Republic of Suriname- European Community

Country Strategy Paper
and National Indicative Programme
for the period 2001 - 2007

4-12-01

The Government of the Republic of Suriname and the European Commission hereby agree as follows:

1. The Government of the Republic of Suriname (represented by <*name and title*>), and the European Commission, (represented by <*name and title*>,) hereinafter referred to as the Parties, held discussions in <*place*> from …..… to …….. with a view to determining the general orientations for co-operation for the period 2001 – 2007. The European Investment Bank was represented at these discussions by <*name and title*>.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Republic of Suriname were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in the Republic of Suriname.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

2. As regards the indicative programmable financial resources which the Community envisages to make available to the Republic of Suriname for the period 2001-2007, an amount of € 11 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 8,1 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.

3. The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which the Republic of Suriname benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.

4. The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. With the exception of an amount of 7 million Euro which is destined to finance the development programme identified following a request for aid under the Sysmin programme of the Lomé Convention but for which no financing decision could be taken before 31 December 2000, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme. For the time being, only the programme to be financed under the Sysmin-allocation is included in the Work Programme.

5. Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Republic of Suriname within the limits of the A- and B-allocations referred

to in this document and under the condition that sufficient resources are available in the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund.

6. The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement (see Paragraph 5.3 for further details).

7. In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

8. The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of the Republic of Suriname For the Commission

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Executive Summary

Suriname is located on the Northeast coast of South America and covers an area of 164.000 km2. It is bordered on the North by the Atlantic Ocean, on the West by Guyana, the east by French Guyana and the South by Brazil. The Surinamese population of about 443.000 (est. 1998) is a rich mixture of diverse ethnic religious groups. Most of the population live in the coastal zone, with just under half living in the capital, Paramaribo, and its outskirts, leaving large areas of the interior virtually uninhabited.

Roughly one-third are Creole descendants of African slaves; another one-third are descended from Indian indentured labourers who arrived after 1873; and one-sixth are ethnically Javanese. There are also Chinese and Guyanese minorities. In the interior there are communities of Amerindians and "Bushnegroes", the latter being descendants of slaves who escaped to the forests.

The official language is Dutch. For most Surinamese the mother tongue is Sranan Tongo, an English-based Creole language. Many Surinamese of Asian origin speak Sarnami-Hindi or Suriname-Javanese. Chinese, Bosneger and Amerindian languages are also spoken. The population is roughly 40 % Christian, 33 % Hindu and 20 % Moslim.

GDP per capita is currently estimated at US$ 1,320 according to official data.

Suriname is ranked 67th out of 174 countries in the human development index 2000 of the United Nations Development Programme (UNDP), which puts it in the 'medium human development' band.

The central objectives of the government's national development strategy, which is detailed in the Government's Multi-Annual Development Programme (MOP), are growth and poverty reduction. This strategy is based on the following pillars:

- ▲ Strengthening of principles of Good Governance throughout the Government;
- ▲ Macro-economic stability, and public sector reform;
- ▲ Reform of social sector policies and programmes (education, health) and ensuring that growth is inclusive with adequate protection of the poor;
- ▲ Creating a conducive environment for private sector development to generate growth and employment and to contribute to poverty alleviation;
- ▲ Ensuring sustainable development, including establishing an explicit link between economy and environment, stimulating sustainable mining, agricultural and tourism development.

EC response strategy

It is proposed that the EC support addresses the priority challenges for Suriname, building on past experiences, and complementing programmes of other development co-operation partners, by improving the competitiveness of the private sector, and promoting regional and international integration and co-operation. This EC response programme will aim at improving competitiveness and facilitating trade by improving the efficiency of the transport sector as well as through reinforcement and capacity building of state and non-state actors in the area of trade and regional integration. The intervention in the transport sector will address policy, institutional capacity building, and improvement of selected transport facilities (such as the rehabilitation and upgrading of the Port of Paramaribo).

The capacity building programme will address policy formulation and impact assessment with respect to regional integration issues, privatisation, and public planning, programming and monitoring capacity.

PART A

THE CO-OPERATION STRATEGY

1 EU/EC co-operation objectives

The central objectives of co-operation under the Cotonou agreement are poverty reduction, sustainable development, and integration of the ACP countries in the world economy. In this context, the co-operation shall promote local ownership of economic and social reforms and the integration of the private sector and civil society actors into the development process. Specifically co-operation shall aim at:

- achieving rapid and sustainable job creating growth, developing the private sector, improving access to productive activities and fostering regional co-operation;
- promoting human and social development and an equitable income distribution;
- promoting cultural values;
- promoting institutional reforms and developments for democracy, good governance and efficient and competitive market economies;
- promoting environmental sustainability.

The Cotonou Agreement introduces a more selective and flexible way of using EC resources for ACP countries. Aid allocations will be based on an assessment of each country's need and performance with the possibility to adjust financial resources through a system of rolling programming. In practice, it means that resources can be increased in case of 'good performance', i.e. timely and effective implementation of programmes.

For small economies the programming is focusing on one focal sector to maximise the impact of EC assistance. The Commission identifies 6 sectors which closely correspond with the comparative advantage of the Community and from which the focal sector will be selected:

- Trade and development;
- Encouragement of regional integration and co-operation;
- Support to macro-economic policies with an explicit link to poverty reduction strategies, in particular to sector programmes in social areas (health and education);
- Transport;
- Food security and sustainable rural development strategies, and
- Institutional capacity building, good governance and the rule of law.

2 The national policy agenda

2.1 Introduction

The government's strategy and policies are documented in the Mullet-Annual Development Plan (MOP), which covers a five-year period (2001-2005). The MOP was made on the basis of an extensive consultation process, in which a wide range of state and non-state actors was consulted. The MOP follows the orientation as set out in the Government Declaration of 15 October 2000. The MOP is being discussed in the Council of Ministers.

2.2 Strategic objectives[1]

The central objectives of the government's national development strategy are growth and poverty reduction. The main pillars of this strategy are:

[1] Annex II contains a summary of projected expenditures under the Multi-Annual Development Programme (MOP).

- ▲ Strengthening of principles of Good Governance and Democracy throughout the entire Government;
- ▲ Macro-economic stability, public sector reform and rationalisation of state enterprises;
- ▲ Reform of social sector policies and programmes (education, health) and ensuring that growth is inclusive with adequate protection of the poor;
- ▲ Creating a conducive environment for private sector development to generate growth and employment;
- ▲ Ensuring sustainable development, including establishing an explicit link between economy and environment, stimulating environmental cautious mining, agricultural and tourism development.

Regional integration is a key ingredient in ensuring the success of this strategy. At the third Summit of the America's held in Quebec City in May 2001, Suriname signed a declaration adopting development priorities which are reflected in the above strategy, regarding public governance and political development, ecology and sustainable development, equity and human development and connectivity and technological development.

2.3 Good Governance and Democracy

The Government of Suriname supports the creation of a modern and efficient public sector founded on accountability, predictability, transparency and integrity. Guaranteeing the principles of democracy has high priority. Measures to be taken include: improving the operational capacity of Parliament, strengthening regional democratic structures, strengthening the independence of the judiciary, introduction of legislation on the openness of governance, strengthening of key institutions, such as the Central Bank and the Office of the Auditor General. Moreover, implementation of public-sector reform to improve the transparency and effectiveness of government, increase consultation of groups of civil society, and withdrawal from involvement in productive activities. The participation of women and the involvement of youth will be actively promoted.

2.4 Justice and Human Rights

The government will strengthen the position of the judiciary by guaranteeing its independent position by law. The fight against crime and drug trafficking is a priority for the government. Anti-corruption laws will be prepared and corruption will be actively prosecuted. Freedom of speech will be guaranteed and violations of human rights will be researched and prosecuted.

2.5 Macro economic programme

The main objectives of the **macroeconomic programme** to be pursued in the medium-term are achieving a balanced budget (within 3 years), low inflation (below 10 percent), a stable and competitive exchange rate, and increasing international reserves (at least 3 months of imports). The Central Bank will continue its tight **monetary policy** to further stabilise the economy. Budget deficits will therefore be financed without net money creation. The **exchange rate policy** will rely on market forces to ensure competitiveness of exports.

The **fiscal policy** will focus on improvements in revenue-generation to be driven by improving the efficiency and effectiveness of tax administration, broadening the tax base with a special emphasis on formalising the informal economy and improving revenue collection through greater compliance. The management of expenditure will focus on a reduction of subsidies and the implementation of a public sector reform programme. Other macro

economic policies aim at rebuilding foreign reserves and conversion of the external public debt. Implementation of the Dutch Treaty funds (EUR 177 Mio from the guarantee funds) will be sought to support these policies.

2.6 Regional integration and trade policies

Suriname's international trade policy aims at participating actively in regional integration initiatives and at integration in the world economy. Economic and trade co-operation through the Economic Partnership Agreements (EPA) under the Cotonou Agreement envisages progressively removing barriers to trade and enhancing co-operation in all areas related to trade. Suriname has been a full member of the WTO since its establishment in 1994 but the WTO compatibility of its policies has not yet been examined through the Trade Policy Review Mechanism. Suriname is pursuing regional integration as a member of CARICOM since 1995 and will become part of the CARICOM single market and economy in 2002. It is participating in the negotiations to establish the Free Trade Area of the Americas by 2006. Suriname's commitment to regional integration and liberalisation of trade was confirmed in its signature of the Declaration of the Quebec Summit of the America's in May 2001. Suriname is enhancing co-operation with its direct neighbours in the context of the Guyana Shield.

2.7 Private sector development

The government will promote, private sector development through the following measures:

- ▲ Macroeconomic stabilisation and the reform of the financial sector;
- ▲ Improve the legal framework (amongst others: new investment law) and further deregulation and provision of fiscal and non-fiscal incentives;
- ▲ Improvement of the efficiency of the transport sector to enhance the competitiveness of the private sector;
- ▲ Establishing an active co-operation with the private sector through creation of the business support forum;
- ▲ Improvement of infrastructure including roads and the port and opening up infrastructure for private investment;
- ▲ Restructuring the rice and banana sector and supporting non-traditional agriculture, e.g. fruit and horticulture;
- ▲ Facilitation of foreign investment.

In supporting private sector development priority will be given to export industries. Promising export industries include several resource-based industries (bauxite, oil, gold, timber, selected agricultural products, fisheries), as well as tourism. A tripartite Social and Economic Commission (SER) will be established to ensure co-operation between social parties in promoting economic development.

2.8 Environment

The government is committed to improve environmental quality and sustainable development. The government is setting up an institutional framework to develop and implement a national environmental policy and to develop appropriate legislation, incorporating the obligations of international agreements. The government is signatory to international agreements on the environment, including the Montreal Protocol, the Rio Declaration and Agenda 21. Also the FTAA Quebec Declaration of 2001 contains a strong commitment to addressing

environmental issues. Specific measures to be taken by the government include modernisation of legislation with respect to protection of the environment, improvement of solid waste collection and disposal, coastal protection, creation of a forestry authority, establishment of nature parks and stock taking of eco-systems in the Guyana shield area. An important part of Central Suriname Nature Reserve has been put on the UNESCO World heritage list (16.000 km^2).

2.9 Poverty

The government is committed to pursuing a sustainable poverty reduction programme through private sector development and regional integration. In addition, social safety programmes will be targeted at the poorest, including the elderly, the disabled and single women with young children. Those groups will be addressed through direct income transfers, food programmes and access to health care. The improvements of housing and basic education are additional elements of the social programme. In order to evaluate and monitor the effects of the above policies, the government will regularly execute a Living Standards Measurement Survey and set up a poverty-monitoring programme.

2.10 Education and health

In **education and training** the government aims at restructuring the system to offer good quality and affordable education and training which will equip the population to meet economic, social and cultural challenges. Programmes will address improvement of curricula, quality of teachers (strengthening of the teacher-training institute), and decentralisation of decision making to schools. The government will encourage training initiatives by the private sector. Through community programmes support will be provided to educate youth in low-income areas (as also stressed at the Quebec Declaration).

In **health** the government of Suriname will continue to pursue the vision of "health for all". Measures will be taken to improve the effectiveness of preventive health care, in particular with respect to illnesses such as dengue, leptospirosis and malaria. Furthermore, improving prenatal, maternal, child and adolescent care, training of public health personnel, improving waste and sewage disposal through inter-ministerial collaboration, and investigating the mercury problem in gold mining areas. Programmes will be implemented to improve public awareness about health risks, particularly for young adults, addressing drug problems, and HIV/AIDS. Improvements will be introduced in financing health care through increased cost recovery. Better facilities will be provided for mental health care.

In **culture,** government policy aims at intensifying cultural co-operation with neighbouring countries. Measures will be taken to protect the country’s cultural heritage, including implementing recommendations of UNESCO to put the built heritage of Paramaribo on the World Heritage List.

2.11 Transport and communication

As a central element in its strategy to private sector development and regional integration, the government will improve air, sea and land transport as well as communications. In air transport the focus is on modernisation of legislation and increased cost effectiveness and enforcement of competition. In water transport the aim is to ensure the efficiency of shipping and of port operations through renovation of the ports. A Road Authority has been established, to facilitate more sustainable and effective road maintenance. In

telecommunications investments will be made to modernise and expand the network, especially in the Interior, and legislation will be introduced to liberalise the sector. The private sector will be involved in the development of infrastructural works.

3 Assessment of the political, economic and social situation

3.1 Situational analysis

3.1.1 Political and governance context

Suriname is a sparsely populated country of approximately 163,830 square kilometres. Over 70% of the population live in the urban and semi-urban coastal districts of Paramaribo and Wanica. Suriname became an independent nation in 1975. A key characteristic of Suriname's small population of 430,000 inhabitant is its multi-ethnic composition. More than seven ethnic groups can be distinguished, speaking 15 languages. Two groups, the Hindustani and Creoles account for a third of the population each. Suriname is the most ethnically fragmented country in Latin America and the Caribbean region and probably among the 20 most fragmented countries in the world.

Suriname has a democratic government. Suriname's legislature, the National Assembly, celebrating this year its 135-year anniversary, is a unicameral body with 51 members, which includes functional representation. In August 2000 after free elections a new government, led by President Venetiaan, took office.

