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White Paper

Amending the 2017 Savings and Stabilization Fund Suriname Act

Draft for Discussion

Paramaribo, [*insert date of posting*]

Ministry of Finance and Planning

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Abbreviations

Bank	Central Bank of Suriname
CLAD	Centrale Landsaccountantsdienst (Central National Accountants Agency)
GPF-G	Government Pension Fund-Global (Norway)
IAC	Investment Advisory Committee
IASB	International Accounting Standards Board
IDB	Inter-American Development Bank
IFRS	International Financial Reporting Standards
IFSWF	International Forum of Sovereign Wealth Funds
IMF	International Monetary Fund
ISA	International Standards on Auditing
Minister	The Minister of Finance and Planning
MRFC	Mining Revenues Paid in Foreign Currency
MRSD	Mining Revenues Paid in Surinamese Dollars
MFP	Ministry of Finance and Planning
NRGI	Natural Resource Governance Institute
PFM	Public Financial Management
MTFF	Medium-Term Fiscal Framework
SAA	Strategic Asset Allocation
SSFS	Savings and Stabilization Fund Suriname
SWF	Sovereign Wealth Fund
VRI	Value Recovery Instrument

Executive Summary

This White Paper is a policy document issued by Government. It sets out proposals for the amendment of the Savings and Stabilization Fund Suriname (SSFS) Act of 2017.

The reform of the SSFS is needed in light of an evaluation of its design, the broader reform of the fiscal framework that the Government is implementing, and the prospective increase in oil revenues expected in a few years' time.

Improving the SSFS is part of the Government's comprehensive set of fiscal management reforms. Besides the fund, the reforms comprise the strengthening of the medium-term fiscal framework, the establishment of fiscal rules to help provide guidance and discipline to fiscal policy, and improving public financial management and fiscal transparency. These reforms are designed to help avoid the policy mistakes of the past, take advantage of the opportunities that arise from the expected higher future oil revenues, and manage those revenues well.

The SSFS cannot be viewed in isolation from the fiscal policy framework. It should be a complement to, and work well with, fiscal rules that increase the chance of stabilization, fiscal sustainability, and growth, discussed in the Green Paper on the introduction or fiscal rules through amendements to the Public Financial Maagement Act, which should be read in conjuntion with this paper. This requires a redesign of the fund. A simple and flexible fund will be a valuable financing mechanism for the budget and a device to help create conditions for stable budgetary spending in the face of volatile revenues. The fund will also manage a potentially large pool of financial assets for the government.

The fund will receive all mining revenue due to the government from the budget. Withdrawals from the fund to finance the budget can be made up to a maximum amount included in the annual budget approved by the National Assembly. Thus, the fund will cover in whole or in part the budget's financing needs resulting from the implementation of the fiscal rules and help achieve asset and liability management objectives. The fund will also play a key role in the management of public financial assets. It will safeguard the mining revenues not immediately needed to cover financing needs and invest them for the future.

The investment strategy of the fund and its implementation will influence the evolution of public financial wealth and hence be an element of fiscal and macroeconomic significance for this generation and future generations. The amended law will go beyond the text in the 2017 Act and lay down key investment principles for the fund's investment strategy to ensure a sound asset management for the fund.

How the governance structure, internal and external controls, and reporting requirements for the fund are designed and implemented will have a critical bearing on the fund's contribution to the management of mining resources. The 2017 SSFS Act already incorporated a solid governance framework and wide-ranging transparency requirements for the fund. The amendments to the Act are designed to clarify, strengthen and extend the provisions in the original Act in several respects, including institutional roles and responsibilities, the investment strategy, the operational management of Fund assets, and reporting.

I. Introduction and Background

1. This White Paper is a policy document issued by Government. It sets out proposals for the amendment of the Savings and Stabilization Fund Suriname Act No. 59 of 2017 (hereinafter, the 2017 SSFS Act). The reform of the SSFS is needed in light of an evaluation of its design, the broader reform of Suriname's fiscal framework that the Government is implementing, and the prospective increase in oil revenues expected in a few years' time.

2. The reform of the SSFS is part of the Government's comprehensive set of reforms to improve fiscal management. The proposed reforms comprise the strengthening of the medium-term fiscal framework (MTFF), the establishment of fiscal rules, improvements in public financial management (PFM) and fiscal transparency, and the reform of the SSFS.

3. The rest of this paper is structured as follows. Section II argues that the country needs a new fiscal framework—the set of institutions (including mechanisms, rules and procedures) to design, conduct, monitor, and report fiscal policy—sets out its objectives and main features, and explains the need to reform the SSFS against that background. Section III reviews the main operational features of the 2017 SSFS Act. Section IV sets out a new operational design for the SSFS that will be well integrated with the new fiscal framework proposed. Section V discusses the main asset management principles and mechanisms that the SSFS will follow to enhance its contribution to stabilization and the formation of public financial assets. Section VI presents the governance, accountability and transparency mechanisms envisaged for the fund to help manage Suriname's natural resources in an effective, sustainable, and equitable manner. Finally, Section VII sets out the timing of the activation of the reformed SSFS.

The Prospect of Higher Oil Production

4. A series of large commercial offshore oil discoveries in recent years holds the prospect of major increases in our country's oil production in a few years, possibly as early as 2028. Recent estimates put the offshore recoverable oil reserves in Block 58, where exploration work is most advanced, at 650-700 million barrels of oil in two fields. Total project investment is estimated at US$9 billion. Production from Block 58 could start by end-2028, and peak at about 200,000 barrels a day in the early 2030s (compared to current onshore oil production of 16,000 barrels a day) before beginning to decline gradually. Several other offshore blocks also show promise.

5. The oil scenario presents major favorable prospects for the government's fiscal position and the country's external position. The profile of fiscal oil revenue would lag somewhat behind the production profile because the contractual terms of the production sharing contracts stipulate that cost oil (which will be capped) will become profit oil after full cost recovery. Depending on oil prices, fiscal oil revenue from Block 58 could reach annual amounts in excess of US$1 billion for several years in the mid-2030s.

Future Higher Oil Revenue: Opportunities and Challenges

6. The expected higher future oil revenues provide Suriname with a unique opportunity to promote growth and development. Our country stands to benefit significantly from the large expected increases in oil production in the medium term. Good economic management would

permit the country to realize fully the development potential of those natural resources. The good use of higher fiscal revenues can lift economic growth, finance expenditures that will benefit sustainable development and poverty reduction and generate savings for the benefit of future generations.

7. Managing the new resources well to promote stability, growth, and savings, however, will pose challenges. Our country faces the risk that rising oil revenues might not be managed well. This could contribute to macroeconomic and fiscal instability, loss of competitiveness—the so-called Dutch disease—that could hurt the traditional sectors in the economy, and more broadly failure to realize the development potential arising from higher petroleum production. The revenues from the extraction of these resources will last a limited period of time; we need to build mechanisms for saving a substantial part of them to ensure that future generations also share in their benefits.

8. The experience of many resource-exporting countries, including new oil producers, provides sobering evidence of the challenges our country faces in managing well the large oil revenues expected to accrue beginning late in this decade. In principle, resource-rich economies might be expected to grow faster than other countries because natural resource rents would be available to raise investment and increase imports needed to build infrastructure and other forms of capital compared to other countries.[1] The reality, however, is that the average rate of growth of GDP per capita of resource-rich countries has been lower than the average rate of growth of resource-poor countries.[2]

9. The technical challenges that the Government will face in managing the higher revenues are discussed in the Green Paper on Fiscal Rules. They include the need to avoid a premature surge in expenditure, manage increased resource revenue volatility and avoid procyclical fiscal policy, avoid negative effects on competitiveness, and save for precautionary purposes and for future generations.

10. Before the onset of the new oil, public expectations about future benefits from oil may run high. The Government may face pressures to raise spending upfront, including by borrowing against future oil revenues. Several new oil producers, such as Mexico, Ghana, and Mozambique fell into this trap, with adverse results including public debt and external crises.

11. As oil production starts and fiscal revenues associated with it gradually increase, social and political pressures to spend may increase further and more quickly. There may be growing calls to spend to "distribute the rents" over and above what would be efficient, effective, prudent, and fair to future generations.

12. In some countries that counted on high current and future revenues, spending was increased quickly and substantially. Governments engaged in large public investment programs,

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[1] Resource rents are defined as the excess of revenues over all costs of production as well as the risk-adjusted "normal" rate of return on capital.

[2] Auty and Furlonge (2019). For example, the average annual rate of growth of GDP per capita of resource-poor countries in 1985-2015 was 4.3 percent (large economies), and 2.4 percent (small economies), whereas the average annual rate of growth of GDP per capita of small oil-exporting countries was only 0.7 percent (derived from data in Auty and Furlonge (2019)).

but subsequently many projects were found to have low economic rates of return. Policies often also included the expansion of the state's involvement in the economy and increased public expenditures. When revenues subsequently fell, it was found that expenditures were difficult to reverse.

13. Venezuela provides an early example of what can go wrong. Despite oil exports equivalent to US$600 billion between the early 1970s and 1985, procyclical stop-go fiscal policies and inadequate expenditure policies resulted in real per capita income falling by 15 percent in 1973-85. The deterioration in economic conditions accelerated in the next 15 years, with real GDP per capita falling on average by 2.2 percent a year in 1985-2000.[3]

14. Second, in a number of cases countries increased public spending in the anticipation of higher resource revenues. Those revenues were distant and uncertain, and in the event, they failed to materialize.

15. In many resource-exporting countries, expenditure has been procyclical with resource revenues. Government spending rose during good times, and was cut during bad times. These procyclical expenditure responses to revenue developments increased the volatility of the economy. By exacerbating output volatility, procyclical fiscal policy adds stress to the economy and hurts economic growth. In particular, private investment is a key channel for the negative effect of volatility on growth. Volatility and uncertainty harm private investment and the creation of jobs, and therefore they harm growth. Indeed, volatility may be the quintessence of the resource curse.[4]

16. The volatility and uncertainty that our public finances already face due to the large share of oil and mineral revenues in government revenues will increase markedly as the new revenues come in. The expected new revenue flow is potentially large but temporary and subject to large variation over time. This raises questions about how much to consume, how much to invest (notably in human capital and infrastructure), and how much to save in financial assets or lower public debt for this and future generations.

17. Finally, Suriname's future oil revenues are subject to major long-term risks. These risks arise, among other factors, from international efforts at decarbonization and technological change in the energy sector. These factors entail price risks as well as the risk that some of the country's oil resources in the ground could become prematurely obsolete, or "stranded."

