; (iii) review of stakeholder participation and perceptions; (iv) comparison of actual vs. planned disbursements; (v) identification of issues affecting Program execution; and (vi) solutions or adjustments required for the upcoming year to ensure efficient implementation of the Program. The MOF and the MRD will have full access to all the documentation of the Program, including the prerogative to review all such documents.
- 4.09** The PIU will establish and maintain an adequate integrated financial accounting and information system for the purpose of managing the Program in accordance with the Bank's policies and requirements. The Mid-Term Review will evaluate the Program's

performance at the operational level, identify the problems and issues affecting the Program's execution, and recommend required adjustments. Three months after the completion of the Program's execution, the Executing Agency will undertake a final evaluation of the Program, which will follow the methodology and indicators agreed with the Bank, including the indicators to measure outputs, outcomes, and results agreed as part of the Results Matrix. This will include the results of the specific local investment projects and the technical assistance, as well as lessons learned.

- 4.10** The Mid-Term Review will 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 occurs first.