Suriname suffers from deficiencies in a number of aspects of governance, including the prevalence of patron client relationships associated, the rent seeking from its rich natural resource endowment and a vulnerability to drug trafficking[2].
Suriname is member since 1995 of the **Caribbean Financial Action Task Force (CFATF)**, organisation of States of the Caribbean which have agreed to implement common measures to address the problem of criminal money laundering. The first Mutual Evaluation mission took place in November 2000, in order to assess the Government's counter measures and policies against money laundering. The Plenary XIV Session is to be held in Santo Domingo in October 2001.

On important constitutional matters such as procedures for removing the President and the separation of powers between branches of government (legislative, executive and judiciary), the Constitution lacks clarity. The Constitution places extensive social obligations on the state without considering their cost and how the state would be expected to provide these. The Constitution of 1987 will be evaluated and adjusted.

The National Assembly's performance has been weak, especially during the previous government, and has not been able to hold the executive branch of government accountable.

The effectiveness of the central government is also considered weak, in spite of its large size, employing 43% of total labour force and accounting for 40 to 50 % of GDP[3]. The government's capacity to provide essential public goods suffers from over-extension, salary deficiencies, overburdening of too few high level civil servants, poor transparency, and a

[2] IDB, Governance in Suriname Study, Washington, December 2000.
[3] Including parastatals, the employment share of the public sector is 61 percent.

highly bureaucratic management style. Budgetary management has been one of the weakest areas of government performance.

Suriname historically has had an extensive system of social services, including education and health. As a result, it scores favourably on social indicators. The country is ranked 65 on UNDP's Human Development Index[4], placing Suriname in the medium human development category.

Suriname scores low on the rule of law index compared to other Latin American and Caribbean countries[5] even though violent crime rates are relatively low and the judiciary is generally regarded as fair and impartial. However, strong negative factors are delays in the judicial process combined with a large informal sector, that evades tax paying and concerns about corruption in public sector decision processes.

3.1.2 Regional integration and trade policy

Suriname has made steps to integrate its economy in the regional and world economies. As a member of CARICOM, Suriname has been reducing its import tariffs since it became a member in 1996. It has also reduced restrictive import licensing. However, due to budgetary pressure, Suriname is lagging behind the agreed schedule in implementing the CARICOM Common External Tariff (CET). Suriname is also participating in CARICOM's single market and economy initiative, which will enter into force in 2002. Apart from the removal of the remaining barriers for the intra-regional movements of goods and services, this will entail moving towards free movement of people and capital and free establishment of companies. Suriname has joined Caribbean countries to form the Association of Caribbean States (ACS). Whereas no systematic studies have been conducted on the impact of past liberalisation measures, it has been reported that (formal and informal) imports from CARICOM countries have increased, causing market loss for local industries.
Some 57 percent of Suriname's exports are destined for the EU market[6]. At this [EU] market the country gets preferential access for the vast majority of its products, including bananas and rice. The exports of Surinamese bananas and rice amount to around € 40 Mio per year. However, the benefits of preferential access are being eroded as Suriname experiences the effects of the WTO ruling on the banana regime. Furthermore, the Everything But Arms (EBA) initiative is expected to increase competition from LDC's for Suriname's exports of bananas and rice to the EU market. The Cotonou Agreement foresees that new WTO-compatible trade arrangements will be concluded no later than 2008. Negotiations on these agreements, involving reciprocal reductions in import tariffs and other restrictions, are starting in September 2002 on a regional basis. Suriname has yet to start the preparatory work for the Regional Economic Partnership Agreements (REPA).

Between Suriname and its neighbouring countries there is an increasing flow of goods (oil products, agricultural products, timber gold and consumer goods). Much of this trade is informal. From Brazil there is a significant influx of workers. It is estimated that 40,000 Brazilians are resident in Suriname (almost 10 percent of the population) of whom most work in gold mining and related activities in the Interior.

[4] This index measures next to GDP per capita also health (live expectancy) and education (school enrolment in years)
[5] IDB, 2000
[6] Of the remaining 43 percent, 30 percent goes to the US and Canada, 5 percent to Japan and 8 percent to other countries, mainly neighbouring and Caribbean countries (consisting of timber, agricultural and fishery products).

3.1.3 Economic analysis[7]

In the early 1990s substantial **economic reforms** were introduced as part of a structural adjustment programme, including import liberalisation, unification of a system of multiple exchange rates, a more market based exchange rate, relaxation of capital controls, abolishment of a system of import licenses and abolishment of price controls. These reforms had considerable success in improving the fiscal balance and in reducing inflation. Since 1996, however, the government relaxed fiscal and monetary discipline. As a result, the fiscal balance deteriorated (from a budget surplus of 2.5 percent of GDP in 1996 to a budget deficit of 13 percent in 2000[8]), end-of-year inflation increased (from 1,2 percent in 1996 to 82,4 percent in 2000), and the average official exchange rate to the US Dollar sharply depreciated (from SRG 396 to SRG 1,250 between 1996 and mid-2000). The worsening economic performance is also reflected by declining GDP growth, which turned negative in 1999 (-4.1 percent) and 2000 (-7.5 percent), declining export revenues, a declining current account balance (-16,8 percent in 2000) and declining international reserves (less than one-third of one month's imports by the end of 2000). GDP per capita is currently estimated at US$ 1,320 according to official data.

Reforms introduced by the new government since October 2000 have resulted in signs of recovery, as inflation has slowed down (but is still estimated to be between 16 and 30 percent for 2001) and the exchange rate has been stable since the end of 2000. The reforms included tight control over expenditure, a reduction in subsidies, extending the tax base and terminating monetary financing of the budget deficit. The exchange rate regime has become more market based, after a devaluation of almost 100 percent and the removal of an exchange rate band within which the exchange rate could move without intervention. To promote exports, exporters are no longer required to sell their foreign exchange earnings to the Central Bank at the official rate, though they are still required to do so to commercial banks (at the market rate).

For 2001, a growth of 2 percent of GDP is projected. Continued growth of the bauxite sector and the expansion of crude oil extraction and exports are mainly responsible for this projection. Bauxite mining and processing still dominate Suriname's economy, accounting for 80 percent of exports and 40 percent of income tax, though aluminium production was stopped with the closure of the smelting plant in 1999[9]. The long-term perspective of the bauxite sector is however unclear. Existing deposits will last for approximately 6-7 years. The financial feasibility of new mining deposits is still to be determined. Other exports include gold, timber, fishery products (mainly shrimps), rice and bananas. Suriname's growth prospects predominantly depend on the continued growth of most of these resource-based activities. The two main agriculture export commodities, rice and bananas, showed a decline in the last decade in terms of volumes produced and/or revenues. For rice, exports went down

[7] See IMF report: Suriname-Recent Economic Developments, Washington, April 2001.

[8] Increased fiscal imbalances since 1996 were caused by increases in salaries for civil servants and expenditure on a number of large infrastructure projects. The government, often at very short-term maturities, concluded foreign loan (1997-1999). Domestic debt has accumulated because of local borrowing, especially from the Central Bank, to finance the government deficit. A recent inventory of government debt revealed that total government debt amounts to 130 percent of GDP. Amortisation of much of the external debt is due in the 1999-2001 period, increasing Suriname's debt-service requirements to unprecedented levels of around US$ 60 million per year (12 percent of GDP and 25 percent of the government budget).

[9] The large share of mining in exports and government revenue is exposing Suriname to the risk of Dutch disease. The Dutch disease implies that large increases in the international price of a major export commodity can have disruptive effects on the economy by causing upward pressure on domestic labour costs and an overvaluation of the domestic currency, reducing the competitiveness of other economic sectors involved in export production and import substitution. An additional complication may occur when government spending is structurally increased which is hard to adjust downward when the boom has come to its end.

from around 87.000 Mt in 1996 (export revenue USD 35.2 Mio FOB) to 49.000 Mt in 1999 (USD 13.2 Mio FOB). The export volume of 2000 decreased further to some 38,000 MT (estimated USD 9 Mio FOB). For bananas, the annual production is around 38,000 MT, providing an export revenue of USD 12 Mio FOB (2000). Absolute production increases, but a 30% decrease of the FOB-price (August 2000) affected the profitability of banana production negatively. Only slowly are new growth activities emerging, such as tourism and selected agro-based activities (e.g. flowers and fruits).

It should be noted that available statistics do not adequately capture economic activity in the country. There is a substantial informal sector, which includes activities in gold mining, wholesale and retail trade, drug trafficking and other illicit cross border trading[10]. The laundering of earnings from drug trafficking is likely to result in significant distortions in the economy of Suriname[11]. Furthermore, substantial income transfers from abroad support living standards in the country, which are also inadequately captured by available statistics[12].

3.1.4 Poverty and access to social services

Unemployment and Poverty

Suriname is faced with high unemployment rate (16 percent according to the Bureau of Statistics)[13], a highly unequal distribution of income (Gini coefficient of 0.46)[14], and significant poverty. Estimates of poverty suffer from a lack of reliable statistics and clarity about the definition of the poverty line. Within the group of the poor, a group of absolutely poor is often distinguished, including the elderly, the disabled, single women with young children, and people living in the Interior, though its size has not been quantified. Over the past two decades, poverty has increased as inflation has eroded real wages[15]. A recent household survey, however, also shows that access of households, including many poor households, to utilities and housing is high[16]. Poverty is being alleviated to some extent by remittances from relatives in the Netherlands. Migration is another safety valve, though opportunities increase with levels of education.

Education and health

Social services have deteriorated in the last two decades. Some crucial social indicators such as infant mortality rates, literacy rates and primary school enrolment rates have fallen during the 1990s. Furthermore, Suriname's education and health programmes suffer from inefficiencies. Although consecutive governments of Suriname have acknowledged these problems, it has proved impossible to introduce substantial changes. The failure to implement these changes is linked to broader problems of governance in Suriname. ***(Annex III reviews the situation of education and health in more detail)***.

[10] Authoritative sources at the Central Bank indicate that the informal sector ads between 30 and 50 percent to reported GDP .

[11] A significant part of money laundering is suspected to take place through financing imports which are retailed at a discount, not only resulting in unfair competition to established large traders, but also to small shop operators.

[12] Balance of payment statistics only record transfers via the banking system. Apart from cash transfers, there are increasing transfers through newly established money transfer agencies, which do not report to the Central Bank.

[13] In addition there is significant hidden unemployment as many people not included in the labour force (46 percent of the population) are discouraged to look for work, because of the lack of jobs

[14] Source: Bureau of Statistics, Household Budget Survey Suriname 1999/2000, Paramaribo, 2001.

[15] In Suriname wage employment is the dominant source of income, with some 86 percent of the work force is employed as wage earners.

[16] The Household Budget Survey Suriname 1999/2000 shows that 97 percent of households had electricity, 94 percent propane gas, 87 percent running water and 60 percent telephone. Also 85 percent reported their housing as acceptable and 61 percent owned their home.

Social welfare
Traditionally, the protection of socially vulnerable persons has had a high priority in the policy of successive governments in Suriname. However, the real value of several forms of financial support to vulnerable groups has been eroded by inflation during the 1990s. The welfare system is not well targeted, nor is it very effective and efficient.

3.1.5 Environmental issues and sustainable development

Urban environment deserves special attention, especially garbage collection and disposal, and the location of industrial sites, which are now often located in residential areas.

Suriname's main economic sectors are supported by natural resources, including agriculture, bauxite mining, manufacturing and tourism, but also contribute to environmental degradation. Increasing use of mercury in small-scale gold production in the interior is a major environmental pressure, with its poisonous effects on the fish population, which is used both for local consumption and for exports. Poor standards and regulations and a scarcity of resources are adversely affecting the effective enforcement of pollution control. Access to water supply and sewerage is a problem outside Paramaribo. Furthermore, uncoordinated concession policies and lack of supervisory activities have resulted in uncontrolled logging practices in recent years. A recently established Foundation for Forestry Management and Control lacks the resources to address these problems[17].

Overall, a number of factors erode the potential contribution of protected areas towards the realisation of conservation objectives. These include:

***** lack of capacity within the government to enforce protected area status, manage existing protected area status, manage existing protected areas, or provide necessary PA infrastructure on the scale needed to contain potential threats;
* dependence of the economy on natural resource extraction, causing Suriname to actively seek foreign investment in the mining and forest sectors;
* the relatively small national conservation community, such as NGOs or community groups dedicated to conservation and able to promote conservation compatible development alternatives;
* lack of capacity to integrate conservation objectives into development planning; and
* inadequate legislation and operational capacity to regulate the domestic/trans-border wildlife trade.

3.2 Challenges for economic and social development

3.2.1 Long term development

Beyond addressing short and medium-term development issues there is a need to develop a long-term vision on the development of Suriname in order to put shorter-term programmes in a broader perspective. ***Such a long term approach should address developments in comparative advantage, examining to what extent the economy can be transformed from a basic natural resources exporting country to one where these are increasingly processed, and where services and other more skill and knowledge-based activities play an increasingly important role.*** In a long term development perspective integration in the region and implications for the country takes on an even more important role. Reorientation of

[17] This institute is an example of a broader tendency to establish institutions sometimes with support from donors to address genuine problems without however adequately ensuring their sustainability.

education to tailor to and to act as a catalyst to provide the human resource base for a future society. The role of the government, transforming it from a regulator to a stimulator, the type of regional development encouraging local initiatives and the participation of groups of civil society are other key issues to be addressed in a long term strategy.

To guide developments over the next 5 years the government has formulated a Multi-Annual Development plan (MOP), for the period 2001-2005, of which the key elements are presented in Chapter 2. This MOP should also function as the basis for support programmes of development co-operation partners. To perform this role effectively, the MOP needs considerable strengthening. Areas where improvements need to be made include specification and prioritisation of policies and programmes, introduction of targets and other verifiable indicators, realistic time scheduling of activities and connecting the plan with a realistic medium term economic framework. The development budget should be integrally linked to the current budget.