18. If international climate change mitigation pledges, involving a significant reduction in global carbon emissions and fuel use, are realized, there will be a sharp reduction in global demand for fossil fuels in the long-term. For a net-zero scenario in 2050, the International Energy Agency has

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[3] Eifert, Gelb and Tallroth (2003).

4 Villafuerte and López Murphy (2010); Van der Ploeg and Poelhekke (2010); Van der Ploeg (2011); Bleaney and Halland (2014); IMF (2015); Bova, Medas, and Poghosyan (2016).

estimated that global use of oil would need to decline by 80 percent and natural gas by over 70 percent between 2021 and 2050.[5]

19. Therefore, our country faces a significant long-term fiscal challenge, as our oil revenues will decline considerably if the global economy pursues a path toward net zero emissions. The scope to use oil revenues to finance economic development, is therefore uncertain, as it depends on the pace of global decarbonization efforts, among other factors.[6]

20. The Government considers that there is a need for an upgraded fiscal framework to seize the opportunities and address the challenges. A critical part of the improvements envisaged is the reform of the SSFS to play an effective role in fiscal and asset management.

II. A New Fiscal Framework

Background

21. During the last few decades our economy has been very volatile. It has experienced strong booms and busts. To an extent, this reflected the volatility of international resource prices and our fiscal revenues. However, fiscal policies have generally also been very volatile and procyclical. In particular, government expenditure has tended to follow revenue in upswings and downswings, thus amplifying cycles.

22. To look at an example, during the resource price upswing in 2010-14, budget expenditure increased markedly (by a third in real terms) and the overall fiscal balance deteriorated by close to 7 percentage points of GDP despite elevated oil prices. By 2013, on the eve of the 2014-15 oil price collapse, the increases in expenditure had left the fiscal position highly vulnerable to exogenous shocks, with a fiscal deficit of close to 5 percent of GDP and government debt rising fast.

23. The fiscal risks materialized when the oil shock and the closure of the aluminum refinery in 2015, superimposed over earlier declines in gold revenue, hit our economy and fiscal accounts. In the next three years of low resource prices, despite government spending cuts, government debt rose to close to 70 percent of GDP. Finally, another exogenous shock, the COVID-19 pandemic in 2020-21, contributed to making the debt unsustainable and the ensuing negotiations with creditors.

24. Policies such as those exemplified above have contributed to the macroeconomic instability, uncertainty, and boom-and-bust episodes that our country has experienced on a recurrent basis. And these, in turn, have entailed damaging effects for private investment and growth.[7]

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[5] IEA (2022). Net zero emissions means balancing at a global scale residual carbon dioxide emissions (i.e., those emissions that remain after all reasonable efforts have been made to reduce them) with the same amount of carbon dioxide removal.

[6] IMF (2023).

7 IDB (2021), Chapter 5, “Strengthening the Institutional Fiscal Framework in the Caribbean.”

25. Our country's economic performance—in particular, the events that led to the economic crunch and the debt crisis—and comparison with other countries have revealed shortcomings in our fiscal framework, that is, the set of institutions (including mechanisms, rules and procedures) to design, conduct, monitor, and report fiscal policy. In particular there has often been a lack of fiscal discipline and of a proper medium-term perspective for our public finances, as well as an inadequate assessment of fiscal risks.

26. In addition, as the economy emerges from the last economic and financial crisis, the country faces the need to reduce the ratio of public debt to GDP and strengthen social and developmental spending to address urgent needs. Moreover, as the fiscal revenues from the forthcoming offshore oil production arise, the Government wants to avoid the costly mistakes of some other new resource producing countries, and of Suriname's own past. There is a need to do things differently.

Objectives and Main Features of the New Fiscal Framework

27. The Government will propose to strengthen the fiscal framework to improve fiscal management in the period prior to the start of offshore oil production, and then ensure that the higher oil revenues expected in a few years' time are put to good use. The Government considers that the new fiscal framework should balance several objectives.

- To preserve macroeconomic stability, competitiveness, and sustainability;
- To provide additional resources for development spending and priority programs; and
- To build up financial assets for stabilization and future generations.

28. In particular, the Government wants to implement mechanisms to avoid fiscal volatility, sudden surges in expenditure, including spending of poor quality, and subsequent spending cuts. Such policies would undermine the achievement of the objectives just mentioned.

29. There is a need for a comprehensive approach to improve fiscal management. This goes beyond the reform of the SSFS. Specifically, disciplining the budget and generating genuine public savings are tasks for fiscal policy aided by good fiscal institutions. The fiscal reforms envisaged involve the improvement of the MTFF,[8] the design and implementation of fiscal rules,[9] strengthening PFM[10] and fiscal transparency,[11] and reforming the SSFS.

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[8] A MTFF is a framework for integrating fiscal policy and budgeting over the medium term (typically over a three- to five-year period). A key objective of a MTFF is to establish a coherent framework for multi-year expenditure ceilings for the purposes of planning and prioritization.

[9] Fiscal rules impose long-lasting constraints on fiscal policy through numerical limits or targets on broad budgetary aggregates.

10 A public financial management (PFM) system is a set of rules, institutions, policies, and processes that govern the use of public funds across all sectors and over the entire fiscal process, from revenue collection to the monitoring and reporting of fiscal developments.

[11] Fiscal transparency refers to the information available to the public about the government's fiscal policymaking process and fiscal developments. It refers to the clarity, reliability, frequency, timeliness and relevance of fiscal reporting and the openness to the public of such information. Fiscal transparency is a critically important element of fiscal management and accountability (IMF 2018a and 2018b).

30. The Government will produce a Green Paper with proposals to amend the Public Financial Management Act (2019). The amendments will set forth norms, regulations, and statutory numerical fiscal rules to formally constrain fiscal policy and strengthen PFM and fiscal transparency.

31. In particular, to promote good fiscal management of natural resource wealth, the Government has come to the view that there is a need to put in place numerical fiscal rules designed to help avoid procyclicality and excessive spending and safeguard fiscal sustainability. Numerical fiscal rules are limits (ceilings or floors) or targets that impose constraints on key fiscal aggregates such as a fiscal balance, expenditure, and debt for a multi-year period.

32. The Government will propose a fiscal rule to orient the annual budget process and limit spending growth. In addition, to promote sustainability and saving and anchor the conduct of fiscal policy over the medium to long term, a fiscal anchor (a ceiling on government debt net of financial assets in the SSFS) will also be proposed.

33. The amendments to be proposed will aim to ensure that spending does not run ahead of increased fiscal revenues, which are still several years away; that eventually large and volatile oil revenues do not lead to volatile and excessive spending; and to secure a reduction of the public debt to prudent levels and the accumulation of financial savings for the benefit of future generations. This will contribute to the macroeconomic stability of the country in the face of higher mining revenues and to the long-term sustainability of the public debt and the public finances, and promote public savings.

The Need to Reform the 2017 SSFS Act

34. The Government has evaluated the 2017 SSFS Act and its suitability to contribute effectively to the new fiscal framework just described. It has concluded that the approach to the SSFS envisaged in the Act of 2017 requires an overhaul. The need to revise the SSFS Act arises from three considerations.

35. First, at the time of the enactment of the 2017 SSFS Act, a fiscal framework involving fiscal rules was not envisaged. Now there is a need to redesign the SSFS to ensure that it is well integrated with the new fiscal framework with fiscal rules proposed for discussion in the Green Paper on fiscal rules. The new SSFS should support the rules-based fiscal policy framework and its objectives.

36. Second, the prospect of large petroleum revenues was not foreseen at the time of the enactment of the 2017 SSFS Act. Under current plans, however, there is the prospect of the future development of large new offshore oil fields that will increase fiscal revenues substantially. The fund will play a key role in the management of the higher oil revenue expected to begin to accrue in a few years' time. Over time, the fund can be expected to manage substantial financial assets.

37. Third, the Government has identified some shortcomings in the design of the SSFS in the 2017 Act that need to be addressed through an improved design for the fund.

III. The 2017 SSFS Act: Operational Features of Deposits and Withdrawals

38. The Act of 2017 gave the SSFS three objectives. First, to stabilize government revenues in order to reduce the effects of macroeconomic volatility by protecting revenues at times of low mining revenues. Second, to generate an alternative source of income to diversify and complement government revenues. Third, to generate revenues for future generations by saving public mining revenues.

39. To achieve the objectives set for the SSFS, the Act mandated rules for budgeting mining revenues. It also mandated rules for deposits into, and withdrawals from, the fund. The rules established in the Act were rather complex, with different requirements for a variety of specific circumstances.

40. The government has assessed the procedures for budgeting mining revenue in the 2017 SSFS Act and concluded that they need to be reviewed. The mechanism for budgeting revenues did not allow the budget revenue projections constrained by the SSFS Act to take fully into account market forecasts or expert projections of future mining revenue and could lead to budgeted revenues detached from actual revenue developments.

41. In addition, the MFP's progress in the development of the MTFF has revealed that the mechanism for budgeting mining revenues in the 2017 SSFS Act would not be compatible with the implementation of a strengthened MTFF and fiscal rules—improvements that were not foreseen when the 2017 SSFS Act was approved. A MTFF must incorporate realistic revenue projections to guide fiscal policy in the medium-term. And there should only be one mining revenue forecast, for both the budget and the MTFF. Every year, the budget for next year is the first year of the MTFF.

> "The overall resource envelope for a Medium-Term Expenditure Framework should derive from forecasts of revenue collections and information about the government's borrowing intentions. (…) Reliable macroeconomic and revenue forecasting models should be used, and both the models and output ideally would be subject to independent technical assessment. Revenue forecasting should extend beyond tax revenue and pay particular attention to aid, resource revenue and other non-tax receipts of any budgetary significance."[12]

42. The Government has also examined the practices in other resource-exporting countries and regions, including in countries with fiscal rules and sovereign wealth fund frameworks similar to the integrated framework the Government is proposing (see Annex 1). It has concluded that revenue projections in the budget must be unbiased, realistic, credible, and based on a transparent methodology and data. The Government intends to set out strengthened procedures for budgeting mining revenue in the amendments to the PFM law.

43. The rules for deposits into, and withdrawals from, the SSFS in the SSFS Act were based on the difference between budgeted mining revenues and actual mining revenues. If mining revenues were higher than budgeted mining revenues, the excess was to be deposited in the

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[12] Brumby and Hemming (2013).

SSFS. If mining revenues were lower than budgeted mining revenues by more than a specified threshold for that difference, withdrawals from the fund could be made subject to restrictions.