3.2.2 Challenges for economic development

Governance

As is pointed out in the IDB report of 2000 on Governance, there is a need to improve political governance, strengthening the judiciary and combating corruption. Many of the reforms needed to improve governance will also promote economic and social development. In this context challenges are improving the effectiveness of the executive branch, overhauling budgetary processes, improving information, and strengthening oversight agencies. Such reforms will also contribute to addressing another governance related issue, that of formalising the informal sector.

Sustainable economic development

Achieving **growth** is essential to recover from the present economic problems and to address poverty, social and environmental issues. Realising growth requires a two-pronged approach: one of pursuing **macro economic reforms** especially fiscal tightening and public sector reform, and simultaneously one of **private sector development** based on trade and regional integration. Key elements in achieving fiscal balance include keeping firm control of the civil service wage bill, taking steps to reduce the size of the civil service and to improve its performance, as well as reforming the public enterprise sector. There is furthermore a need to improve the effectiveness and efficiency of the central government through better public expenditure. This type of public sector reform programme will contribute significantly to improving governance. Debt management and debt rescheduling are for the first time in Suriname's history of crucial importance. A challenge in the macro economic field is the improvement of statistics on the economy, particularly in measuring GDP, poverty, trade, the informal sector and remittances.

Private sector development is a key condition for so-called pro-poor growth[18]. Macro economic stabilisation reform policies will need to be supplemented by other measures aiming at establishing an enabling environment, facilitating a supply response to a more favourable macro environment and resulting in the desired growth, employment and a reduction of poverty. In the case of Suriname's small economy, accelerated sustainable economic growth requires diversification of exports and integration in the regional and

[18] Pro-poor growth is based on active participation of the poor and fuelled by private sector development. In this approach growth is associated with sustainable employment creation, improvements in health and education, reforms in access to land, promotion of social organisations and support for vulnerable groups. ***(See "Ondernemen tegen Armoede" De Ware Tijd, 17 May, 2001)***.

international markets of goods, services, capital and labour. In the past private sector performance in Suriname has been weak, being constrained by inappropriate macro economic policies, distorted incentive frameworks and heavy government intervention. As a consequence the private sector has remained small accounting only for 39 percent of total employment[19]. Attaining vigorous private sector development requires policy improvements in a number of areas:

- **Maintaining a competitive exchange rate** and phasing out exchange rate controls, such as the surrender requirements that are imposed on the foreign exchange earnings of exporters. This policy will favour exports and reduce the incentive to operate in the informal economy.

- **Liberalisation of trade in the framework of CARICOM** by implementing the fourth phase of the CET. Particular attention should be paid to facilitating cross border trade and movement of people with neighbouring countries (French Guyana and Guyana), including the states, Amapa and Roraima of Brazil (Guyana shield), also with the aim to formalise activities now undertaken in the informal sector. Issues to be addressed are improving transport links, facilitating customs and other border procedures and promoting commercial joint ventures. There is a need to conduct studies on the impact of liberalisation, as well as of joining the CARICOM single market and economy in 2002 on local industry and government revenue.

- **Reducing administrative and legislative barriers** and introducing effective incentives for establishing and operating of both foreign and domestic enterprises. This requires a modern investment law (high on the agenda of the National Assembly), a modern intellectual property law, transparent business registration and tax administration, customs operations and flexible labour legislation. A clear land tenure policy is required to promote agricultural development. There is also a need to harmonise legislation and regulations governing businesses operations to practices in other CARICOM countries.

- **Improvement of the efficiency in the transport sector**. The transport sector faces the constraints of restrictive policies, inefficient operations and poorly maintained facilities (ports, airport and roads) and therefore acts as a constraint for trade. The recently established Road Authority is expected to result in more effective and efficient road maintenance. In the air transport sector increased competition should be allowed for international carriers and international safety standards should be maintained. To promote transport infrastructure development, private investment should be facilitated. Future programmes for transport sector development should be based on a comprehensive transport policy, which needs to take into account the implications of regional integration.

- **Privatisation of public sector enterprises**, of which currently some 100 exist employing about 15,000 workers. Issues to be addressed include developing an effective approach to privatisation and preparing a prioritised programme. The government has expressed its commitment to privatise the banana company Surland, which currently receives EU support for a restructuring programme.

[19] The remaining 61 percent is employed by government and in public sector enterprises.

- **Development of an open, stable and efficient financial sector** and appropriate supervision by the Central Bank, which would provide the private sector with increased access to credit at competitive interest rates. In recent years, increased lending to the government has crowded out the access of the private sector to credit. Recently, a cumbersome system of credit ceilings has been replaced by a more flexible system of reserve requirements to be held at the CBS. Issues to be addressed in financial sector reform are the consolidation and privatisation of state banks[20].

- **Improvement of quality and standards for products and services** to developed markets are critical for the export of agricultural products the introduction of sanitary and phytosanitary product quality standards and testing facilities is of high importance.

In promoting private sector growth, close co-operation between government and private sector is a key feature. The establishment of the Business Forum, financed by the European Commission (DIAGNOS), is one of the possible instruments for promoting this dialogue. In this Business Forum three private sector organisations, ASFA, KKF and VSB co-operate under the chairmanship of the Ministry of Industry and Trade. The Business Forum could also assist in accessing EC private sector development schemes, such as CDE/PRO INVEST[21], and EBAS.

3.2.3 Challenges for social development

The government appropriately emphasises strengthening of accessibility of social services, including improving education and training, health and social safety net programmes. Social policies need not only be technically improved, but the broader governance issues need to be addressed as well, such as transparency and accountability. Vocational training, particularly for the young and women, should be emphasised through entrepreneur initiatives.

A major challenge for the education system is also the meeting of the human resources gap resulting from the brain drain. With regards to **health,** the main challenge is addressing the inefficiencies that stem from a poorly designed incentive structure, especially that of the State Health Insurance Fund (SZF).

One of the most pressing challenges in the social agenda of Suriname concerns **youth at risk** who are most affected by misuse of drugs and HIV/AIDS. In the case of drug abuse new approaches need to be introduced in which drug addicts are considered as victims and patients, rather than criminals. Factors which play a role include poverty, low quality of education, and absenteeism from schools, lack of employment, poor reproductive health and a high rate of teenage pregnancy, unstable home environments and involvement in or exposure to illicit and violent activities.

Reforms in **social welfare** programmes should focus on introducing systems stimulating people to become self-supporting.

[20] The banking sector is composed of six banks, one foreign owned, one owned by local private parties with a 10 percent government share, and four state banks, of which one is a development bank. Current lending rates amount to 28 percent and the deposit rate to 16 percent. As inflation exceeds these rates, real interest rates are negative. The financial situation of the state owned banks is weak.

[21] In Suriname the private sector has already made extensive use of consultancy services provided through CDE. In the period 1996 –2000, some 47 studies were conducting for 34 companies, mainly in wood products but also fish and agro-processing.

Culture is a key element in deepening national development and its inclusiveness. Culture can be justified for tourism, for industry and for employment, but is also an essential element in enhancing national pride and spirit. For Suriname important aspects of cultural development are the conservation of cultural heritage, particularly the built heritage of Paramaribo, but also the preservation of traditional crafts and the development of various forms of art.

3.2.4 Challenges for environmental development

Urban environment deserves special attention, especially garbage collection and disposal, and the location of industrial sites, which are now often located in residential areas.

Priority actions in the field of **environment** include developing sustainable environmental management systems, protecting the rainforest, forestry and watershed management, sustainable agricultural and tourism development, restoration of coastal and river bank protection, and the handling of industrial and other waste disposal. In order to strengthen environmental management and sustainable development, substantial capacity building, technology sharing and legislative reform is required.

4 An Assessment of past and ongoing co-operation

Total assistance from the EC to Suriname since the beginning of the Lomé Convention in 1975 can be estimated at some € 130 Mio broken down as is shown in Annex V. This amount does not include the benefits of regional programmes, the benefits of Lomé trade preferences, and the protocols.

Evaluation of EC co-operation

During the 1990s, the main areas of EC co-operation were:

- ▲ Support to Good Governance and Democracy (from the Regional and National Development Funds);
- ▲ Structural adjustment support in form of Technical assistance;
- ▲ Support to infrastructure, road infrastructure, support to the Road Authority, Ferry connection Suriname-Guyana and the Regional Airport Program;
- ▲ Support to the private sector (from the Regional Development Fund);
- ▲ Micro projects programme;
- ▲ Environmental management programme;
- ▲ Support to the rice sector (Sectoral Import Program, rice infrastructure, research station);
- ▲ Restructuring of the banana sector (budget lines)

Lessons learned from past EU co-operation *(see also Annex V)*

The funds allocated to Suriname under previous Lomé conventions have not been fully committed. The 8th EDF was signed for an indicative amount of EUR 32.5 Mio, of which EUR 22.8 Mio was immediately available. The mid-term review of the 8th EDF concluded that Suriname's absorption capacity had been low and that the performance of Suriname's co-operation with the European Commission has not been satisfactory. Due to non-compliance with the pre-condition to have a functional Road Authority, the infrastructure project was temporarily suspended. For these reasons, the initial allocation would not be supplemented

with the second tranche. Sysmin funds of EUR 7 Mio were allocated to the financing of the harbour rehabilitation project.

Main lessons learned from the past include:

- ▲ The implementation capacity of the Ministry of Planning and Development Co-operation needs strengthening;
- ▲ Technical ministries need to be re-enforced, so that the Ministry of Planning and Development Co-operation is no longer required to carry out their tasks;
- ▲ A focus on individual projects often results in problems during implementation. A true sectoral approach is called for;
- ▲ Information exchange between the Commission and the Ministry of Planning and Development Co-operation on requirements, procedures and processing time is crucial and prevents unnecessary delays;
- ▲ Commission procedures are time-consuming and should be shortened where possible.

The European Commission finances under the 8th Regional Development Fund a programme (EUR 4 Mio) to reinforce the capacity of Caribbean countries to set up policies and countermeasures against money laundering[22].

Apart from EDF funding, various European Commission Budget Lines have financed projects in Suriname. Suriname has obtained support under the special system of assistance to ACP banana suppliers for raising competitiveness in the local banana industry. Other programmes budget lines, such as Co-financing with NGO's, Environment in the Developing Countries, Tropical Forests, Democracy and Good Governance are available for financing projects in Suriname if requests are properly channelled in due time.

The European Investment Bank (EIB) has focussed its attention in the past on promoting investments by small and medium scale enterprises of the private sector, by means of global loans. Furthermore, in 1995, it financed a pilot operation in the form of a small loan of EUR 650,000 for an aquaculture project, aiming at the production of red tilapia. This project was satisfactorily implemented in a technical sense, but appears to be facing some problems now in the marketing phase. If the experiment succeeds however, the sector should be promising for Suriname, in view of the excellent conditions for the development of aqua culture in that country.

In 1998, the EIB provided an EUR 4 Mio loan on own resources to Staatsolie, for an oil production and transportation project. Staatsolie is well managed and fulfils an important role within the Surinamese economy, covering most of the domestic petroleum needs. Progress in implementing the project has been satisfactory until now and completion is expected before the end of the year." ***(Annex IV provides information on EC projects in Suriname supporting the private sector)***.

[22] The Caribbean Financial Action Task Force (CFATF) received also, beside the Regional EDF programme, a contribution of the US State Department for an amount of EUR 3,2 Mio.

5 The response strategy

5.1 EC response strategy

Challenges

The EC response strategy for Suriname is derived from the government strategy, the views expressed by civil society groups, the economic and social analysis and the activities of other development co-operation partners. There is a broad consensus among government and civil society groups that an enabling environment needs to be created for private sector-led growth and improving social conditions. In the absence of a reliable macro-economic assessment, a direct poverty reduction intervention is unlikely to produce sustainable results. On the contrary, the existence of a relatively sound inter-ethnic middle class presents an opportunity to combat poverty through economic growth. The enabling environment will contribute to the competitiveness of the private sector in regional and international markets. Priority measures include macro economic reform and stabilisation, and improving governance through institutional strengthening and reform. These measures should be supplemented by structural reforms of the economy aimed at facilitating a supply response. Growth and employment creation will contribute to poverty reduction and facilitate improving the effectiveness of social and human development programmes, as well as ensuring environmentally sustainable development.

Government strategy and donor support

These priorities are being addressed in a broad manner in the government's development programme as presented in its MOP for the period 2001-2005, which aims at sustainable growth and poverty reduction. Donor response is highly supportive of the development priorities presented above. The IDB is building on a co-operation programme, which is targeting improved macro economic management. The development co-operation programme of the Netherlands, which is still under preparation, can be expected to address debt restructuring, public sector reform and support to the productive sectors. In the area of private sector development, the IDB is preparing a number of initiatives (financial sector support, addressing the legal and regulatory framework and privatisation). The Netherlands is providing assistance to financial reform, the interior, private sector development and infrastructure. Other sectors of co-operation will be discussed in June 2001. Several development co-operation partners have programmes to support initiatives in environmental protection.

Non-state stakeholders

During the bilateral consultations as well as the CSS programming workshop private sector and labour union representatives, NGO's and other non-state actors emphasised the need for a stable macro-economic environment and enhanced capacities and institution building at all levels of government, the private sector and civil society.

Most of the stakeholders had Development and Trade listed as one of the 3 top priority areas to be addressed. However, they stressed that without a stable macro-economic climate and due attention for the institutional framework, investments will not produce sustainable results. Poverty alleviation through private sector-led growth is seen as the way forward.

EC response

In the 9th EDF, the EC intends to address the priority challenge for Suriname of achieving equitable growth through trade development and regional integration, building on past experiences, and complementing programmes of other development co-operation partners.

The efficiency of transport infrastructure is key to addressing such challenges. Sustainable infrastructure will only be achieved if the provision and operation of transport infrastructure is linked to the demands of the beneficiaries. A national transport policy will be prepared (funded by EDF), which will ensure that transport contributes effectively to Suriname's economic and social development. Poverty reduction is addressed in the transport policy by means of improved general mobility of the poor and their improved access to social services through improved affordability of transport. This policy will guarantee consistency with regional development strategies, promote public private partnerships, improve regulation and ensure sustainable funding mechanisms.

The importance of having efficient transport infrastructure will increase Suriname's integration in the regional economy in the framework of CARICOM, the FTAA, as well as support the Guyana shield initiative. It is also expected that CARICOM, EPA and FTAA will have a lock-in effect on the institutional reforms, for both state and non-state actors. This will contribute to a free movement of goods and people in the region. Within this environment of reinforced institutional capacities improving the efficiency of the transport sector will enhance the competitiveness of the private sector.

Furthermore and outside the concentration area, the programme will also address the incapacity of key institutions to respond appropriately to the demands of the socio-economic environment, which has contributed to policy failure in the past. Only by concerted efforts to address institutional failings sustainable development goals will be realised. Addressing capacity failures in programme design and implementation requires concerted efforts at institutional strengthening, mechanisms of social dialogue, improved management information systems, improved incentive systems and policy co-ordination. A re-assessment of the potential roles of public and private sector actors in development, leading to a better combination of state and market, will help achieve poverty reduction and sustainable development. Partnerships between public and private sector will be encouraged where the strengths of each are nurtured.

5.2 Priorities for Co-operation

5.2.1 The focal area: Transport (see more background information in Annex VII)

Transport and Environment

A National Environment Council has been established in June 1997, directly under the President of Suriname. Implementation of environmental impact assessments will become an integral part in the transport policy, in close co-operation with the National Environment Council and the Ministry of Transport and Communications. Taking into account existing complementarities with activities of other Donors the EC response on environmental issues in the context of the 9th EDF will be transport specific.

Poverty reduction and Gender

Employment opportunities in the transport sector are increasingly accessible and occupied by women. Labour intensive maintenance programs (managed by the Road Authority) in urban and rural areas have the potential to strengthen the participation of women in the transport sector. Through increased private sector production and exports, the programme will contribute to employment and therewith to poverty reduction and facilitate access to social services.

EC support in the transport sector

In the past, the EC has supported projects in port, regional aviation and ferry crossing and road development in Suriname. The EC funded the Suriname Road Rehabilitation Programme under EDF 6 and 7 and has supported the establishment of a Road Authority to facilitate managing and funding road maintenance. Under the 8th EDF, the improvement of the road to the car terminal ferry at the Corantijn River in Nickerie is scheduled (EUR 13,2 Mio).
The EC has also supported the improvement of the Nieuwe Haven (Port of Paramaribo) in the 1960s.

The EC is currently supporting a transport policy study for Suriname, which will assess future developments in transport, the scope for increasing its efficiency and propose appropriate policies and regulations, measures for institutional strengthening as well as identify areas for investment. Appropriate transport policies and an efficient transport infrastructure play a key role in facilitating efficient flows of goods and people to and from other countries in the region as well as the rest of the world and in enhancing the country's competitiveness.
The intervention in the transport sector will address policy, institutional capacity building, and improvement of selected transport facilities (that could include the rehabilitation of the Port of Paramaribo depending on the findings of a comprehensive transport policy study and feasibility study).

Programme components

The focal programme will concentrate on Transport sector development.
Based on the transport sector policy study and the feasibility study of the harbour rehabilitation programme (starting June 2001 and funded from 8thnEDF funds), the main components of the programme will be implemented in the following sequence:
- any rehabilitations of the port to be undertaken to maintain the port operational, when the F.A. is approved.
- reforms related to the Port Authority, when starting the agreed institutional strengthening program.
- reform of Customs&Finances, when starting the agreed improvement of legislation.
- definition of the respective roles between Public and Private sector, before starting to implement the agreed improvement management of state & non state operators.
- completion of all the other structural rehabilitation works components when the issues of institutional strengthening, improving the legislative framework, introducing efficient management and operating procedures, defining the roles and responsibilities between public and private sector are adequately addressed.

The programme will aim at improving competitiveness and facilitating trade through institutional strengthening of relevant actors and improving the efficiency of the transport sector.

Indeed, for the country's trade flow, the Port of Paramaribo plays a key role. The New Port handles about 50 percent of Suriname's non-bauxite exports and most of the country's imports. The port is the hub of a road system, which also serves the interior and is strategically placed on one of the country's two navigable rivers. Ease and cost of the port operations are therefore important in serving the main population centres and the underdeveloped interior. The port also has a regional distribution function with respect to both neighbouring countries, as it can receive larger ships than the ports of the two neighbouring countries. There is furthermore scope for integrating activities presently carried out at other berthing facilities in the New Port. The New Port is the only port in the Guyana shield, which can handle ocean-going vessels. However, its ability to handle containers is limited. The President at a recent address stressed the importance of an efficient New Port in the context of regional integration.

5.2.2 Non-focal area: Reinforcement and capacity building of economic actors

Outside the concentration area, the programme will aim at the reinforcement and capacity building of state and non-state actors. This part of the programme will improve the planning and monitoring capacities of the government, improve private and public sector responsiveness to regional market opportunities and strengthen the role of the private sector through a privatisation programme.

Specifically the programme will support:

- ▲ Policy studies on regional integration to support private sector development and public policy making for regional integration.
- ▲ Support to privatisation.
- ▲ Support to programme planning and monitoring at the Ministry of PLOS and related ministries, in order to understand the links between policy changes (sound governance) and their impact on poverty in the particular social, economic and institutional context of the country[23].

Privatisation

In the area of privatisation, support will be provided for a study to work out a strategy of privatisation to define reforms to create a more comprehensive environment, wherein the private sector could evolve adequately, undertaking their necessary changes and integrate some activities of the informal sector. At an early stage of the programme it will focus on privatisation and public-private partnerships in the transport sector. Based on the experiences gained, the programme could be extended to other sectors. This can be decided at the occasion of the mid-term review.

[23] Structural reform of the State is seen as fundamental to political change and the reinforcement of Democracy, in order to avoid citizens to blame Democracy for the failure of State Institutions ***(Ref. to comments of IDB President Iglesias and Secretary General Gaviria during the Quebec Summit of the Americas in June 2001)*** .

Support to programme planning and monitoring
The government's capacity to develop and monitor development programmes will be strengthened, and indicators of poverty reduction agreed, in order to use coherent criteria for a broad based equitable economic growth. Poverty assessment will be conducted for the designing of macro-economic policy reform measures and demonstrate the link between policy changes and its impact on poverty in the social, economic and institutional context of Suriname. This assistance will be centred at the Ministry of PLOS, not only to manage the EC programme, but also to assist this ministry in developing its capacity to monitor the MOP and to develop this programme in a rolling programme. Particular areas of assistance include development of indicators, introduce monitoring systems and supporting information systems. A main issue to be addressed will be achieving consistency of the MOP with the multi-annual budgets to be introduced by the Ministry of Finance with support from the Netherlands. Supplementary assistance will be provided to the planning units of line ministries in developing and monitoring verifiable indicators and to provide relevant and timely information. Also within the Ministry of PLOS, the role of the Planning Bureau (Stichting Planbureau), needs to be addressed, as well as the legal framework within which planning and monitoring of development programmes takes place. The planning and monitoring programme will supplement a support programme being funded by the Dutch Government, which aims at strengthening of the Ministry of PLOS in implementing the Dutch development programme (total budget: EUR 450,000). To enhance the involvement of the civil society, a greater role should be given to this non-state actor in participating in the monitoring and implementation of this programme ***(Assumptions and factors on sustainability projects are indicated in Annex VII)***.

5.3 The European Investment Bank (Investment Facility)

The Bank's assistance to Suriname under the Cotonou agreement follows the general principles of programming, in which the Investment Facility will be prepared simultaneously in time for when the Cotonou agreement becomes effective. In the case of Suriname, the Bank will be able to contemplate new activities once the problem with the outstanding arrears for past lending programmes (rehabilitation of road Jenny-Ingikondre, two loans to the Landbouwbank and two loans to NOB) have been settled. An important issue is furthermore, the lack of viable intermediate channels for reaching the SME sector. The EIB proposes to send an exploratory mission, once the issue of arrears has been settled to monitor the results of an EIB funded Staatsolie project and to assess the scope for the implementation of the Investment Facility in Suriname.

5.4 Coherence and Complementarity: Regional integration, private sector development, Human rights and Good Governance

In the context of the Cotonou Agreement the Parties have agreed to conclude new trading arrangements, compatible with WTO rules, remove progressively barriers to trade between them and enhance co-operation in all areas relevant to trade.

Suriname is member of CARICOM, has signed the FTAA agreement in Quebec and has to prepare itself for the REPA negotiations. There is a clear lack of understanding by both state and non-state actors of the consequences of these regional and global integration initiatives. A better understanding of the threats and opportunities will allow a better response of the private

sector to new market possibilities, especially with regard to regional trade and trade with the neighbouring countries.

The support to be provided under the 9th EDF aims at addressing the following issues:

- ▲ Assessments of impact of further trade liberalisation, of the CARICOM Single Market and Economy and the FTAA on the private sector and on government revenues and formulating appropriate policy responses measures.
- ▲ Assist in preparing the REPA with the EC, involving broad consultations and studies on impact.
- ▲ Assist private sector initiatives to explore business opportunities in the region.
- ▲ Assist with improving the relations with the neighbouring countries and with exploring trade opportunities. This could include trade missions, identification of impediments to trade with neighbouring countries and addressing these impediments.
- ▲ Assist the Business Forum in planning and monitoring of vocational training as a specific area of activity.

Human rights: The Cotonou Agreement refers explicitly to the principles of respect to Human rights and fundamental freedoms. The Co-operation strategy will contribute to the consolidation of such values will be ensured through the different measures of support to good governance and institutional capacity.

Good governance: Based on the mutual assessment of CFATF Member countries, the Government of Suriname will take concrete legal and administrative measures against money laundering practices. Available 8th EDF funds could be used to that effect.

The Netherlands, IDB, and the EC implement the largest assistance programmes for Suriname[24]. The EC's programme is complementary to those of the other international development partners, particularly the Netherlands, and the IDB. Examples of joint co-financing of actions can be found in infrastructure, environment and private sector development.

The activities of the different development co-operation partners of Suriname are summarised in a donor matrix, which is represented in Annex VI. The Netherlands has been the main EU member country providing support to Suriname. Its programme was comprehensive, covering more than 11 sectors. Dutch aid was reduced to humanitarian programmes in 1997. The current portfolio consists of projects that started prior to 1997. The Netherlands have currently agreed with the Surinamese government to introduce the sectoral approach, focussing assistance on a limited number of sectors, as follows: **Education, health, governance, environment, agriculture and housing**.

The guarantee fund of EUR 177 Mio will be applied to restructure Suriname's debts (75% internal debt restructuring - 25% external debt restructuring). The remaining EUR 226 Mio of grant funds will be utilised via the sectoral approach as agreed between Suriname and The Netherlands.

[24] Other development co-operation partners include France, Belgium, China, Japan, India, UNDP, and PAHO **(*See donor matrix AnnexVI*** [24]

Opportunities for co-funding of programmes and project will be considered, within and outside the focal sectors. Three projects will start in the short term after a ‘quick sector scan’: **Land register**, support to the **Office of Public Health** and the set up of an **Emergency Education Programme** for the interior. Counterpart funds for an amount of 136 Mio EUR will have to be raised and actions identified.

The IDB programme focuses on Good Governance, financial sector reform and education.

PART B

NATIONAL INDICATIVE PROGRAMME

6.1 Presentation of the National Indicative Programme

6.1.1 Introduction

Based on the co-operation strategy presented in Part A and in accordance with the provisions of Article 4 of Annex IV of the Cotonou Agreement, the indicative programme has been drawn up in a series of tables and comments presenting the intervention framework for the focal sectors, the indicative commitments and expenditure schedules and a detailed activity-based schedule (chronogramme) for all identified programmes or projects during a two year rolling period.

6.1.2 Financial Instruments

Conform to point b of article1 of the Annex IV of the Cotonou Agreement, the EC has proceeded on 28 March 2001 in the name of the Community the notification of the indicative amounts allocated to Suriname for **11 Mio EUR for envelop A,** to be used for the financing of sectoral policies, programmes and projects supporting the fields of community help in the frame of the present programmation. **7 Mio EUR made available under envelope B** from Sysmin funds will also be used in the context of the focal area**.** Finally, **1,1 Mio EUR for envelop B,** meant to cover the unpredicted needs such as emergency help, contributions to alleviating the debt as well as to limit the negative effects of unstable export revenues.

The present National Indicative Programme mainly concerns the national financial resources of envelop A and partially of envelope B, and takes into account the necessary coherence of all the other instruments that the Community could put to the benefit of Suriname. This amount is available at ratification of the Cotonou Agreement.

6.2. Intervention Framework of the focal sector

6.2.1 Programme purposes

An appropriate transport policy framework, including a strengthened implementation capacity, will assist in increasing the competitiveness through improving the efficiency of selected transport facilities, in particular, the New Port of Paramaribo.

6.2.2 Results

The programme will result in the introduction of more effective and comprehensive transport policies, and an improved institutional capacity to implement these policies. The programme will also result in a better functioning port through having more efficient management and operating procedures, as well as a renovated infrastructure and modern handling equipment.

6.2.3 Activities

The project will involve the following activities:

- Assist in the adoption of a national transport policy;
- Provide assistance to strengthen the institutional capacity for implementing the transport policy;

- Assist in the implementation of the rehabilitation and upgrading of the Port of Paramaribo, through technical assistance to strengthen the institutional and legislative framework, and the introduction of more efficient operating procedures, as well as investments in improving terminals, equipment and software.

6.2.4 Assumptions

The complete rehabilitation and upgrading of infrastructure facilities of the port of Paramaribo would be considered provided that prior to the implementation of physical components the following issues are addressed: institutional strengthening, improving the legislative framework, introducing efficient management and operating procedures, defining the roles and responsibilities between public and private sector.

6.2.5 Implementation

The transport sector component will be implemented under responsibility of the Ministry of Transport and close co-ordination with the related private sector. The project to rehabilitate the port will be attached to the N.V. Havenbeheer. The Ministry of Finance will be involved for customs issues. A technical assistance team will assist in the implementation of this project.