44. The conditions set for allowing withdrawals from the SSFS were demanding. The 2017 Act did not allow drawings during the first five years following the enactment of the Act. Subsequently, withdrawals could be made if actual mining revenue in a given year were less than 25 percent of the budgeted mining revenue for that year, and provided that the fund had resources of at least US$200 million. Withdrawals that met these conditions were subject to caps that depended on the size of the fund.

45. The historical record suggests that only in highly unlikely circumstances would revenues fall short by more than 75 percent from their budgeted level, allowing withdrawals to be made if the other conditions were met. Since 1971, the largest declines in the annual average international price of oil were close to 50 percent, and this occurred only twice, in 1986 and 2015. The two largest declines in the annual average price of gold in the last hundred years were about 30 percent, again only in two years (1981 and 2013).

46. Therefore, the situations that would allow withdrawals to be made were unlikely to materialize, and withdrawals that complied with the rule were subject to caps and other restrictions. The withdrawal rules effectively meant that the SSFS would be a savings fund. They negated a stabilization role for the SSFS.

47. The deposit and withdrawal rules set in the 2017 SSFS Act, however, could have fiscal costs and complicate the Government's asset and liability management.

- The deposit rule could mandate deposits into the fund when there were better uses for the resources—for example repaying expensive debt. Or the government could be forced to borrow at high cost to make the mandated deposits.

- Moreover, the deposit rules in the SSFS only related to whether actual mining revenues in a given year were higher than budgeted. This may occur even when mining revenues are low and the budget is in distress, so in this case compliance with the rule that mandated deposits into the fund because mining revenues were higher than budgeted would be destabilizing.

- As regards the withdrawal rules, the budget might need financing in economic downturns. The fund might have liquidity available, and it would be a reasonable course of action to tap it, but the withdrawal rules prevent the use of those resources. Thus, the government is forced to borrow even if budget financing from the fund would be a better strategy.

48. The Government has assessed the ability of the design of the SSFS in the 2017 Act to meet the objectives stated in the Act. It has concluded that the potential of the SSFS as designed and on its own to achieve those objectives was limited. In the absence of a comprehensive framework that was not contemplated at the time, the fund was the only instrument to achieve several objectives.

49. As regards stabilization, the design of the withdrawal rules effectively prevented drawings except in unlikely circumstances, and then subject to tight caps and other restrictions.

50. As regards the accumulation of public savings for future generations, the fund may accumulate public financial resources. Strict deposit and withdrawal rules from the fund, if complied with, would shield the fund's assets, protect the fund from being used to finance spending, and therefore force asset accumulation in the fund. The SSFS, however, can be used indirectly, without touching its assets. Excessive expenditures can be financed by issuing debt or running down public assets without having recourse to the fund's assets. In other words, while the fund accumulates assets, the government may be building up debt.

51. Observers focusing exclusively on the assets in the SSFS would therefore get an incorrect view of government financial saving. The assets in the fund are only one component of the government's financial balance sheet, that is, its financial net worth. It is necessary to look at the evolution of both government financial assets and financial liabilities.

52. The Government notes that what matters for the welfare of future generations is whether the public sector as a whole generates savings. Public saving is related to the whole of fiscal policy rather than the accumulation of assets in the fund. It is the evolution of the net financial position of the public sector that is important for public financial saving and the welfare of future generations.

53. Public financial wealth will be transferred to future generations only if the buildup of financial assets in the fund is not undone by running budget deficits and accumulating debt. It does not help much to protect the fund if debt is being accumulated elsewhere, and this has been observed in a number of resource-exporting countries with funds with strict accumulation and withdrawal rules.[13]

54. Moreover, in a situation where the budget has ample resources because of the coming on stream of new oil fields, it would be unlikely that the fund's strict deposit and withdrawal rules would moderate budget spending from resource revenues. Such rules would have little or no practical effect on expenditure because the budget could finance inappropriately high spending by accumulating fewer resources. The country faces a prospect of ample mining revenues in a few years' time, but this prospect was not foreseen when the 2017 SSFS Act was legislated.

55. The Government also notes that the IMF has recommended to see resource funds as complementary policy tools, not the main fiscal policy instrument. It advised to avoid potentially complicated rules governing flows between the budget and resource funds, which are not conducive to effective fiscal policy management. Funds with flexible inflow and outflow rules tend to be more effective than those that follow fixed rules. Funds that are fully linked to the budget and do not attempt to limit the availability of resources to the budget are preferable.[14]

[13] Skancke (2003); Villafuerte and Shields (2010); IMF (2015).

[14] IMF (2012 and 2015). Examples of funds with deposit and withdrawal rules not constrained by rigid and complicated formulas and that are generally regarded as making a positive contribution to fiscal management and asset and liability management include Azerbaijan's State Oil Fund, Chile's Economic

56. The previous SSFS Act sought to promote stabilization and savings, help discipline expenditure, and generate other sources of revenue with one instrument—the SSFS. The Government is of the view that a more comprehensive approach involving several instruments is needed, as will be proposed next and in the Green Paper on fiscal rules.

IV. A New Operational Design for the SSFS' Inflows and Outflows

Fiscal Rules and a Reformed SSFS

57. The reform of the SSFS must be placed in the context of the Government's broader fiscal reform. The Government is proposing a comprehensive upgrading of the fiscal framework. The fund cannot be viewed in isolation from the fiscal framework. The SSFS Act must be redefined to be consistent with the new framework. The SSFS should be a complement to a solid MTFF and fiscal rules that increase the chance of stabilization, fiscal sustainability, and growth.

58. The SSFS will be a key component of our revamped fiscal framework. It will be an instrument that contributes to a sound management of mining revenues for the benefit of current and future generations. The fund, reformed as proposed in this paper, will support the implementation of good fiscal policies where proper consideration and priority are given to the long-term interests of Suriname's population.

59. The Government proposes to implement a framework where fiscal rules, supported by the MTFF, will have the duty to help discipline fiscal policy and generate savings. That is, in the government's proposed framework the disciplining of fiscal policy will be done directly at the budget level with the fiscal rules. The focus of fiscal policy will be the budget.

60. In the framework proposed, a redesigned, simple and flexible SSFS will be a valuable financing mechanism for the budget and a device to help create conditions for stable budgetary spending in the face of voatile revenues. The fund will also manage potentially sizeable financial assets for the government. The fund will not introduce rigidities that would complicate fiscal and asset management.

61. The adoption and sound implementation of the comprehensive integrated model for fiscal management proposed in this paper and the Green Paper on fiscal rules would bring Suriname up to the level of best practices in the world. Only a few resource-exporting countries, including Chile and Norway, have adopted variants of the proposed framework, with fiscal rules and a resource fund that is a financing mechanism for the budget and an institution that manages a share of the public sector's financial assets.[15]

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and Social Stabilization Fund, Norway's Government Pension Fund-Global, Timor Leste's Petroleum Fund, and a number of state "rainy day" funds in the U.S.

[15] In Chile, the budget balance is constrained by a structural fiscal rule. The Economic and Social Stabilization Fund receives budget surpluses net of budget transfers to the Pension Reserve Fund. When the budget is in deficit, the Ministry of Finance uses flexibility regarding decisions about transfers from the fund, taking into account macroeconomic and fiscal conditions and overall asset-liability management objectives. In Norway, the budget's structural non-oil deficit is constrained by a fiscal guideline. The Government Pension Fund–Global (GPF-G) receives the net oil revenue from the budget and

The Objectives of the Reformed SSFS

62. The amended Act will include objectives that the fund can achieve. The objectives will reflect the fact that the fund is a complementary policy tool, not the main fiscal policy instrument. They will provide guidance for the government in making decisions about the withdrawals to finance the annual budget and for the investments of the fund (see below). The proposed objectives of the SSFS will be as follows:

> *The Savings and Stabilization Fund Suriname aims to contribute to a prudent management of fiscal resources originating in extractive industries by acting as a stabilization mechanism for the budget in the face of volatile revenues and a long-term savings mechanism for the benefit of current and future generations.*
>
> *The investment objective of the Fund is to achieve the highest possible return on its assets net of costs subject to an acceptable level of risk, as defined in the Fund's investment policy approved by the Minister of Finance.*

63. This formulation would allow a clear assessment of fund performance against the objectives. It would also help set clear accountability principles.

The Reformed SSFS: Inflows and Outflows

64. The fund's operational rules should facilitate, rather than hamper, the process of meeting fiscal objectives through the budget. Experience shows that complicated operational rules governing flows between the budget and the fund, including rules that mandate deposits into the fund when actual mineral prices or revenues are higher than budgeted prices or revenues or higher than a given value set in advance, and allow withdrawals from the fund if actual prices or revenues are lower than that value or a different value, or rules that mandate depositing shares of revenues, can hinder effective fiscal management and reduce transparency.

65. A fundamental change in the Government's reform of the SSFS is to eliminate the rigid inflow and outflow rules and the mechanism to budget mining revenue that were incorporated in the fund's original design. It was shown earlier in this paper that while the contribution that the SSFS alone and as designed could play for stabilization and savings was limited, the fund rules could generate complications for fiscal and asset management.

66. In addition, in a system of fiscal rules, it would make little sense to have a fund with rigid inflow/outflow rules:

- Fiscal policy and expenditure will be constrained by the fiscal rules. Therefore, it would be unnecessary and possibly counterproductive to have an arbitrary and mechanistic arrangement that takes money away from the budget when mining revenue is higher than budgeted or provides money to the budget when it is lower. It is not clear what such inflow/outflow fund rules would add to the operation of the fiscal rules.

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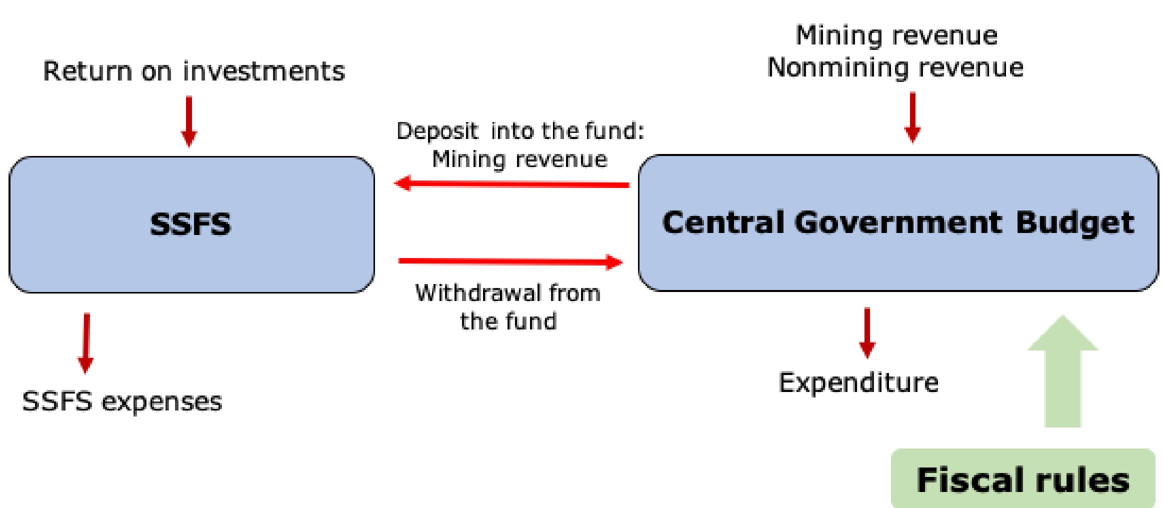
automatically finances the resulting budget's non-oil deficit. The fund is the mirror image of the budget: surpluses are deposited, and deficits are financed. It is an integrated part of government finances.