6.2.6 Factors ensuring sustainability

The sustainability of the project depends on the extent to which the policies and facilities contribute to generate sufficient trade flows. As a result the success of the project will also be affected by the success of macro economic reforms and other programmes to stimulate growth, such as the public sector reform programme and a continued process of deregulation and liberalisation. An important factor ensuring sustainability is therefore the adoption of the MOP which is supported by the donor community, and the implementation of the MOP according to set targets and time intervals.

6.2.7 Performance indicators

The programme aims at increased development and trade with a special emphasis on regional integration. Increased regional trade flows and a more effective participation in regional policy meetings are therefore performance indicators, that need to be worked out in more detail.

For the transport sector indicators include: Reduced time and cost to obtain a licence, clear legislation approved, number of trained staff at relevant institutions increased, reduction of cost/tonne and time to handle ships/aircrafts, increased tonnage/berth/passengers, infrastructure and handling equipment up to regional standards, and reduced damage to ships.

6.3 Intervention framework of the Non-focal sector

6.3.1. Programme purposes

The programme aims at strengthening the capacity of relevant state and non-state economic actors in ensuring that the programme will be effectively implemented and used, so that the opportunities of regional integration are seized.

6.3.2 Results

The project will result in a more responsive private sector geared to taking advantage of improved competitiveness resulting from easier access to the region and to other markets. Public sector policies will be better geared to promoting regional integration and participation in regional strategy meetings will be improved.
A privatisation strategy will have been developed for public enterprises in the transport sector.
The capacity of the Ministry of PLOS and relevant line ministries to plan, monitor and manage the implementation of the programme and the MOP will be improved.

6.3.3 Activities

- Assistance to promote orienting businesses to regional marketing, especially to the neighbouring countries, in order to become more competitive also vis-à-vis third markets (studies and information on regional markets and sourcing in the region, search for co-operation partners, impact of regional integration on the business sector);
- Identifying the impediments to trade with the neighbouring countries (Guyana and French Guyana) and formulation of policies to address these impediments. This will be a joint public-private exercise.
- Policy studies on regional integration to improve public policy making and to prepare for REPA negotiations;
- Assist the Ministry of TCT and the Ministry of Finance in formulating a privatisation strategy for public entities in the transport sector.
- Support to the Ministry of PLOS to strengthen its capacity to develop and monitor the EC programme, in the form of training, short-term advisory services, studies and facilities;
- Support to the Ministry of PLOS and line ministries to improve the planning and monitoring capacity of the MOP and to arrive at a rolling multi-annual programme;

6.3.4 Assumptions

In case of the Ministry of PLOS, it is assumed that the Ministry will make available sufficiently qualified and committed staff to be trained and for management of the EC programme. For strengthening the planning and monitoring capacity of PLOS and line ministries, it is assumed that all ministries co-operate to the monitoring system and make available sufficient staff. There must also be a willingness to consider privatisation of public sector companies in the transport sector. This requires an active dialogue between the public and the private sector. With regard to studies for regional integration, it is assumed that the findings will be incorporated in policies and strategies and that the private sector is responsive to new market opportunities in the region.

6.3.5 Implementation

The Ministry of PLOS will play a key role in the implementation of the institutional strengthening component of the programme. They will co-ordinate activities with line ministries and take the lead in the planning and monitoring process of the MOP. The regional integration studies will be carried out in close collaboration with the Ministry of Trade and Industry and the Ministry of Foreign Affairs. Privatisation in the transport sector will require joint efforts of the Ministry of Transport and the Ministry of Finance.

6.3.6 Factors ensuring sustainability

In the case of the institutional support, sustainability depends whether sufficient resource are made available to maintain the improved quality of planning and monitoring of programmes. This also depends on the speed with which public sector reforms are implemented, which would make resources available for sustained quality improvement.

6.3.7 Performance Indicators

Performance of institutional strengthening is always difficult to measure at an aggregate level. The output of the identified programme components is however clear and include: Indicators for monitoring MOP formulated and information system with line ministries operational. Evaluation and PCM procedures in place and increased number of trained staff. Donor co-ordination mechanism in place. Staff trained in monitoring and planning for rolling programming. Implementation of EC programme according to schedule. Public sector policies formulated to promote trade and regional integration. Private sector aware of market opportunities and threats. Negotiation strategy for REPA prepared. Privatisation strategy for public enterprises in the transport sector prepared.

Intervention framework

Reinforcement and capacity building of state and non-state actors in the area of development and trade

	Performance indicators	Sources of verification	Assumptions
Overall objective Accelerate growth and poverty reduction by facilitating trade and regional co-operation and integration.	♦ Growth of GDP ♦ Balanced budget (in 3 years) ♦ Low inflation (< 10%) ♦ Poverty reduction ♦ Increased exports to region	Bureau of Statistics Ministry of Planning (PLOS)	Stable macro economic environment Deregulation and liberalisation Public sector reform programme
Intervention objectives Increased trade through strengthened capacity of relevant state and non-state actors	♦ Increased share of intra-regional trade ♦ Increased participation to regional trade fairs and policy meetings ♦ Increased capability to plan and monitor achievements	PLOS Line ministries Bureau of Statistics Ministry of Finance Ministry of TCT	Private sector responsive to market opportunities in region Government committed to privatisation programme
Results ♦ Planning and monitoring capacity of PLOS and line ministries improved ♦ Evaluation skills and techniques for MOP and donor activities improved ♦ Improved Project Cycle Management procedures and skills ♦ Donor co-ordination capacity enhanced ♦ Capacity for rolling programming of MOP and CSS improved ♦ Consequences of REPA and regional integration initiatives understood and responsive policies for public and private sector prepared ♦ Improved trade relations with the Guyana's ♦ Privatisation programme for transport sector prepared	♦ Indicators for monitoring MOP formulated ♦ Information system with line ministries operational ♦ Evaluation and PCM procedures in place and increased number of trained staff ♦ Donor co-ordination mechanism in place ♦ Staff trained in monitoring and planning for rolling programming ♦ Implementation of EC programme to schedule ♦ Public sector policies formulated to promote trade and regional integration ♦ Private sector aware of market opportunities and threats ♦ Impediments to trade with Guyana's listed and responsive strategy formulated ♦ Negotiation strategy for REPA prepared ♦ Privatisation strategy for public enterprises in the transport sector prepared	PLOS Line ministries Bureau of Statistics Ministry of Finance Ministry of TCT Ministry of Foreign Affairs	Legal status of role PLOS with regard to monitoring and rolling planning of MOP secured Co-operation of line ministries Sufficient qualified and motivated staff secured Public and private sector incorporate findings of studies in policies and negotiation strategies Working relation between MOF and PLOS established on integrating the development budget and the current budget Donor co-ordination procedures accepted by donors
Projects identified: ♦ Assist the Ministry of TCT and the Ministry of Finance in formulating a privatisation strategy for public entities in the transport sector. ♦ Studies and policy support for REPA and regional integration. ♦ Support to PLOS and relevant line ministries to monitor the MOP and to strengthen the capacity of PLOS to implement the EC programme.			

Transport sector

	Performance indicators	Sources of verification	Assumptions
Overall objective Accelerate growth and poverty reduction by facilitating trade and regional co-operation and integration.	♦ Growth of GDP ♦ Balanced budget (in 3 years) ♦ Low inflation (< 10%) ♦ Poverty reduction ♦ Increased exports to region	Bureau of Statistics Ministry of Planning (PLOS) Customs	Stable macro economic environment ensured Further deregulation and liberalisation for a conducive private sector environment Public sector reform programme carried out
Intervention objective Improved competitiveness of export sector through improving the efficiency of the transport sector	Volume and value of goods traded increased Reduction of cost and time to export	Ministries of TCT, Trade and Industry and Public Works, Port and airport Authority, shipping agents and private sector associations	Sufficient funding to Road Authority Effective involvement of private sector in policy formulation and implementation Positive private sector response to enhanced market opportunities New investment law accepted
Results ♦ Improved regulatory framework for the export and transport sector ♦ Enhanced policy preparation and implementation at relevant institutions in the export and transport sector ♦ Definitions of roles of public and private sector actors clarified ♦ Efficient management and operating procedures for the harbour/airport/roads ♦ Improved infrastructure and modern handling equipment for the harbour/airport/roads	Number of actions to obtain licenses reduced Time to obtain licences reduced Clear legislation approved Number of trained staff at relevant institutions increased Reduction of cost/tonne and time to handle ships/aircrafts Increased tonnage/berth/passengers Infrastructure and handling equipment up to regional standards Reduced damage to ships/cars	Ministries of TCT, Trade and Industry and Public Works, Port and airport Authority, shipping agents and private sector associations	Appropriate transport sector policy adopted Capacity to implement transport policy strengthened Guaranteed financing for maintenance Clear mandate of Port Authority Sufficient means to remunerate staff Improvement of customs procedures
Identified projects: Harbour of Paramaribo: Institutional strengthening and improved infrastructure. Follow up on transport sector study			

Allocation of funds

Allocation of uncommitted funds (all amounts in Euro)				
	9th EDF		previous EDFs	Total
	Env. A	Env.B Sysmin		
Total available	**11,0**	**7,0**	**29,5**	**47,5**
Reinforcement and capacity building:				
- Formulation of Privatisation Programme	0,675			0,675
- Studies and policy for regional integration	0,675			0,675
- Institutional strengthening	1,55			1,55
Harbour rehabilitation	8,1	7,0	4,9	20,0
Debt relief (payment of arrears to EIB)				1,1
Private sector support			4,0	4,0
Rehabilitation of Cathedral			2,0	2,0
Drugs demand reduction programme			0,7	0,7
Support to minerals institute			1,9	1,9
Road to the ferry			13,2	13,2
Transport sector study			0,3	0,3
Total EDF + Sysmin	**11,0**	**7,0**	**27,0**	**45**
Budget lines				
Banana budget line				15,0
NGO budget line			PM	
Tropical Forest budget line			PM	
Support to Democracy budget line			PM	
				61,1
Other EC instruments available for Suriname				
Advisory Support to Enterprises (EBAS)				PM
Institutional, legal and policy support to private sector (DIAGNOS)				PM
Sectoral and technical support to the private sector (CDE/PRO-INVEST)				PM

Activity pipeline time table for 9th EDF (+Sysmin)

1. Reinforcement and capacity building (3,55 Mio)

Formulation of Privatisation Programme (0,675 Mio)	**Date**
Project identification (ToR for appraisal)	October 2001
Project appraisal (project dossier)	February 2002
Approval of project (primary commitment)	May 2002
Launch of tender	May 2002
Award of contract (secondary commitment)	September 2002

Studies and Policies for Regional Int. (0,675 Mio)	**Date**
Project identification (ToR for appraisal)	July 2001
Project appraisal (project dossier)	November 2001
Approval of project (primary commitment)	January 2002
Launch of tender	January 2002
Award of contract (secondary commitment)	April 2002

Institutional strengthening	**Date**
Project identification (ToR for appraisal)	July 2001
Project appraisal (project dossier)	November 2001
Approval of project (primary commitment)	January 2002
Launch of tender	January 2002
Award of contract (secondary commitment)	April 2002

2. Harbour rehabilitation and upgrading (20 Mio)

	Date
Finalisation project dossier	January 2002
Submission of financing proposal	February 2002
Approval by EDF Committee (primary commitment)	December 2002
Launch of tender	January 2003
Award of contract (secondary commitment)	July 2003

Payments table 9th EDF (+Sysmin) for enveloppe A

	Total	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2
1. Reinforcement and capacity building:											
-Formulation of Privatisation Programme	0,675		0,337	0,338							
-Studies and policy for regional integration	0,675	0,337	0,338								
-MOP planning and monitoring	1,55	0,2	0,15	0,15	0,15	0,15	0,15	0,15	0,15	0,15	0,15
2. Harbour rehabilitation*	15,1				2,0	2,0	3,0	4,0	3,0	1,1	
Total	**18,0**	**0,537**	**0,825**	**0,488**	**2,15**	**2,15**	**3,15**	**4,15**	**3,15**	**1,25**	**0,15**

**** Only the funding to the harbour of EDF 9 and Sysmin is shown here. Total project costs are estimated at 20 Mio***

ANNEX I

Statistics 1996-2000

Suriname: Statistics 1996-2000

	1996	1997	1998	1999	2000
(In Mio of Surinamese guilders at 1980 prices)					
Gross domestic product	1,362.3	1,485.7	1,534.5	1,471.9	1,361.5
GDP including informal sector	1,737.1	1,861.4	1,937.0	1,840.2	1,739.6
Agriculture	141.9	145.3	140.4	168.2	150.7
Mining	193.3	219.3	229.7	240.1	242.2
Manufacturing	197.3	200.4	198.1	178.4	144.4
Electricity, water, and gas	212.3	125.6	121.2	99.8	88.0
Construction	53.7	55.5	60.3	56.7	48.0
Trade, restaurants, and hotels	110.2	141.6	151.1	144.5	143.8
Transport and communication	97.3	107.8	125.6	120.6	121.8
Finance	211.9	256.0	245.9	189.0	126.3
Government	272.7	285.9	308.7	300.7	303.1
Personal services	11.0	11.0	12.0	11.8	11.5
Less: imputed service charge	-48.1	-62.9	-58.6	-37.7	-18.6
Informal sector	374.8	375.7	402.5	368.3	378.1
Of which :					
Gold	327.7	328.2	351.0	320.7	329.5
(Percentage change)					
Gross domestic product	12.3	9.1	3.3	-4.1	-7.5
GDP including informal sector	11.2	7.2	4.1	-5.0	-5.5
Agriculture	-2.9	2.4	-3.4	19.8	-10.4
Mining	6.0	13.5	4.7	4.5	0.9
Manufacturing	3.1	1.6	-1.1	-10.0	-19.0
Electricity, water, and gas	11.1	3.6	-3.5	17.7	-11.8
Construction	10.3	3.4	8.7	-5.9	-15.3
Trade, restaurants, hotels	48.0	28.6	6.7	-4.4	-0.4
Transport and communication	5.3	10.9	16.5	-4.0	1.0
Finance	83.5	20.8	-3.9	-23.2	-33.2
Government	5.3	4.9	8.0	-2.6	0.8
Personal services	-31.3	0.0	9.1	-1.7	-2.5
Less: imputed service charge	125.2	30.7	-6.8	-35.6	-50.7
Informal sector	7.4	0.3	7.1	-8.5	2.7
Of which :					
Gold	7.4	0.2	7.0	-8.6	2.7
Export Goods (cash basis, USD Mio)	434 403	469 481	406 476	448 482	377 462
Import Goods („ „)					
Average Official exchange rate (SRG/USD)	396 414	396 429	396 552	852 1245	1326 1942
Average Official exchange rate (SRG/USD)					
Inflation (%)	-0,8	7,3	19,0	98,8	59,1

Source: IMF, April 2001

ANNEX II

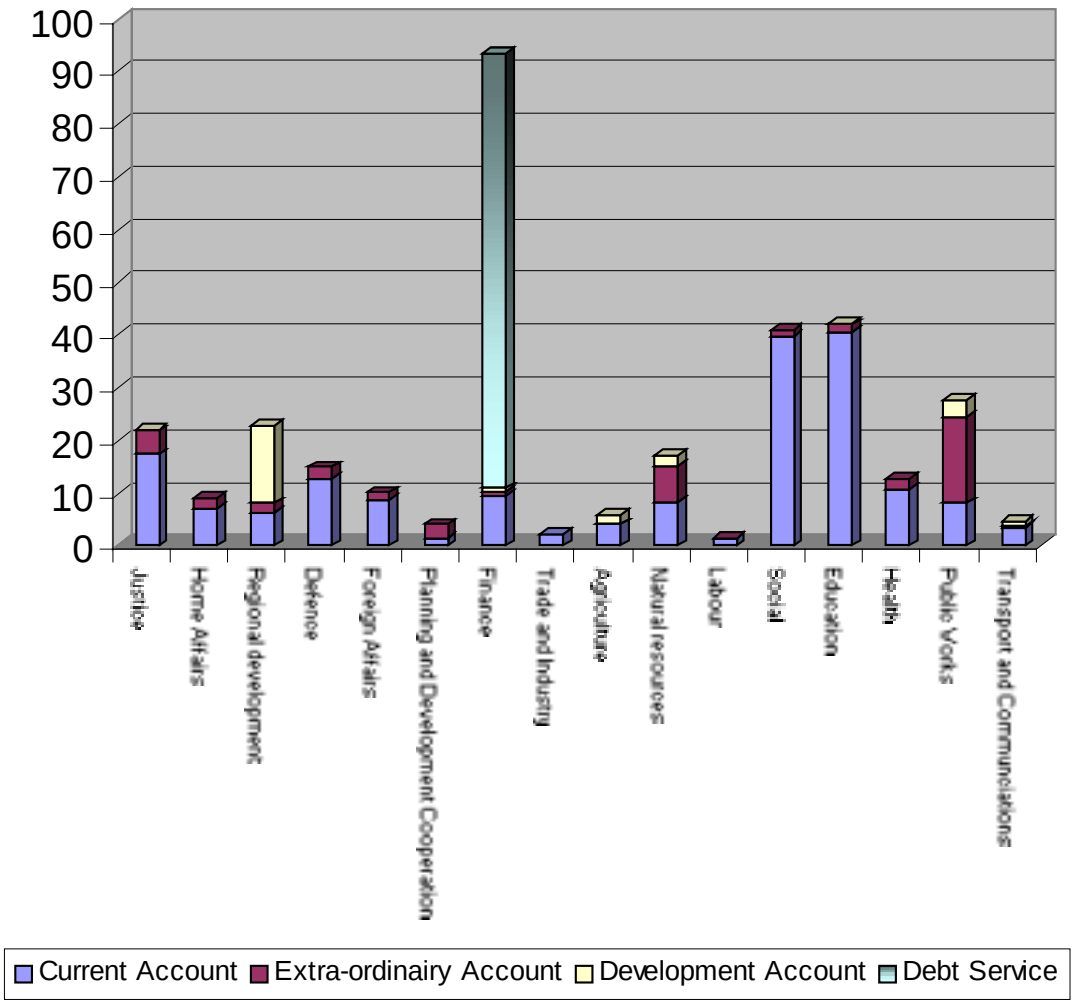
Data from the Multi-Annual Development Programme (MOP) 2001-2005

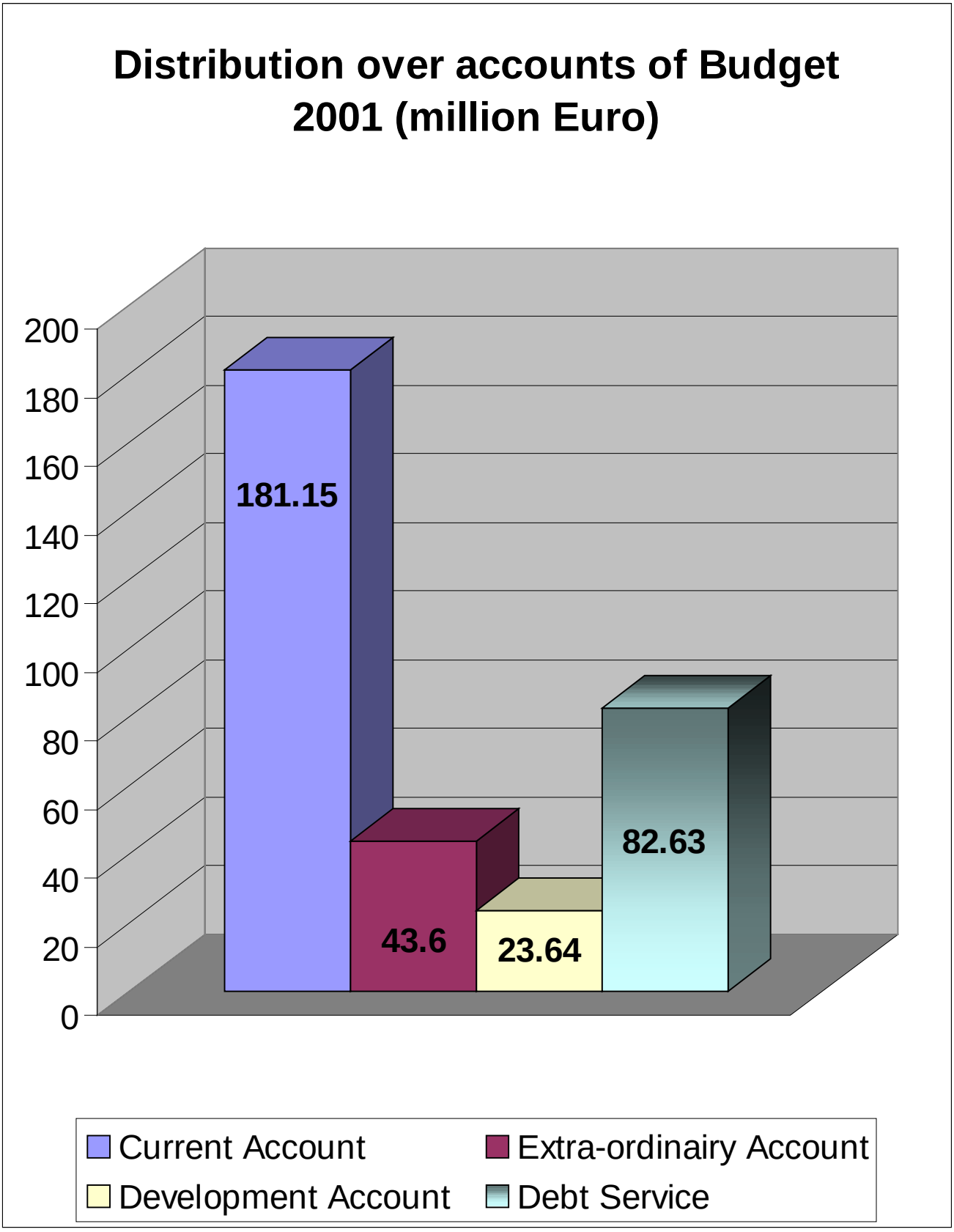
- Budget 2001
- Distribution over Ministries of Budget 2001
- Distribution over accounts of Budget 2001

DATA FROM MOP

BUDGET 2001 in Mio EURO	Current account	Extra-ordinary account	Development account	Debt service	Total
Justice	17.36	4.39	0.16		**21.91**
Home Affairs	6.98	2.06			**9.04**
Regional development	6.10	1.94	14.88		**22.92**
Defence	12.84	2.11			**14.95**
Foreign Affairs	8.81	1.26			**10.07**
Planning and Development Cooperation	1.27	2.77			**4.04**
Finance	9.36	1.06	0.44	82.63	**93.49**
Trade and Industry	2.32				**2.32**
Agriculture	4.01	0.01	1.72		**5.74**
Natural resources	8.17	6.93	2.09		**17.19**
Labour	1.29	0.02			**1.31**
Social	39.66	1.34			**41.00**
Education	40.61	1.32	0.07		**42.00**
Health	10.76	2.10			**12.86**
Public Works	8.05	16.23	3.43		**27.71**
Transport and Communications	3.56	0.06	0.85		**4.47**
Total	**181.15**	**43.60**	**23.64**	**82.63**	**331.02**

Distribution over Ministeries of Budget 2001 (million Euro)




Distribution over accounts of Budget 2001 (million Euro)
200
180
160
140
120
100
80
60
40
20
0
181.15
43.6
23.64
82.63
Current Account
Extra-ordinairy Account
Development Account
Debt Service

ANNEX III

Education and Health

Education

Education, including higher education is free and widely accessible in Suriname, though access to education in the interior is more limited.[25] The Ministry of Education reports an overall literacy figure of 85 percent. Primary school enrolment was nearly universal in the second half of the 1980s, but dropped slightly in the 1990s. Secondary school enrolment is lower than in many Caribbean countries, but comparable to that of Latin American middle income countries such as Colombia, Mexico, and Peru. The education system has achieved a high degree of gender equality. However, the system suffers from high drop out rates (7% for primary education, and 23% for secondary education, Ministry of Education, 2001) and repetition rates (23% for primary and secondary education, Ministry of Education, 2001), poor quality instruction, outdated curricula, absenteeism of teachers, under-qualification of teachers, lack of educational materials and poor condition of many facilities.

Health[26]

Suriname's health structure is reasonably sound, with decentralised management, payers seperated from providers, and mixed public-private health services. Another great strength of Suriname's health system is the comprehensiveness of its coverage. Around 80 percent of the population is covered by public or private health insurance schemes. The deterioration of the economy over the past decade has, however, had severe repercussions on the provision of health and medical services. Public expenditure dropped to 3 percent of the total budget, which is far below the WHO/PAHO norm of 5-6 percent. Total health care expenditure amounts to around 4 percent of GDP. A main problem is the high degree of inefficiency of the system. The system lacks incentives for cost containment and leads to excessive use of hospital services, of the services of medical specialists and of medicines. Moreover, the poor and near poor (who have access to health care through the Medical Card) are often charged payments for use of health facilities, inhibiting access for this group to health services.

Whereas Suriname's health indicators still compare favourably with countries in the region with similar or higher per capita incomes (IDB, 1998), several health indicators, such as infant and child mortality, child malnutrition, and the incidence of diseases such as malaria and, dengue have increased during the 1990s. Major causes of infant mortality are prematurities and obstetric complications. Malnutrition is increasing according to data from BOG (Bureau of Health). Diarrhoeal diseases and acute respiratory infections are a major cause of death for infants of 1-4 years of age. HIV/AIDS is becoming a major problem, as the number of HIV/AIDS cases has more than doubled in recent years, becoming the second cause of death for males between ages 15-44 years and the third cause of death for females in that age group. Life expectancy at birth has, nevertheless increased from 69.9 to 71.6 years of age between 1992 and 1998 (Caribbean average was 74 in 1998).

[25] Education is in principle free, but some evidence suggests that for the poorest children there are financial barriers to access due to small user fees and other costs related to transport, clothing, books etc.

[26] This section draws heavily on IMF, Suriname, Recent Economic Developments, Washington, 2001.

ANNEX IV

Private sector development

Private Sector development

The domestic private sector in Suriname, comprising about 900 small enterprises (<11 employees) and about 200 medium sized to large companies, is contributing about 35 percent to GDP (excluding the bauxite and oil industry). The main reasons for the lagging private sector contribution to the economy are poor macro-economic conditions, the lack of a conducive legal and regulatory framework and generally poor incentives for engaging in especially processing type of economic activities. Some expansion of domestic production had taken place in the 1980s taking advantage of the high import restrictions at the time. However, lack of competitiveness resulted in a loss of the domestic market during the 1990s, when Suriname reduced its import barriers after joining CARICOM. At present the private sector of Suriname remains ill prepared for the challenges posed by further liberalisation in the framework of CARICOM and FTAA.

The government increasingly recognises the importance of a strong private sector and has taken a number of measures to create a more conducive environment. Important measures are the abolishment of export licences for most products and an improvement of the surrender requirements for exporters. The Council of Ministers endorsed in October 2000 the setting up of a private sector led Business Forum, with the objective to create a true partnership between the private and the public sector. The Business Forum will define a common strategy for private sector development, elaborate an action plan and set up a monitoring unit. One of the specific objectives of Business Forum is to identify priority actions for direct EC funding possibilities as created by the Cotonou Agreement, such as the Investment Facility (EIB), EBAS, CDE, PRO-INVEST and DIAGNOS.

The Business Forum has produced a number of reports identifying supportive measures at macro, meso and micro level. The most important recommendations are:

- ▲ reduction of the budget deficit
- ▲ liberalisation of the foreign exchange policy
- ▲ enactment of a new comprehensive and modern investment code
- ▲ simplification of tax, custom and registration procedures
- ▲ training for government (e.g. customs) and private sector

One of the observations from Business Forum is that a change of attitude is needed across the entire society towards collaboration, increased productivity, development and progress. This would require an extensive awareness programme, which would have to be combined with a fundamental discussion on the role of the government: The most important policy issue recommended by Business Forum is to institutionalise the public-private sector dialogue.

The EU supported the private sector under EDF 8 by setting up the Suriname Trade, Promotion Organisation (STPO). A recently conducted evaluation of this STPO shows that this organisation has not yet been very effective in promoting exports. A main reason is a lack of a conducive environment, which has held back the emergence of a responsive export sector.