- Rigid deposit and wihdrawal rules would risk over-determining the fiscal framework. They could complicate fiscal and asset management and the work of the MFP. They could create policy dilemmas between adherence to the fiscal rules, the fund's inflow and outflow rules, and other policy objectives, notably a sound asset and liability management.

67. In the Government's work leading to this White Paper it was stressed that the resources and operations of the SSFS must be included in a coherent and integrated budget process. In addition, the SSFS should be a fiscal management instrument to help ensure transparency in the management of mining revenues.

68. Under the Government's proposals, the reformed SSFS will receive from the budget all mining revenue due to the government. Withdrawals from the fund to finance the budget can be made up to a maximum amount included in the annual budget approved by the National Assembly. Thus, the SSFS will cover in full or in part the budget's financing needs resulting from the implementation of the fiscal rules and asset and liability management objectives. The SSFS will also play a key role in the management of public financial assets. Through its investment policy, the SSFS will safeguard the mining revenues not immediately needed to cover those financing needs, investing them for the future. Figure 1 shows the SSFS model proposed.

Figure 1. The Reformed SSFS Model



Deposits into the SSFS

69. The budget will receive all mining revenues that accrue to the government from the exploitation of the mineral reserves in Suriname and deposit them in the SSFS.[16] The receipts of the fund shall comprise the following:

[16] The recording of resource revenue must reflect the principle of the assignment of taxes and other revenue. This requires that the revenues be included in the accounts of the unit that has the right to

- All gross mining revenues that accrue to the government (defined in the [Act or State Decree]).
- Other contributions to the fund, by resolution of the MFP, and any contributions that may be authorized by other laws.
- The returns on the fund's investments, including all revenues, income, interest, dividends, proceeds from the sale of assets, gains, earnings (including from any derivative transactions), and other moneys or assets received from the investment of the SSFS.

Uses of resources in the SSFS

70. The resources in the fund may only be used for withdrawals to be deposited in the Government's accounts up to the limit for such withdrawals included in the annual budget approved by the National Assembly, to make commercially-oriented financial investments denominated in qualifying foreign currencies outside Suriname consistent with the Fund's investment strategy, and to finance the fund's own expenses.

Withdrawals from the SSFS

71. The annual budget will specify how much could be withdrawn from the SSFS to finance the budget in line with fund objectives and fiscal policy objectives. The total annual withdrawal from the fund to finance the budget will be proposed by the MFP in the budget submitted to the National Assembly for approval. The budget documents will explain the rationale for the withdrawal proposed and the implications for government assets and liabilities. The total amount withdrawn from the SSFS for the budget in a budget year cannot exceed the amount included in the budget approved by the National Assembly.

72. In deciding the amount of the withdrawal, the MFP will take into account macroeconomic and fiscal conditions, the fiscal rules, the projected non-mining deficit and debt amortization, the cashflow plan of the government, and overall asset-liability management objectives. For the budget, these withdrawals will be a financing item; Annex 2 explains and illustrates the deposit and withdrawal mechanisms by way of a numerical example. The Minister of Finance will instruct the fund's Board of Directors (see below) to make the transfers of these monies to the budget during the fiscal year.

73. During budget execution, the MFP may propose an increase to the annual withdrawal included in the approved budget. The increase, together with an explanatory note and supporting materials, will be included in a draft supplementary budget submitted to the National Assembly.

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impose the taxes and has final discretion to set and vary the rate of tax. In the case of resource revenue, that unit is the central government. Recording resource taxes, royalties and other revenues arising from the fiscal regime in the accounts of the government will prevent the underestimation of the tax and fiscal burden. See IMF (2014). Correspondingly, the depositing of mineral resources in the SSFS will be classified as a negative financing item in the government accounts.

74. The MFP may propose an emergency withdrawal from the fund in the event of a national disaster as defined in the amended SSFS Act. Such a withdrawal may be included in the annual budget proposal or in a supplementary budget, with explanations and justification.

75. The SSFS will have no independent spending authority (except for its own operational expenses in the fund's budget which will be approved by the MFP). This will ensure the integrity of mining revenue flows and protect the role of the budget as the mechanism for setting expenditure priorities and allocating public resources.

76. A SSFS designed along these lines will achieve desirable objectives.

- The fiscal rules will be given the role of helping ensure fiscal discipline and prudent fiscal management.
- The SSFS will be well integrated in the fiscal framework and fiscal rules.
- It will contribute to a smoother running of fiscal policy because its resources can be used flexibly to finance deficits during bad times.
- It will avoid overburdening fiscal management with rigid SSFS operational rules superimposed on the fiscal rules.
- It will meet the principle that net deposits (i.e., deposits minus withdrawals) in a sovereign fund should not be arbitrarily forced, and avoid the problems related to mandatory net deposits financed with debt.
- It will not impose rigidities and potential dilemmas and inefficiencies to asset-liability management such as those discussed above. It will permit an integrated sovereign asset-liability management.
- The simplicity of the operational rules will enhance fiscal transparency and the public's understanding of SSFS operations and fiscal policy.

77. The Government wishes to emphasize that the flexible nature of the withdrawal from the SSFS to finance the budget is designed, inter alia, to allow the Government to implement a desirable integrated sovereign asset and liability management. The SSFS should be considered within the context of the overall sovereign balance sheet of the government.[17] In deciding the size of the withdrawal from the SSFS to the budget in a particular year given a projected non-mining deficit and gross financing needs, the MFP will take into account factors such as the debt and its composition, interest rates, yields on assets, risks, and liquidity.

- For example, in some situations the MFP may prefer to repay expensive government debt rather than accumulating low-yield assets in the SSFS.
- Or there may be a preference for building up liquid assets in the SSFS for self-insurance purposes against revenue volatility.

Transitional arrangements for some obligations with creditors of restructured debt

[17] Al-Hassan and others (2013).

78. A matter requiring a transitional arrangement arises from the recent agreement with creditors to restructure the government debt. As explained in the Green Paper, Suriname's creditors agreed that in the absence of new oil developments, Suriname would need a larger amount of debt reduction; but they also foresaw that, if new oil were developed, the amount of debt reduction in the restructuring agreements would, in hindsight, turn out to have been too large. For these reasons, the agreements included a clause that allowed creditors to share in the benefits of Block 58 of the new offshore oil, should it come into production at some future moment.

79. The mechanism created for that purpose as part of the restructuring agreement was a Value Recovery Instrument (VRI). This type of contingent mechanism has been used often in the history of debt restructuring. In the case of Suriname, it implies that, should Block 58 be developed, a part of the debt reduction that was recently obtained would be reversed, and that for several years, 30 percent of royalties on the new oil production would be earmarked for servicing this liability to creditors.[18] If and when offshore oil production from Block 58 materializes, government debt would automatically rise by the amount of the VRI (US$275.6 million).

80. There is a need to take into proper consideration the commitments undertaken by the government as part of the debt restructuring agreements. This means that the SSFS will not receive the part of resource revenues that must be dedicated to service the creditors' VRI.

81. Second, also as part of the agreements with creditors, in the event that new offshore oil from Block 58 goes into production, the remaining 70 percent of royalties on such oil (after the 30 percent earmarked for VRI servicing) will have to be deposited in an escrow account abroad (an "offshore payment account" from the perspective of Suriname, and a "springing security account" from the point of view of creditors) maintained by a third party. This money, constituting a government asset, will be temporarily held in guarantee of the servicing of restructured bonds and will not be deposited in the SSFS while the escrow account remains active. Once those bonds have been repaid, the money in escrow will be liberated, and shall be deposited in the SSFS.

82. All resource revenues not subject to the conditions agreed in the debt restructuring agreements will flow from the budget to the SSFS.

V. SSFS Asset Management: General Investment Principles

The Investment Strategy of the SSFS

83. The investment strategy of the fund and its implementation will be a key element of fiscal and macroeconomic significance for this generation and future generations. It will influence the evolution of public financial wealth in Suriname. The Government attaches the highest importance to putting in place a sound institutional structure to manage potentially large government financial assets well.

84. The assets in the SSFS are ultimately owned by the state on behalf of the people of Suriname. As indicated above, the investment objective of the fund will be to achieve the highest possible return on its assets net of costs subject to an acceptable level of risk, as defined in the

[18] More specifically, 30 percent of the royalties levied on offshore oil production from Block 58 after the first $100 million would be earmarked for servicing VRI.

fund's investment strategy and the purpose of the fund. The asset management strategy for the fund will be based on sound asset management principles, including a feasible combination of a desired level of expected returns and a tolerable level of financial risks.[19]

85. As stated in the 2017 SSFS Act, the fund's Board of Directors will propose the investment strategy for the SSFS. The investment strategy must be approved by the Minister of Finance to become operational. The amended SSFS Act will state that an Investment Advisory Committee (IAC) will be set up to advise the Board of Directors on the investment strategy (see below). The strategy will be revised periodically.

86. The amended SSFS Act will indicate that the investment strategy of the SSFS will be required to specify eligible types of assets and issuers; the investment limits for each asset class; the benchmark portfolios for each asset class to be used in the assessment of portfolio performance, specified in terms of well-defined market indices for the stated asset classes; and the types of assets the fund will not be allowed to invest in. The strategy will need to include a strategic asset allocation (SAA) and will specify target and maximum exposures to categories of assets broken down by various dimensions (such as currencies, maturities, and sector concentrations).[20]

87. The strategy must always incorporate sufficient liquid resources to be able to respond at short notice to withdrawal requests from the budget that comply with the SSFS Act, the budget, other laws, and their regulations. The fund's assets will be invested prudently and in compliance with the provisions in the fund's investment strategy.

88. The amended SSFS Act will stipulate that the investment strategy must be designed to manage financial risks. The strategy will manage market risks (the risk of change in the market value of the fund as a result of movements in financial market variables including currency risk, interest rate risk, credit spreads risk, and price risk); credit risks (the risk that a party will default on its obligation to the fund); concentration risk (the risk of loss attributable to holding investments in a single asset or in a limited number of asset classes); and liquidity risks (the risk that an entity will face difficulties in meeting obligations, with implications for fund liquidity) .

89. The investment strategy will be published. Observers need to know the investment policy and the risk levels that the fund is allowed to take on, to be in a position to understand and assess actual investment performance.[21]

[19] Sound asset management requires, inter alia, that each investment be considered in the context of the overall portfolio, and not in isolation only, as part of an overall investment strategy that incorporates risk and return reasonably suited to the sovereign wealth fund's (SWF) investment policy and objectives (IFSWF 2008).

[20] SAA is a portfolio strategy whereby the investor sets target allocations for various asset classes, based on factors such as investment objectives, risk tolerance, time horizon, and liquidity. SAAs are based on sound portfolio principles that emphasize diversification to reduce risk and improve portfolio returns.

[21] A number of resource SWFs have publicly issued their investment guidelines that operationalize the fund's investment strategy, specify qualifying assets and the target composition of the portfolio, and limit the risks that fund managers can take. They include, for example, the funds in Alaska (U.S.), Alberta (Canada), Azerbaijan, Chile, Norway, Panama, Timor Leste, and Trinidad and Tobago.

90. The Government anticipates that the fund's investment strategy will evolve over time, as seen in a number of other sovereign wealth funds (SWFs). Initially, the SSFS will have a conservative SAA with low risk-return profiles and an emphasis on liquidity (the ability to turn assets into cash immediately). It is desirable to initially build up some liquid assets for budget stabilization purposes in case of need, and to provide time for the development of capacity to manage more complex SAA strategies. In addition, during the initial stage the SSFS will coexist with still high levels of government debt, and it may be advantageous to pay off expensive debts. The Government expects that the fund's SAA will subsequently evolve gradually toward greater emphasis on longer investment horizons and riskier investment strategies.

Investment Restrictions

91. In line with best international practice, the Fund will only invest outside Suriname and in qualifying foreign currency instruments, as stated in the 2017 SSFS Act. Specifically, the amended SSFS Act will stipulate that the Fund's resources shall not be invested in any instrument issued by a bank, corporation, or individual resident in Suriname or owned or controlled by a Surinamese national or company registered in Suriname. The fund's investment strategy proposed by the fund's Board of Directors and approved by the Minister of Finance will comply with this principle.

92. There are several reasons why the SSFS will only be invested outside Suriname and in qualifying foreign currency instruments:

- ***The SSFS should be an effective buffer.*** The SSFS is a mechanism that should contribute to macroeconomic stabilization. It should function as a financial buffer that can be used to finance the budget. The size of the buffer must be able to vary without affecting the economy. Fluctuating SSFS claims on the domestic private sector would exacerbate volatility and uncertainty. For example, if the SSFS were to invest domestically during booms and liquidate domestic assets during slumps, it would amplify macroeconomic volatility. Also, the value of the buffer held by the SSFS would decline in circumstances when that buffer might be more urgently needed, for example during a shock affecting adversely the country
- ***The non-mining economy should be protected.*** By investing abroad at times of high mining revenue, the SSFS will contribute to the necessary capital outflow and thus protect the economy from some side-effects of elevated export revenue. Investment abroad helps to avoid excessive appreciation of the currency in real terms, which would damage the economy and lead to an economic structure that could not be sustained when mining revenues begin to decline.
- ***The integrity of the budget should be safeguarded.*** The SSFS should not undermine the budget as the country's key fiscal management institution. If the SSFS were used to finance domestic investments, it could in effect become a parallel budget, which could create prioritization and coordination problems and weaken the standing of the budget. It could also hamper governance and transparency through potentially opaque practices.
- ***The SSFS should be shielded from potential political pressures.*** A number of resource funds in other countries with authority to invest domestically were pressured by

groups intent on capturing their resources and finance specific projects and undertakings on other than commercial grounds. A prohibition on domestic investment helps reduce the risk of capture of fund resources, ensure the ability and independence of the fund's asset managers to invest strictly on commercial grounds as mandated by the Act, and promote good governance.

93. The amended SSFS Act will update the list with the types of assets that the SSFS will not be allowed to invest in.

94. For the avoidance of doubt, the SSFS will not spend or invest for noncommercial public policy purposes.[22] It is critical to protect the fund from being used as a development agency with a parallel budget that bypasses our country's budget.

95. The fund's assets will not be encumbered or alienated, and the government cannot use the assets as collateral. This constraint retains the restrictions included in the 2017 SSFS Act. The restrictions are necessary to manage portfolio risk, protect the assets of the SSFS, and promote good governance and the commercial orientation of the fund's investments.

A Single Fund

96. After a review of the arguments for and against having one or several funds and international experience, the Government has decided to retain the approach in the 2017 SSFS Act to have only one fund to help it achieve its objectives. There are efficiency, effectiveness, and transparency reasons for this choice. Specifically, a single fund will:

- help Suriname minimize the administrative, operating, monitoring, accounting, reporting, and audit costs of managing the assets and maximize net returns on pooled assets. It is a less costly option than operating separate funds because it avoids duplication of resources.
- reduce the burdens placed on limited institutional capacity and the availability of qualified experts, with less institutional infrastructure, managerial and capacity needs.
- avoid potential coordination problems and the need to have a separate investment policy for each fund.
- avoid the complexities and asset-liability management rigidities that could arise from having to manage transfers from and to the budget by multiple funds, as well as transfers between funds.
- foster fiscal transparency and public understanding.

97. The SSFS will hold resources to enable the government to finance planned spending in the face of unexpected revenue declines by drawing from the fund, as well as assets for future generations. Many countries have a single resource fund with a similar double purpose. The

[22] Investment and spending for public policy purposes are noncommercial activities that could be replicated through the government's tax and expenditure policies.

investment strategy of the SSFS will incorporate a SAA that translates short-term stabilization and long-term savings purposes into the structure of the asset portfolio.

VI. The Governance and Transparency of the SSFS

98. How the institutional structure, internal and external controls, and reporting requirements for the SSFS are designed and implemented will have a critical bearing on the fund's contribution to the fiscal management of mining resources. The Government is of the view that the good governance, transparency and accountability of the SSFS are essential if the fund is to help manage Suriname's natural resources in an effective, sustainable, and equitable manner.

99. The SSFS may accumulate large public financial assets. It is vitally important to ensure that they are managed in line with a transparent investment strategy and with clear governance arrangements. A clear allocation of responsibilities and transparency are needed to foster accountability and provide incentives for fund management to maximize returns subject to their mandate and run the fund with integrity.

100. Therefore, the Government aims at establishing an effective organizational structure, clear lines of communication, and a strong chain of accountability within the SSFS and between levels of the institutional hierarchy. In this respect, the governance of the SSFS will be clearly defined and responsibilities assigned, and the Act will prescribe the regular reporting of SSFS operations, finances, and investment performance. [23]

101. The amended Act will embrace the "Generally Accepted Principles and Practices" for SWFs, or "Santiago Principles".[24] The application of these principles, which are an international cooperation effort to identify the best governance and investment practices, will ensure that Suriname sets an example in sound and transparent fund management. Annex 4 provides a self-assessment of the proposed amended SSFS Act against the Santiago Principles.

The Governance of the SSFS

102. The 2017 SSFS Act already incorporated a sound governance framework and wide-ranging transparency requirements for the SSFS. The amendments to the Act are designed to clarify and strengthen the provisions in the original Act in some respects. The text below covers selectively provisions and requirements already included in the original Act that are not proposed to be modified or that are proposed to be modified or clarified; and provisions that will be incorporated for the first time in the amended Act.

103. The amended Act will include a clear division of responsibilities between the National Assembly, the government, the MFP, the Board of Directors of the SSFS, the operational manager (initially the Central Bank of Suriname (the Bank)), external asset managers, and auditors. The governance of the Fund is designed so that these bodies are accountable for the achievement of fund objectives in their specific areas of responsibility.

[23] IFSWF (2008), NRGI (2018), IMF (2018b).
[24] IFSWF (2008). The principles were set by the International Working Group on SWFs in 2008.

The National Assembly

104. **The National Assembly** will have a legislative and oversight task. It will pass the enabling legislation for the SSFS and have the ultimate oversight of the SSFS. As stated in the 2017 SSFS Act, the National Assembly will receive for review the fund's Annual Plan; the Annual Report including the fund's externally audited financial statements and the external auditor's report; and the periodic evaluations of the performance of the fund undertaken by the government. The units responsible for the production of the reports listed in this section and the contents of the reports are discussed in the "Reporting" section below.

105. In addition, the amended SSFS Act will stipulate that the National Assembly will approve the annual central government budget that includes the limit to the annual withdrawal from the SSFS.

The Government

106. **The Government** is the owner of the assets in the SSFS**.** As stated in the 2017 SSFS Act, the government will appoint Board members for five-year terms; approve the audited financial statements of the fund; submit the Board of Directors' Annual Plan and the Annual Report and the audited financial statements to the National Assembly and the Court of Auditors and receive the periodic SSFS evaluation report from the Minister and submit the report to the National Assembly.

The Minister of Finance and Planning

107. **The Minister** is responsible for the implementation of the amended SSFS Act. As stated in the 2017 SSFS Act, the Minister will, inter alia: review and, if there are no objections, approve the fund's investment strategy proposed by the Board of Directors of the SSFS; review and approve the fund's Annual Plan and Annual Report submitted by the Board of Directors and submit them to the Government; in consultation with the Board and the Bank, determine compensation for management and administration tasks by the Bank; approve the appointment of the external international auditor; request audits by the *Centrale Landsaccountantsdienst* (CLAD); and periodically evaluate the performance of the SSFS and submit the report to the Government.

108. In addition, the amended SSFS Act will stipulate that the Minister will determine the annual withdrawal from the SSFS proposed in the budget and explain it in the budget documentation laid before the National Assembly. The Minister will also determine a Code of Conduct for the Board of Directors of the fund.

The Board of Directors

109. **The Board of Directors of the SSFS** will be responsible and accountable for the management of the SSFS and the achievement of SSFS objectives. It is the managing entity that acts on behalf of the Minister in the investment of SSFS resources, subject to the specific investment strategy approved by the Minister and the requirements established in the SSFS Act.