The ability of the private sector to respond to macro economic improvements is not only being constrained by external, but also by **internal factors**. Within the companies, considerable weaknesses need to be tackled relating to management, organisation of production, product development and marketing. These constraints apply across sectors from agriculture to services.

ANNEX V

EC PROGRAMMES

- **EC-cooperation with Suriname - Funding available EDF 1 to EDF 8**
- **EC-cooperation with Suriname -Funding available EDF 6 to EDF 9, Budget lines included**
- **Allocations per Ministry EDF 1 to EDF 8**
- **Ongoing projects EDF 7 and EDF 8**
- **Situation of closure of commitments and projects EDF 7 and EDF 8**

EC-cooperation with Suriname - Funding available EDF 1 to EDF 8

SOURCE	AMOUNT AVAILABLE	AMOUNT ALLOCATED	AMOUNT PAID	UNALLOCATED TOTAL
EDF 1, 2 and 3 (Yaounde)	48,323,711.00	42,847,813.00	42,847,813.00	5,475,898.00
Transfer to EDF 5	-5,475,898.00	0	0	-5,475,898.00
Total:	**42,847,813.00**	**42,847,813.00**	**42,847,813.00**	**0**
EDF 4-NIP (= LOME I)	18,000,000.00	15,951,640.00	15,951,640.00	2,048,360.00
Transfer to EDF 6	-2,048,360.00	0	0	-2,048,360.00
Total:	**15,951,640.00**	**15,951,640.00**	**15,951,640.00**	**0.00**
EDF 5-NIP (= LOME II)	18,000,000.00	9,529,326.00	9,529,326.00	8,470,674.00
Transfer from EDF 3	5,475,898.00	1,147,285.00	1,147,285.00	4,328,613.00
Sub-total:	23,475,898.00	10,676,611.00	10,676,611.00	12,799,287.00
Balance transfer from EDF 3 to 7	-4,328,613.00	0	0	-4,328,613.00
Balance transfer from EDF 5 to 7	-8,470,674.00	0	0	-8,470,674.00
Total transfers EDF 3+5 to EDF 7	-12,799,287.00	0	0	-12,799,287.00
Total:	**10,676,611.00**	**10,676,611.00**	**10,676,611.00**	**0.00**
EDF 6 -NIP (= LOME III)	24,000,000.00	15,839,912.00	15,839,912.00	8,160,088.00
Balance from EDF 4	2,048,360.00	783,189.00	783,189.00	1,265,171.00
Sub-total:	26,048,360.00	16,623,101.00	16,623,101.00	9,425,259.00
Transfer to EDF 8	-9,425,259.00			-9,425,259.00
Total:	**16,623,101.00**	**16,623,101.00**	**16,623,101.00**	**0.00**
EDF 7 - NIP (=LOME IV)	27,000,000.00	25,676,065.79	13,665,454.78	1,323,934.21
Transfer from EDF 3	4,328,613.00	3,608,858.00	2,628,910.16	629,755.00
Transfer from EDF 5	8,470,674.00	3,488,552.58	1,515,466.03	4,952,122.00
Totals:	**39,799,287.00**	**32,773,476.37**	**17,809,830.97**	**7,025,810.63**
EDF 8 -NIP	32,500,000.00			
Deduction of 30% after				
Mid-Term Eval. on performance	-9,750,000.00			
Balance EDF 8-NIP	22,750,000.00	9,954,000.00	1,923,620.86	12,796,000.00
Transfer from EDF 4	1,265,171.00	0	0	1,265,171.00
Transfer from EDF 6	8,160,088.00	0	0	8,160,088.00
Total:	**32,175,259.00**	**9,954,000.00**	**1,923,620.86**	**22,221,259.00**
TOTAL ALL EDF's (1 - 8) *	**158,073,711.00**	**128,826,641.37**	**105,832,616.83**	**29,247,069.63**

*** this amount does not include EIB-loans**

EC-cooperation with Suriname -Funding available
EDF 6 to EDF 9, Budget lines included

PROJECTS	AVAILABLE EDF 6/7/8	AVAILABLE EDF 9	AVAILABLE SYSMIN	AVAILABLE BUDGET LINES	AVAILABLE TOTAL
	29,247.069,63	**12,100,000.00**	**7,000,000.00**	**18,500,000.00**	**48,347,000.00**
(1) Projects to be financed:					
1. Road to the ferry	13,200,000.00				13,200,000.00
2. Harbour Rehabilitation	4,900,000.00	8,100.000.00	7,000,000.00		20,000,000.00
3.Private Sector Support	4,000,000.00				4,000,000.00
4.Rehabilitation Cathedral	2,000,000.00				**2,000,000.00**
5. Drugs Demand Program	700,000.00				700,000.00
6. Support Minerals Inst.	1,900,000.00				1,900,000.00
7. Transport Sector Study	300,000.00				300,000.00
8.Form.Privatisation Progr.		675,000.00			675,000.00
9.Studies Regional Integr.		675,000.00			675,000.00
10.Instit. Strengthening		1,550,000.00			1,550,000.00
Tranche B		1,100,000.00			1,100,000.00
TOTAL (1)	**27,000,000.00**	**12,100,000.00**	**7,000,000.00**		**46,100,000.00**
(2) TOTAL Unallocated 6 + 7 + 8 EDF Funds					**2,247,000.00**
(3) Banana Unallocated Budget Line (2001-2003)				9,200,000.00	9,200,000.00
TOTAL (3)				**9,200,000.00**	**9,200,000.00**
(4) On-going projects:					
EDF 7					26,103,000.00
EDF 8					7,795,000.00
TOTAL (4)					**33,898,000.00**
(5) On-going Budget Lines Banana 1995				3,500,000.00	
Banana 1999				3,100,000.00	
Banana 2000				2,700,000.00	
TOTAL (5)				**9,300,000.00**	**9,300,000.00**
EIB					**PM**
DIAGNOS-CDE/PRO-INVEST-EBAS					**PM**
Tropical Forest Budget-Line					**PM**
Democracy Budget-Line					**PM**
GRAND TOTAL (1)(2)(3)(4)	**27,000,000.00**	**12,100,000.00**	**7,000,000.00**	**18,500,000.00**	**100,745,000.00**

Allocations per Ministry EDF 1 to EDF 8

	Allocation	Commitment (all in EURO)	Payment	Percentage of total allocation
1. Ministry of Agriculture	23,029,998.56	22,845,630.37	22,035,531.24	**18%**
2. Ministry of Public Works	69,521,566.64	60,942,095.15	57,244,705.21	**54%**
3. Ministry of Transport, Telecommunication, and Tourism	5,694,951.58	2,713,786.00	2,588,114.27	**4%**
4. Ministry of Natural Resources	1,219,644.17	1,370,031.13	1,367,458.43	**1%**
5. Ministry of Trade & Industries	424,754.87	336,254.13	336,254.13	**0%**
6. Ministry of Planning and Development Co-operation	12,380,933.01	7,698,608.72	6,684,934.13	**10%**
7. Ministry of Finance/Central Bank	11,735,687.19	11,735,687.19	11,735,687.19	**9%**
8. Ministry of Education	2,059,500.00	2,059,500.00	2,059,500.00	**2%**
9. Ministry of Health	1,419,440.87	1,419,440.87	1,419,440.87	**1%**
10. Other Local Institutions	1,340,164.48	1,240,576.77	360,991.36	**1%**
TOTAL:	**128,826,641.37**	**112,361,610.33**	**105,832,616.83**	**100%**

Ongoing projects EDF 7 and EDF 8

Source	Project Number	Project Tile	Amount Allocated	Amount Committed	Amount Paid
EDF 7	7 SUR 11	Road Rehabilitation	16,366,860.17	10,673,463.22	8,069,598.95
	7 SUR 12	Road Rehabilitation	3,333,139.83	1,507,842.77	1,360,053.28
	7 SUR 13	Rice Research Breeding Station	1,100,000.00	1,069,939.46	868,698.06
	7 SUR 14	Rice Research Breeding Station	2,115,000.00	1,972,489.96	1,496,782.21
	7 SUR 27	TA Fin.Prop.Road to the Ferry	26,000.00	25,000.00	0
	7 SUR 33	Strengthening GHIV/STD	680,000.00	607,855.34	318,269.93
	7 SUR 41	Supervision Duplessis Bld	60,000.00	40,000.00	21,906.79
	7 SUR 43	Support Road Authority	1,847,000.00	842,000.00	0
	7 SUR 45	Engineering Port Paramaribo	495,000.00	0.00	0
	7 SUR 46	Cathedral Prep.Dossier	80,000.00	80,000.00	31,408.15
		TOTAL	**26,103,000.00**	**16,818,590.75**	**12,166,717.37**
EDF 8	8 SUR 003	Micro Projects Programme II	5,000,000.00	547,100.00	48,045.00
	8 SUR 007	Support to the Business Forum	80,000.00	0.00	0.00
	8 SUR 008	Integrated Tourism Dev. Program	2,475,000.00	0.00	0.00
	8 SUR 009	Formulation CSS Document	80,000.00	77,300.00	0.00
	8 SUR 010	Study Cultural Heritage	80,000.00	80,000.00	0.00
	8 SUR 011	Cotonou Awareness Program	80,000.00	0.00	0.00
	8 SUR 012	Construction Road to the Ferry	0.00	0.00	0.00
		TOTAL	**7,795,000.00**	**704,400.00**	**48,045.00**
		TOTAL AMOUNTS EDF 7 + 8	**33,898,000.00**	**17,522,990.75**	**12,214,762.37**
	Budget Line	Budget Line Banana 95	3,500,000.00	3,500,000.00	3,397,991.00
		Budget Line Banana 99	3,100,000.00	3,100,000.00	0.00
		Budget Line Banana 00	2,700,000.00	2,700,000.00	0.00
		TOTAL AMOUNT BUDGET LINES	**9,300,000.00**	**9,300,000.00**	**3,397,991.00**
		GRAND TOTAL:	**43,198,000.00**	**26,822,990.75**	**15,612,753.37**

Situation of closure of commitments and projects
EDF 7 and EDF 8

Project number	Title	Amount Allocated	Amount Committed	Amount Paid	Amount to be de-committed	Closing situation
7 SUR 009	Micro Projects Programme I	2,000,000.00	1,953,093.13	1,870,252.02	129,747.98	Project to be closed
7 SUR 018	Suriname Tourism Programme	849,000.00	845,834.32	723,652.27	125,347.73	Upon final payment, Project can be closed
7 SUR 021	TA Road Management (AEC)	500,000.00	466,777.41	454,726.29	45,273.71	Project to be closed
7 SUR 024	Set up Training High Level Staff	16,500.00	4,938.66	4,938.66	11,561.34	Project to be closed
7 SUR 029	Programme Management Unit	880,000.00	801,743.92	801,743.92	78,256.08	Project to be closed
7 SUR 034	Study Minerals Institute	150,000.00	140,055.20	140,055.20	9,944.80	
7 SUR 037	Pre-Feas.Study Industrial Sect.	45,000.00	36,499.26	36,499.26	8,500.74	Project to be closed
7 SUR 038	Medical Skillslab	43,000.00	42,271.43	42,271.43	728.57	Project to be closed
7 SUR 040	Tender Doss. Duplessis Bld	15,000.00	13,445.11	13,445.11	1,544.89	Project to be closed
7 SUR 042	Formulation Strategic Plan Banana	80,000.00	68,201.68	68,201.68	11,798.32	Project to be closed
7 SUR 044	TA Formulation Drug Demand Programme	60,000.00	50,000.00	44,883.28	15,116.72	Project to be closed
	TOTALS EDF 7	**4,638,500.00**	**4,422,860.12**	**4,200,669.12**	**437,820.88**	
8 SUR 002	TA Mining Sector Policy	80,000.00	80,000.00	77,427.30	2,572.70	Project to be closed
8 SUR 004	Formulation Election Process	29,000.00	29,000.00	24,452.24	4,547.76	Project to be closed
8 SUR 005	Formul.Mission Tourism Progr.	60,000.00	52,000.00	48,510.32	11,489.68	Project to be closed
8 SUR 006	Support Democratic Process	1,990,000.00	1,990,000.00	1,725,186.00	264,814.00	Project to be closed
	TOTALS EDF 8	**2,159,000.00**	**2,151,000.00**	**1,875,575.86**	**283,424.14**	
	TOTAL AMOUNT TO BE DE-COMMITTED:				**721,245.02**	

ANNEX VI

Donor matrix

DONORMATRIX (all amounts in Euro)

	Economic Development	Social Development	Productivity Sector Activity	Cross-Cutting Issues
Projects/Programmes in Preparation				
Government	***Macro*** Formulation of new investment law Support for macro economic management Strengthening the institutional capacity of the Ministries of Finance and PLOS ***Private sector development*** Rationalisation and privatisation of state enterprises; Support to SMES Support to international trade promotion Improving export facilities for trade sector	***Education*** Adjustment of educational administration and management Improving the effectiveness of education Development of a governing body for musea Supporting of youth projects in communities and youth improvement programmes ***Health*** Reorganisation of Ministry of Health Improvement of education and training of health personnel Improvement of mental health care Improvement of preventative care Strengthening of HIV/AIDS programmes. ***Social programmes*** Improvement of care of senior citizens and old age pensions Support to handicapped Rationalisation of social programmes Improving effectiveness of housing institutions Setting up of financial programme for housing (self building programme) Pilot programme for innovative housing facilities Rationalisation of the water supply system	***Sectoral support*** Support to sustainability of the bauxite industry Regulation of the gold sector Promotion of exploitation of other minerals Exploration for oil reserves Upgrading Agricultural infrastructure Development of rice research Improving competitiveness of vegetable and fruit industries Support to development of the flower industry Support to livestock industry Rehabilitation palm oil industry Expanding training forestry workers Training of farmers in the Interior ***Transport and infrastructure*** Simplification of regulations governing international trade Trade liberalisation and export promotion Modernisation airport Reviewing airline policies Improvement East West road Expansion telecommunication infrastructure Investment in optimalisation of energy supply Improvement energy supply facilities Improvement in public transport	***Environment*** Development of environmental strategy Development of environmental regulation and adjustment to international standards Support to forest management and production control authority Research on coastal protection and development of a strategy Nickerie sea dike strengthening Strengthening of solid waste disposal Environmental management programme ***Civil service reform*** Formulate a civil service reform programme ***Land use*** Promote efficient land use, through institutional strengthening and legislation Institutional strengthening for fiscal decentralisation Regional employment programmes Introduction of cadaster ***Development of the Regions*** Programmes in support of decentralisation Planning for cultural development for villages in the Interior Development of regional centres Improvement of the urban climate of life ***Crime*** Improvement of the prison system Protection of women and children against violence Fight against crime ***Culture*** Protection of national heritage
Private sector	Support to Business Forum			
NGOs				