110. As stated in the 2017 SSFS Act, the Board will comprise [five members] appointed by the government for five years, with recommendations for three of those members from the labor movement, the business community, and the Governor of the Bank. The 2017 SSFS Act specified the list of required qualifications to serve on the Board, tasks of the Board, grounds for suspension and dismissal, and requirements for board meetings, quorum, and Board decisions.

111. As also stipulated in the 2017 SSFS Act, the Board of Directors will, inter alia: determine how the SSFS is to be managed and adopt regulations for the internal organization, which will be validated by State Decree; draw up the investment strategy for the fund, which must be approved by the Minister; and submit an Annual Management Report, an Annual Plan for the coming year, a quarterly report on capital transactions, and annual reports on the fund's operations to the Minister.

112. The amended SSFS Act will require, in addition, the Board of Directors to implement the withdrawals requested by the Minister. The Board will sign an agreement with the Bank for the management of the fund's assets. It will also issue a Code of Conduct for Fund officials working in internal fund departments.

113. The Board will prepare a proposed budget of the SSFS and will submit to the Minister for approval. The fund's budget will be published.

114. The amended SSFS Act will mandate setting up an **Investment Advisory Committee** (IAC) to advise the Board of Directors on the investment strategy. The members of the IAC will be selected and appointed by the Board of Directors with the approval of the Minister. They will be experts on investment policy and financial instruments and markets, with substantial experience, training, and expertise in financial investments and portfolio management. The number of members of the IAC, the eligibility criteria, the terms of appointment, and the duties of the IAC will be set by resolution of the Board of Directors after approval by the Minister.

115. The IAC will advise the Board of Directors in written reports at least annually or when the Board of Directors requests advice. It will submit an annual report to the Board of Directors on its activities. The reports will be published.

116. The 2017 SSFS required the Board to produce semi-annual reports to the Minister on the fund's operations. The amended SSFS Act will make this requirement quarterly.[25] Frequent reporting provides more timely information to the MFP and the public to help in their economic decisions and forecasts. It also results in greater management discipline and improved controls over financial reporting.[26]

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[25] The resource SWFs in countries and regions such as Alberta (Canada), Alaska (U.S.), Chile, Mexico, Norway, Timor Leste and Trinidad and Tobago publish quarterly fund reports.

[26] For a resource fund to achieve the level of advanced practice under the IMF's Fiscal Transparency Code (FTC), it must publish quarterly and annual reports on its operations, finances, and investment performance relative to strategy and benchmarks (FTC Principle 4.3.3, IMF 2018b).

The Central Bank of Suriname

117. **The Bank** will, as stated in the 2017 SSFS Act, be charged with the management and administration of the fund's assets, at the expense and risk of the SSFS, for an initial period of three years. The Bank will receive an annual fee (to be set by State Decree) for the management of the SSFS.

118. As stated in the 2017 SSFS Act, the Bank will, inter alia, have the following functions and responsibilities: manage the fund's assets and make investments consistent with the investment strategy and Annual Plan; make payments and receive funds on behalf of the SSFS; select external asset managers to manage part of the fund's resources; maintain the fund's overall financial administration; and submit quarterly financial reports to the Board of Directors.

119. The amended SSFS Act will stipulate that the Board will delegate responsibilities to the Bank in management agreements signed with the Bank, which will be approved by the Minister and published. The Board of Directors and the Bank will review the delegation of management responsibilities to the Bank in the third year of the management agreement. The agreement may then be extended beyond the three years, or the Board of Directors, in consultation with the Minister, will seek the services of another external manager by open tender.

120. The amended SSFS Act will state that the Bank will implement the fund's investment strategy in an independent manner in accordance with defined responsibilities. The Act will grant the Bank legal and functional independence in making investment decisions for the SSFS within the defined mandate. It will set out the requirement for the fund to be invested in financial assets chosen solely on economic and financial grounds.

121. The amended SSFS Act will stipulate that the management agreements signed between the Board of Directors and the Bank will require the Bank to establish risk management arrangements for the operational management of the fund. It will also indicate that the external managers to be hired by the Bank have to be approved by the Board of Directors.

122. The Bank may select and contract **external asset managers**. The amended SSFS Act will stipulate that this will be done by public tender on the basis of objective criteria, including the credit ratings of the managers, size of assets under management, experience in the asset management industry, and proposed schedule of fees. The Bank will sign management agreements with the selected managers. It will monitor the compliance of the external managers' investments with the investment mandates and codes of conduct and monitor their performance.

123. The amended SSFS Act will require the Bank to keep the accounts and records of the SSFS in line with the International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). This is a global standard for the preparation of public company financial statements. It will also indicate that the Bank may contract the services of a custodian for the safekeeping of all or some of the investments of the fund, through a competitive and open tender process.

124. The SSFS is exposed to operational risks. These are risks of financial losses arising from deficient or failed processes or systems, human error, or external events. The amended SSFS

Act will stipulate that the management agreements to be signed between the Board of Directors and the Bank will include requirements regarding specific procedures and policies that the Bank will need to have in place to manage operational risks, including contracting highly qualified and experienced international asset managers.

125. The amended SSFS Act Act will have strengthened provisions about practices not allowed, confidentiality and the duty to inform, and criminal provisions.

Reporting

126. Transparent reporting helps promote the good use of public resources. The National Assembly and economic agents need to be provided with reliable information about fund operations and management, and the evolution of the fund's assets for analysis and decision making, and can exert pressure for their good management. Sound reporting provides assurance that government assets are properly and prudently managed.

127. Building on the wide-ranging reporting principles already included in the 2017 SSFS Act, the amended SSFS Act will set out the reporting requirements. The National Assembly and the public will be provided with frequent, timely and reliable information on the fund and its operations, including regular reports on the fund's budget, operations, inflows, outflows, financial information, and expenses. Accountability mechanisms will help ensure that these requirements are complied with. A fund website will be set up where reports and relevant materials will be posted in a timely manner.

128. Table 1 lays out the reporting and audit requirements, and Annex 3 provides further information.

Table 1. The Reporting Requirements of the SSFS

Report	Responsible	Submitted to	Contents
Annual Management Report and Annual Management Plan	Board of Directors	MFP.	• Report on Board activities in the past year. • Plan for Board activities for the next year.

Annual SSFS Plan	Board of Directors	MFP for review, then sent to Government. Submitted to National Assembly	See Annex 3 for detailed information requirements. • Overview of SSFS recent developments. • Forecast for the next three years. • Overview of main risks for the SSFS and measures taken to manage them. • The fund's proposed budget.
Annual SSFS Report, Externally-Audited Financial Statements and Auditor's Report	Board of Directors	MFP for review, then to Government. Submitted to National Assembly, the Court of Auditors, and the General Bureau of Statistics.	See Annex 3 for detailed information requirements. • SSFS governance • Audited financial statements • External audit report. • Information on assets. • Detailed information on deposits, withdrawals, investments, and SSFS expenses. • Analysis of SSFS performance. • Risk management policies.
Quarterly SSFS Reports	Board of Directors	MFP. Sent to the General Bureau of Statistics.	See Annex 3 for detailed information requirements. • Unaudited quarterly financial statements. • Operations, finances, investment performance.
Quarterly Financial Reports	Bank	Board of Directors.	• Information on investment performance.
Financial Reports	External private managers	Bank. When requested or agreed with Bank.	• Information on investment performance.
Periodic SSFS Evaluations	MFP	Government. Submitted to National Assembly	• Functioning, performance, and effectiveness of the SSFS.

Auditing

129. Annual audits of the SSFS' financial statements are necessary to provide assurances of integrity. The audits should express an opinion on whether the fund's financial information is a true and fair reflection of the fund's financial condition, whether it is presented in accordance with relevant financial reporting and regulatory frameworks, and whether it is free from misstatements due to error or fraud. The prompt publication of audit results will allow the National Assembly to fulfil its oversight function, and provide information to the public about the integrity of fund asset management.

130. The amended SSFS Act will stipulate that the Bank will undertake an internal audit of the accounts and records of the Fund at least annually.

131. As stated in the 2017 SSFS Act, the SSFS' annual financial statements will be externally audited and the audit results will be published. The regular audit of the SSFS financial statements

by a reputable international company will be a key safeguard to ensure the transparency and integrity of the fund's operations.

132. The Board of Directors, after approval by the Minister, will issue an open and competitive public tender for the appointment of an independent and internationally recognized organization to audit the fund's annual financial statements. The results of the tender and the reasons for the selection will be published. The external auditor selected will be required to conduct audits in accordance with International Standards on Auditing (ISAs). The financial statements and the audit report will be attached to the Annual Report.

133. As indicated in the 2017 SSFS Act, the Minister may request CLAD to perform audits of the SSFS' accounts. This agency may also conduct investigations at the request of the Board or the Bank governor.

Evaluations

134. After the fund is activated, the government will evaluate the functioning of the fund every three years. The amended SSFS Act will require the evaluations to include assessments against the Santiago Principles. The Government will forward the evaluation results to the National Assembly and publish them.

VII. Activation of the SSFS

135. As regards implementation of the SSFS reform, the fiscal prospects for the next several years need to be considered. The Government is of the view that it would be premature to activate the SSFS prior to the start of offshore oil production.

136. [*Option 1, MFP to advise*]. The Government therefore proposes that the amended SSFS Act will become active starting on the first day of the first petroleum production in Suriname's offshore.

137. [*Option 2, MFP to advise*]. The Government therefore proposes that the amended Act becomes effective on the first day following its promulgation. However, the Act will include a transitory clause stipulating that the first deposit of mining revenue to the SSFS will be budgeted for the fiscal year when the first oil revenue from offshore production is projected in the budget, and deposits into the fund will start at that time. [*Other options possible.*]

Annex 1. Budgeting Oil Prices: Basic Principles and International Examples[27]

Oil price projections should be unbiased, realistic, credible, and based on transparent methodologies. A reasonable procedure is to use market forecast prices (futures prices), adjusted for quality and transport costs, perhaps combining them with independent expert forecasts. It will be seen from the examples below that a number of countries and regions tend to use market forecasts, futures prices, and expert analysis. Budget documentation should transparently report the forecasting methodology and data used in the forecasts. Following are some examples.

Alaska, U.S. The oil price forecast uses futures market projections for as many years as are available, followed by an assumption that prices will increase with inflation thereafter.

Alberta, Canada. Has relied on market forecasts and analysts, using the average of seven confidential, private sector analysts' oil price forecasts discounted by 12.5 percent to account for quality, and the average of four confidential, private sector analysts' natural gas price forecasts, adjusted for transportation costs and exchange rate movements.

Australia. Budget iron ore and coal prices are based on current market prices, market forecasts, discussions with mineral producers, and analysis of important export markets (particularly China).

Chile. The copper price in the budget and for the calculation of the structural fiscal rule is set by an independent committee of experts. Each expert submits a price forecast for the next 10 years. The budget price, also known as the "structural" or "long-run" price, is the average of the panel's forecasts, with the highest and lowest projected prices discarded.

Colombia. The budget oil price (also used in the structural fiscal rule) is agreed upon by an independent Consultative Group; each expert makes a 10-year projection of oil prices.

Norway. The budget includes a reference price based on future markets prices. However, the oil price is of no direct consequence to the annual budget. Spending is fully decoupled from current oil revenues, as the budget targets the structural nonoil primary balance; any conceivable budget deficit in a given year can be financed from the resources in the GPF-G.

Texas, U.S. Uses the NYMEX future prices of WTI. Shows a 95 percent confidence interval derived from options market information.

Timor Leste. Uses the average of the "low case" price in the Annual Energy Outlook of the U.S. Energy Information Administration's and the reference case Brent crude price.

[27] Information provided by the IDB.

Annex 2. An Illustrative Example of the Operations of the Budget and the SSFS

The following numerical example with theoretical numbers aims at explaining the mechanism of deposits into the SSFS and withdrawals from the SSFS proposed in this White Paper.

It is assumed in the example that budget revenues in a given fiscal year comprise mineral revenues (SRD 100) and non-mineral revenues (SRD 40). Total budget revenue is therefore SRD 140. Budget expenditures are SRD 88. Therefore, the budget balance is SRD 140 – SRD 88 = a surplus of SRD 52. It is also assumed that debt amortization due is SRD 10. The non-mineral balance is a deficit of SRD 40 – SRD 88 = -SRD 48.

The amended law earmarks mineral revenues for deposit into the SSFS. This operation is a negative financing item for the budget (-SRD 100) because it leads to the acquisition of a financial asset by the government. The budget's total financing requirement is the non-mineral deficit and debt amortization: SRD 48 + SRD 10 = SRD 58. The Ministry could therefore request the National Assembly to approve a maximum withdrawal from the SSFS of SRD 58. This would be a positive financing item for the budget as it represents the drawdown of a financial asset.[28]

The SSFS receives a deposit of SRD 100, and the Ministry withdraws SRD 58. Therefore, neglecting the yield on the fund's assets and the fund's own expenses for simplicity, the fund's assets increase by the difference, i.e., SRD 42. The following table shows these operations.

Annex Table 1: Budget and SSFS Operations

	SRD	Comments
Budget		
a. Revenue	140	Sum of b and c
b. Mineral revenue	100	
c. Non-mineral revenue	40	
d. Expenditure	88	
e. Balance (Net lending/borrowing)	52	a – d
f. Non-mineral balance	-48	c – d
g. Financing	-52	-e
h. Debt amortization	-10	
i. SSFS	-42	j + k
j. Deposit	-100	-b
k. Withdrawal	58	
SSFS		
l. Inflow	100	b
m. Outflow	58	k
n. Change in financial assets	42	l - m

[28] The Ministry could request approval for a maximum withdrawal larger than SRD 58, for example to prepay other government debt not yet due. Or it could request approval for a withdrawal smaller than SRD 58, for example because there is multilateral financing available, or because it considers it advantageous to borrow some money to build more assets in the SSFS.

Annex 3. Annual Plan, Annual and Quarterly Reports, and Budget Documentation and Fiscal Reports

Annual Plan

As stated in the 2017 SSFS Act, the Board will submit an Annual Plan to the Minister three months before the start of the budget year. The amended Act will list the items that, at a minimum, should be included and discussed in the Annual Plan. They will include an overview of fund performance during the past and current budget years and the extent to which they met fund objectives; medium- and long-term forecasts of fund performance, and an overview of the main risks for the fund in the coming year and the measures taken to manage those risks.

The Minister will submit the Annual Plan to the Government after its approval. The Government will forward the Annual Plan to the National Assembly and the Court of Auditors. The Annual Plan will be published.

Annual Report

As stated in the 2017 SSFS Act, the Board will produce a comprehensive Annual Report, sent to the government through the Minister. The government will send the Annual Report to the National Assembly and the Court of Auditors and publish it. The report will also be sent to the General Bureau of Statistics.

To help readers (including first-time readers) gain an understanding of the functioning of the fund, the amended SSFS Act will indicate that each annual report will include information on the fund's objectives and principles, the governance of the fund including the roles and responsibilities of the various institutional actors involved, the legislation, regulations, and management agreements governing the fund, the operational rules for inflows and outflows, and the fund's investment strategy. The reports will explain the role of the SSFS within the wider public finance context. This background information will help readers understand better the activities and performance of the SSFS.

The Annual Report will include a section with a discussion of developments in the international economy and regional and global financial developments, and their implications for the Surinamese economy, the fiscal accounts, and the SSFS portfolio and returns. An overview of the fund's activities during the period will cover the inflows into, and outflows from, the SSFS and a summary of the fund's main financial results.

The financial information contained in the annual reports will be comprehensive. Information on investment strategies and performance is necessary for stakeholders to assess whether relevant rules and mechanisms have been observed, and whether the public resources entrusted to the fund have been managed efficiently.

The financial information provided in the annual reports will include the size of the fund at the beginning and at the end of the reporting period and the flows that generated the change in the fund's financial position during the period; the asset portfolio and its composition broken down across various dimensions (including by categories of assets, geographical location, currency and composition); the returns on those groups of investments and on the overall portfolio, with comparisons to the benchmarks; the market value of each individual financial asset held; a discussion of investment performance; and the risk profile and risk mitigation policies for various forms of financial and operational risk. The annual reports will also provide information on the fund's budget and fund expenses.

The annual reports will include the annual financial statements and the audit reports of the external auditor. They will also provide information on Board members and on the external asset managers.

Quarterly Reports

The Board's quarterly reports will include unaudited financial statements, inflows and outflows, and information on portfolio composition, rates of return, asset performance relative to the benchmarks, and expenses. The reports will be published and forwarded to the General Bureau of Statistics.

The Bank will submit quarterly reports to the Board of Directors, which the Board will use for the SSFS quarterly reports submitted to the Minister.

Budget Documentation and Fiscal Reports

The Government will propose amendments to the PFM Law to require the provision of information on the SSFS in budget documentation and fiscal reports (see the Green Paper on fiscal rules). Under the Government's proposals, budget documents and fiscal reports will provide information on fund operations—including the fund's revenues, expenditures, asset allocations, and balance sheet— and detailed fund accounts and projections for the fund. The information will be presented to the National Assembly as part of the budget process. This will allow the National Assembly to have a broader view of the government's fiscal activity.

Budget documents and fiscal reports will include consolidated fiscal data including the SSFS. Consolidated fiscal reporting to the National Assembly and the public will provide a more accurate and broader picture of the monitored public finances, and allow more informed assessments of the fiscal position and the fiscal impact of the budget and the SSFS on the rest of the economy.

Annex 4. Self-Assessment of the SSFS Proposed in the White Paper for the Draft Amended SSFS Act 2024 Against the Santiago Principles (Generally Accepted Principles and Practices of a SWF)

GAPP 1. Principle The legal framework for the sovereign wealth fund (SWF) should be sound and support its effective operation and the achievement of its stated objective(s). *GAPP 1.1 Subprinciple.* The legal framework for the SWF should ensure the legal soundness of the SWF and its transactions. *GAPP 1.2 Subprinciple.* The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and the other state bodies, should be publicly disclosed.	The legal framework of the Savings and Stabilization Fund Suriname (SSFS) will be clearly defined in the SSFS Act 2024 (hereinafter, the "SSFS Act"). The SSFS has an independent legal classification and is a separate legal entity established by virtue of the 2017 SSFS Act. All relevant documents related to the legal basis and structure and the legal relationships between the SSFS and other government agencies will be published, placed on the fund's website, and referred to in the Annual Reports.
GAPP 2. Principle The policy purpose of the SWF should be clearly defined and publicly disclosed.	The SSFS Act will state the policy purpose and objectives of the SSFS. The SSFS will aim to contribute to a prudent management of fiscal resources originating in extractive industries, acting as a stabilization mechanism for the budget in the face of volatile revenues and a long-term savings mechanism for the benefit of current and future generations. The fund's investment objective will be to achieve the highest possible return on its assets net of costs subject to an acceptable level of risk, as defined in the Fund's investment policy approved by the Minister of Finance and Planning (MFP).
GAPP 3. Principle Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.	The SSFS cannot invest domestically or spend. The SSFS Act will mandate that the SSFS is invested outside of Suriname in foreign currency only. The mechanism envisaged for the withdrawals from the SSFS will be fully coordinated with the fiscal authorities. The MFP will request the National Assembly to approve the proposed maximum annual withdrawal from the fund in the budget proposal. The annual budget is coordinated with the Bank.
GAPP 4. Principle There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations. *GAPP 4.1 Subprinciple.* The source of SWF funding should be publicly disclosed. *GAPP 4.2 Subprinciple.* The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.	The SSFS Act will set out the funding of the SSFS and withdrawals. *Funding*: the income of the fund comprises the gross fiscal revenues from mining activities transferred from the central government budget, other contributions to the fund by resolution of the MFP, any contributions that may be authorized by other laws, and the returns on the fund's investments. *Withdrawals*: The resources in the fund may only be used for withdrawals to finance the budget within the annual amount approved by the National Assembly; to make commercially-oriented financial investments denominated in qualifying foreign currencies outside Suriname; and to finance the fund's own expenses. The fund cannot invest domestically or spend.

GAPP 5. Principle The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.	There will be clear procedures for the timely reporting of data to the MFP and the General Bureau of Statistics. The Central Bank will be required to submit quarterly financial reports to the Board of Directors. The Board will submit quarterly and annual reports to the MFP with detailed financial information. Annual reports will include information on fund operations and finances, the annual externally-audited financial statements; and any information requested by the MFP. The reports will be placed on the fund's website and formally sent to the General Bureau of Statistics and published. The annual budget documentation submitted to the National Assembly will contain information on the fund's finances and performance, and projections.
GAPP 6. Principle The governance framework for the SWF should be sound, and establish a clear and effective division of roles and responsibilities, in order to facilitate accountability and operational independence in the management of the SWF, to pursue its objectives.	The SSFS Act will set out the roles and division of responsibilities and the regulatory framework for the SSFS. The National Assembly will have a legislative and oversight role. It will pass the enabling legislation for the SSFS, approve the annual withdrawal from the SSFS to finance the budget, and have oversight of the SSFS through its review of SSFS reports, financial statements, and plans. The Government is the owner of the SSFS. It will appoint Board members; approve the audited financial statements of the fund; and present the SSFS Annual Plan and Annual Report to the National Assembly, as well as periodic evaluations. The MFP will be responsible for the implementation of the amended SSFS Act. The MFP will review and approve the investment strategy proposed by the fund's Board of Directors; determine the annual withdrawal from the SSFS; review and approve the plans and reports submitted by the Board of Directors; approve the appointment of the external auditor; and evaluate the performance of the SSFS every three years. The Board of Directors will be responsible and accountable for the operational management of the SSFS and the achievement of SSFS objectives. The Board will, inter alia: determine how the SSFS is to be managed; draw up the investment strategy for the fund, which must be approved by the MFP; sign an agreement with the Central Bank for the management of the fund's assets; implement the withdrawals requested by the MFP; and submit plans and quarterly and annual reports on the fund's operations to the MFP. The Board will delegate some management responsibilities to the Central Bank through a management agreement.

	The Central Bank will be charged with the management and administration of the fund's assets in line with the management agreement and the investment strategy. The Central Bank will be required to implement the fund's investment strategy and invest on purely commercial grounds and will be granted legal independence in the management of the fund's assets. The Central Bank will make payments and receive funds on behalf of the SSFS and maintain the fund's financial accounts. It will submit quarterly and annual financial reports, and annual audited financial statements to the Board of Directors. The Central Bank may select by open tender external asset managers to manage part of the resources of the fund, and a custodian for the fund's investments, with the approval of the SSFS Board.
GAPP 7. Principle The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.	The Government as owner of the SSFS will set the objectives of the SSFS in the Act, which the National Assembly has to approve (see GAPP 2). The Government will appoint the members of the Board of Directors. The MFP and the Government will exercise oversight over the SSFS operations on the basis of the information provided by the Board of Directors, including the audited financial statements (see GAPP 6).
GAPP 8. Principle The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.	The SSFS Act will set out mandates, authority, responsibilities (including reporting) and accountability for the MFP, the Board of Directors, and the Central Bank as operational manager of the fund. See GAPP 2 and 6.
GAPP 9. Principle The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.	The SSFS Act will define the roles and responsibilities of the Central Bank as operational manager. The Central Bank must comply with the fund's investment strategy and the management agreement with the Board of Directors (see GAPP 6). The SSFS Act will indicate that the Central Bank as operational manager will implement the fund's investment strategy in an independent manner. It will set out the requirement for the fund to be invested in financial assets chosen solely on economic and financial grounds.
GAPP 10. Principle The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.	Accountability arrangements will be detailed in the SSFS Act and will consist mainly of delegation procedures, management agreements that allocate responsibilities, reporting requirements, and definition of offenses and sanctions. The SSFS Act delegates the operational responsibility to the Central Bank as operational manager. The Central Bank may delegate certain asset management mandates to external managers. The Government will be required to report to the National Assembly on the performance of the Fund on an annual basis in the annual report.

	The Central Bank will be required to report to the Board of Directors on the fund's performance on a quarterly basis. The SSFS Act will specify the grounds for suspension or dismissal of Board members by the Government. The SSFS Act will define offences in contravention of the provisions of the Act, including the unauthorized disclosure of confidential information, the failure to comply with publication requirements, hindering the work of auditors, making unauthorized withdrawals, and undertaking investments not allowed under the Act or the investment strategy. Sanctions for the offences will be specified.
GAPP 11. Principle An annual report and accompanying financial statements of the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.	The SSFS Act will require the Board of Directors to prepare an annual report and submit it to the MFP. The MFP, in turn, will submit the report to the Government and the National Assembly. The required contents of annual reports will be laid out in the SSFS Act. The Act will require that the annual report include the audited financial statements of the fund and the external auditor's report on the fund. The Central Bank will be required to keep proper books of accounts and records for the fund. The accounts and reports of the SSFS must conform to International Financial Reporting Standards (IFRS).
GAPP 12. Principle The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.	The SSFS Act will mandate the annual external audit of the fund's accounts, records and other documents by an internationally recognized audit firm selected by open and competitive tender. The Central Bank must submit the fund's audited financial statements and the external auditor's report to the Board of Directors. The audited financial statements and the auditor's report must be attached to the annual report submitted to the National Assembly and published.
GAPP 13. Principle Professional and ethical standards should be clearly defined and made known to members of the SWF's governing body(ies), management, and staff.	The SSFS Act will mandate the production of Codes of Conduct (CC). The MFP will define a CC for the Board of Directors of the fund. The Board will set out a CC for fund officials working in internal fund departments. The Central Bank will issue CCs for its staff and external managers entrusted with the management of the fund's assets.

GAPP 14. Principle Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.	The Central Bank will be responsible for the selection and appointment of external managers. Selection will be based on economic and financial grounds (professional and commercial criteria) and follow clear procedures. The external managers will be selected and contracted following competitive and open tender processes, included in the mandate given by the Board of Directors to the Central Bank. The list of external managers will be published. The external managers will manage funds in accordance with a management agreement entered into with the Central Bank, and under an investment instruction, The SSFS Act will require the Central Bank to be satisfied that each external manager has sufficient equity, guarantees and insurances, a sound record of operational and financial performance, and has business references and a reputation of the highest standard. The Central Bank will monitor the compliance of external managers' investments with the investment mandates and monitor their performance. Similar conditions and procedures will apply to the appointment of an external custodian.
GAPP 15. Principle SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.	The investment mandates to the Central Bank and to the external managers will require asset managers to conduct their operations and activities in host countries in compliance with all the relevant regulations and disclosure requirements of the host countries.
GAPP 16. Principle The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.	The governance framework and objectives of the MFP, the operational manager, and external managers set out in the SSFS Act are required to be published and included in the fund's annual reports. The framework establishes the roles and accountability arrangements between the entities. The SSFS Act will indicate that the Central Bank will implement the fund's investment strategy in an independent manner in accordance with clearly defined responsibilities. The Central Bank as manager responsible for the investment portfolio will be formally granted legal and functional independence in making investment decisions for the SSFS within the defined mandate. The manner in which the fund's management is operationally independent from the owner will be publicly disclosed.
GAPP 17. Principle Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.	There will be clear rules for the dissemination of relevant financial information. The SSFS Act will require the Board of Directors to produce quarterly reports and an annual report that includes the audited financial statements and submit to the MFP, and the National Assembly. The reports will include information on the composition of the investment portfolio and investment performance. The annual reports and audited financial statements are required to be publicly available in the fund's website.

GAPP 18. Principle The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles. *GAPP 18.1 Subprinciple.* The investment policy should guide the SWF's financial risk exposures and the possible use of leverage. *GAPP 18.2 Subprinciple.* The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored. *GAPP 18.3 Subprinciple.* A description of the investment policy of the SWF should be publicly disclosed.	This Principle can only be evaluated insofar as the relevant SSFS Act provisions are concerned, because the fund's investment policy has not yet been issued. The Act will indicate principles that the future investment policy should adhere to. The Board of Directors will draw up the investment policy for the fund. It must be approved by the Minister The strategy must be clear and include strategies to manage risks. The investment policy will be publicly disclosed and included in SSFS reports. The strategy will specify asset management objectives; the eligible assets and issuers; the strategic composition of the portfolio (SAA); and the investment limits and restrictions that will allow controlling the risks to which the SSFS resources are exposed. The investment guidelines will include benchmarks with well-specified indices to evaluate the performance of the management of the resources of the SSFS. The fund's investment strategy will incorporate policies to manage and mitigate credit, liquidity, concentration, currency, market, and other financial risks. The selection of external private investment managers will be required to be based on professional and commercial criteria. The external managers will be given defined mandates in the form of Investment Instructions and management agreements (see GAPP 14).
GAPP 19. Principle The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds. *GAPP 19.1 Subprinciple.* If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed. *GAPP 19.2 Subprinciple.* The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.	The SSFS Act will require the fund to maximize the returns on its assets, net of costs, subject to an acceptable level of risk as defined in the fund's investment policy approved by the MFP (see GAPP 2). The Act will also indicate that this is the management objective of the Central Bank. The SSFS Act will indicate that the Central Bank as operational manager will implement the fund's investment strategy in an independent manner. It will set out the requirement for the fund to be invested in financial assets chosen solely on economic and financial grounds (see GAPP 9). The SSFS Act will state that the investments of the SSFS will only be made based on commercial considerations, and that the fund will not spend or invest for noncommercial public policy purposes. Sound asset management principles to be included in the SSFS Act and subsequent investment strategies include the maximization of net present value of the fund subject to acceptable risk, asset diversification, use of benchmarks for performance evaluation, maximum levels for credit and other risks, and limits on asset concentration.

GAPP 20. Principle The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.	The SSFS Act will state that the fud cannot invest domestically or spend. It will mandate that the SSFS is invested outside of Suriname in foreign currency only (see GAPP 3). The SSFS Act will indicate that the Central Bank as operational manager will implement the fund's investment strategy in an independent manner. It will set out the requirement for the fund to be invested in financial assets chosen solely on economic and financial grounds. The fund will not be privy to any privileged information. It will not take instruction from any public officer or be subject to inappropriate influence by the government for the undertaking of specific investments. The SSFS Act will state that the members of the Board of Directors, and other staff involved with the running of the fund will have the obligation to keep confidentiality and not use the information to which it has access for their own benefit or hat of others.
GAPP 21. Principle SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.	The Central Bank will develop a policy on shareholder ownership rights.
GAPP 22. Principle The SWF should have a framework that identifies, assesses, and manages the risks of its operations. *GAPP 22.1 Subprinciple.* The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function. *GAPP 22.2 Subprinciple.* The general approach to the SWF's risk management framework should be publicly disclosed.	The SSFS Act will mandate that the investment strategy for the fund must be designed to manage financial risks, including market, credit, concentration, and liquidity risks. The Central Bank is required to establish risk management arrangements for the operational management of the fund. The quarterly and annual reports issued by the Board of Directors wil include information on financial risks and the policies designed to manage and mitigate them.
GAPP 23. Principle The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.	The SSFS Act will require the Board of Directors to report to the MFP, on a quarterly and annual basis, the comparison of the financial performance of the fund with the relevant benchmark index for each asset class.
GAPP 24. Principle A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.	After the fund is activated, the Government will evaluate the functioning of the fund every [three/five] years (*to be discussed*). The evaluations will include assessments against the Santiago Principles. The Government will submit the evaluation results to the National Assembly and publish them.

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