	Economic Development	Social Development	Productivity Sector Activity	Cross-Cutting Issues
EC			**€ 1,6 Mio** Minerals Institute Timber Institute **€ 20 Mio** Rehabilitation Port Paramaribo Regional Airports Program, phase 2 **€ 0,15 Mio** (Studies: Strategic Plan Rice)	**€ 2 Mio** Restoration Cathedral **€ 0,7 Mio** Drugs Prevention **€ 2.6 Mio** Follow-up Support Strengthening Electoral Administration, Democracy and Sound Governance
Netherlands	**€ 34 Mio** Follow up IFONS Investment direct support to Ministry of Finance	Housing programme Education programme } Quick-scan Health programme	Agriculture programme	National Archive Good Governance Environment programme **€ 3.7 Mio** Construction Court of Justice
China				**€ 2.8 Mio** Construction ministry of foreign affairs
France			**€ 17 Mio** Zanderij arrival Terminal	(Studies: Economic and Environmental Development Study Albina)
Belgium		(Studies: Business plan Fisheries Harbour Cevihas)	(Studies: Strategic Plan Flower cultivation)	
IDB		Health Sector Reform Programme **€ 12.4 Mio** Improvement of Basic Education **€ 0,17 Mio** (Studies: project formulation Improvement of Basic Education approved)		Environmental Management Programme (NIMOS), 2nd stage.
UNDP		Poverty assessment Child Indicators System (UNICEF)		Gender and Sustainable Livelihoods (UNIFEM)
PAHO		Drinking water supply and sanitation in Suriname		
OAS		Equipment Technology Faculty		Gender and the media (Study: Mercury abatement)

	Economic Development	Social Development	Productivity Sector Activity	Cross-Cutting Issues
Ready for Implementation				
EC			**€ 13 Mio** Road to ferry Sur. - Guyana Rehabilitation East West Connection lot 1 (**€ 0,3 Mio** Studies: Transport sector policy study)	
Netherlands	**€ 177 Mio** Guarantee Treaty Funds	**€ 19 Mio** Fund Development Interior **€ 13.5 Mio** Low frequency diseases (RLA5) 2-3 year **€ 5 Mio** Water supply project (PARWAT)		
France				
IDB	**€ 11 Mio** TA Advisory Secrvice Min. Finance **€ 45 Mio** Financial Sector Reform Programme (**€ 0,07 Mio** Studies: Assistance with legal aspects Trade Reform)	**€ 12 Mio** Community Development Fund **€ 14 Mio** Low income Shelter Programme **€ 7 Mio** Census 2000		**€ 8 Mio** Decentralisation and Local Government Strengthening (execution September 2001) Support Civil Service Reform (with UNDP and WB)
PAHO		Health and Environment Programme Family Planning Programme Health Systems and Services Development Disease Prevention and Control incl. HIV/Aids Food safety Programme		
China		**€ 1.5 Mio** Low income housing Interior	**€ 18 Mio** Expansion electricity net Paramaribo	

	Economic Development	Social Development	Productivity Sector Activity	Cross-Cutting Issues
In Execution				
Government		Building of schools	Master plan J.A.P. Airport Purchase of land for Rahimal project Rehabilitation and construction of roads Building bridges	Rehabilitation of prisons Investments in the fire brigade and police vehicles Reform of solid waste disposal service Renovation markets in Interior
IDB		Pilot Community Development Fund **€ 2.6 Mio** Study Health Sector Reform Programme (of which **€ 2.3 Mio** by IDB)	**€ 14 Mio** Agricultural Trade Policy Loan (ATPL) 2nd tranche	**€ 2.5 Mio** Environmental Management Programme NIMOS Phase I (IDB **€ 1.6 Mio**, EDF **€ 0.7 Mio** Government **€ 0.25 Mio**)
EC	**€ 4 Mio** Business Forum	**€ 5 Mio** Micro Projects Programme II **€ 0.6 Mio** STD Health Service Interior **€ 0.7 Mio** Drugs demand reduction programma	**€ 2.5 Mio** Tourism Phase II **€ 1.8 Mio** Support Road Authority **€ 3.2 Mio** Rice research and seed station **5.8 Mio** Banana budget-line 1999 & 2000 **€** (**€ 0.5 Mio** Studies: Feasibility study Port Rehabilitation)	**€ 0.5 Mio** Co-financing Environmental Management Programme NIMOS Phase 1 (**€ 0,08 Mio** Studies:Forest & Wildlife interpretation Centre) (Studies: Management plan monuments)
Netherlands	**€ 1.8 Mio** Fund Technical Assistance Private Sector **€ 0.45 Mio** Fund Preparation Sector wide approach	**€ 2.8 Mio** NGO fund **€ 1.8 Mio** TrustFund UNICEF, UNIFEM, UNFPA, IPPF **€ 0.7 Mio** Lawyer training **€ 6 Mio** Support to low frequency diseases (RLA4) **€ 1.2 Mio** Cervix cancer prevention **€ 6 Mio**. Priority programme drainage Great-Paramaribo	**€ 12 Mio** Priority programme Infrastructure **€ 6 Mio** Sea dike Nickerie **€ 1.5 Mio** Eradication Carambola Fruit-fly (**€ 1.8 Mio** Studies: Study Masterplan drainage Great-Paramaribo **)**	**€ 1.8 Mio** TrustFund UNDP
Netherlands Non treaty funds		Embassy fund Paramaribo (NGO Fund) **€ 0.7 Mio**		**€ 1.8 Mio** Forest Production Control Unit **€ 4.4 Mio** Rehabilitation Jan Starke Training Centre (JSOC)

	Economic Development	Social Development	Productivity Sector Activity	Cross-Cutting Issues
UNDP	Assistance to the Government of Suriname in the area of trade **€ 0,045 Mio**	**€ 0.25 Mio** Small G rants Programme		**€ 8.2 Mio** Conservation of globally significant ecosystems in Suriname. Guyana Shield region **€ 0.1 Mio** Formulation of a National Bio-diversity Action PLAN for implementation of the national Bio-diversity Strategy **€ 0.36 Mio** Support to local Government **€ 0.085 Mio** UNV umbrella project for human resources
VVOB		Assistance curriculum development ADEK, NATIN, IMEAO, IOL	Assistance quality control fishery department	
CHINA			Cool-storage facilities Pengel Airport	
JAPAN			Electricity project Saramacca, Commewijne	
UNICEF		**€ 0.56 Mio** annually. Strengthening position youth		
UNFPA		**€ 2.5 Mio** Adolescent/ Youth Sexual and reproductive Health Care		
OAS		**€ 0.22 Mio** Drug abuse prevention		
Netherlands / FAO				**€ 1.2 Mio** Assistance to the Forestry Planning Unit

Note 1: The category "Projects in Preparation" for the Netherlands is incomplete, depends on discussions between the Surinamese and the Dutch Government in June 2001.

ANNEX VII

Background elements on Transport

A. General background

After the Independence of Suriname in 1975 the development policy was mainly aimed at the development of the hydro- energy potential necessary for the exploitation of the bauxite reserves in West – Suriname. This project, which was a large-scale project was however not realised and the policy resulted in a non-diversification and a very modest growth of the production sectors and exports as can be seen for example in the sub-sectors shrimp, rice, crude oil, bananas, fish and lumber.

In the Aide Memoire of the mid-term review of the 8th EDF of the national indicative programme (NIP) the integral approach of the private sector development and the industrial development was indicated including a study for the construction of the bridge over the Suriname river, the rehabilitation of the port of Paramaribo, the primary road infrastructure and the industrial sites. This so called Public- Private Sector Infrastructure programme which is part of the public investment program and of which the projects were also part of the Multi annual Development Program MOP 1994 – 1998, which was then adopted by Parliament, amounted to an estimated US$. 200 mln. The program was partly financed by the State and partly by the EU. Please refer to table 2 on page 3 and the donor matrix in annex 3.

In addition, the development opportunities of Paramaribo have been increased by the newly built bridge between Paramaribo and Meerzorg. The urban development on the right bank of the Suriname River should take shape only on the basis of a well thought-out land use policy. A broad based development view has to be developed for the right bank of the Suriname river and the eastern situated districts Commewijne and Marowijne. The bridge opens opportunities for expansion of the port to the right bank and a possible relocation of the regional airport Zorg en Hoop to Commewijne in the future. Detailed studies should however, be launched to elaborate more on the feasibility of this development vision. The Public Private Sector Infrastructure Program (PPSIP) could give a new dimension to the national development planning of Suriname, primarily by intending to give an economic take-off scenario in connection with the construction of an industrial growth pole in the immediate surroundings of Greater- Paramaribo. The planning approach should be the participatory approach in order to create a broadly supported long-term development vision. All actors (State and Non-state) should be involved.

The existing transport infrastructure is poorly maintained. In order to prevent further deterioration of the transport infrastructure, the principle of “the user pays” for maintenance of road infrastructure was introduced and subsequently implemented as part of the government’s infrastructure policy (Multi-annual Development Plan MOP 1994 –1998). The establishment of the Road Authority and the Road Fund are the results thereof.

Waterway users with the exception of ships that are required to be piloted are not providing any contribution to the maintenance of the water transport infrastructure. Fishing boats e.g. are legally exempted from taxes and fees.
The systematic and integral rehabilitation of the infrastructure is of vital importance for a sustainable production environment for economic activities and an acceptable standard of living.

The policy of the Government is to provide the private sector with, amongst others, cost-effective energy, water and land in the immediate urban areas (Paramaribo, Nieuw Nickerie, etc), where almost all human resources, public services, utility services, transport, juridical and financial services are concentrated.

The government has indicated its willingness to promote the private sector as the “engine of growth” and has developed a strategy for policy and institutional reforms in co-operation with the IDB in order to create a supportive and enabling environment for the development of the private sector (IDB Country reports *refer to in the bibliography*) The development of the transport infrastructure supportive to the development of the production sectors and the private sector is a priority of the Government of Suriname.

Another interesting link to the development of the transport infrastructure is the view of Suriname as a sub-regional transport centre. Suriname is at the centre of the Guyana shield and flanked by Guyana and the Department of Guyane (F), and the District of Amapa in Brazil. Suriname and Guyana recently completed the Ferry project between the two countries hereby realising an important missing link in the Pan-American Highway System.

The development of the transport infrastructure can be undertaken in such a way that Suriname should provide commercial based transport infrastructure services on sub-regional level. The port of Paramaribo for instance, can provide commercial services for the neighbouring countries. The accessibility of the ports of the Guyana’s are affected by the cyclical movement of the mudbanks caused by the Guyana stream (Suriname river included).

As a member of the CARICOM Suriname has also signed the FTAA agreement and has to prepare itself for the REPA negotiations. There is a clear lack of understanding by both state and non-state actors of the consequences of these regional and global integration initiatives. Such being the case it will be necessary to study the possibilities if a larger transport infrastructure is needed within the framework of economical growth and regional trade.

Road transport

The major elements of the road network are the east-west corridor paralleling the coast, and the north –south link between Paramaribo and Brokopondo. The network is linked to the sub-region by the ferries across the Corantijn River to Guyana in the west, and in the east to French Guyana across the Marowijne River at Albina.

Please see in Table 1 an overview of the road network of Suriname.

Table 1 The road network divided by district and road pavement

District	Surface	Number of inhabitants	Asphalt	Clinker	Sand	Lateriet	Total road length	Density	Road length in meters per 1000 inhabitants	
	x1000 ha		km	km	km	km	km	m/km2	All Roads	Paved Roads
Paramaribo	18	192823	403	108	317	0	828	4600	4294	2650
Wanica	44	70850	61	19	529	0	609	1384	8596	1129
Para	539	13687	74	4	134	538	750	139	54797	5699
Nickerie	535	37035	57	42	296	0	395	74	10666	2673
Coronie	390	3220	88	0	60	0	148	38	45963	27329
Saramacca	364	12077	125	7	226	0	358	98	29643	10930
Commewijne	235	22543	95	11	200	0	306	130	13574	4702
Marowijne	463	18115	90	2	30	100	222	48	12255	5079
Brokopondo	737	7649	0	0	5	249	254	34	33207	0
Sipaliwini	13057	26569	0	0	0	540	540	4	20324	0
Suriname	16382	404568	993	193	1797	1427	4410	27	10901	2932

Source: MOP 1994-1998

The road infrastructure in Suriname is characterised by a gradually deteriorating network with a few rehabilitation programmes under way but generally insufficient maintenance activity on primary and secondary roads. The tropical climatic conditions, medium to poor quality soils and subgrades, the unavailability of sufficient 1st quality road building material and the poor state of maintenance, contribute to the low quality of the roads, reduced fatigue life of roads and bridges and their rapid deterioration.

Also the overloading of trucks and poor drainage contributes to a shortened life span. The total road network consists of approximately 4400 km road of which 1200 km is considered to be primary roads. These primary roads consist of 540 km tarmac roads and 660 km laterite roads. The primary roads are mainly interregional roads in the coastal area and forest roads. About 80 km of these main roads is located within the capital Paramaribo.
In 1997 the construction of the bridges across the Coppename and the Suriname river was initiated with the view to open up the production areas in the east and west completely. In addition to this the following projects are in preparation or are under execution, see table 2:

Air transport sector

The air transport sector has a regional, International and domestic dimension. Suriname has one major airport, the Johan Adolf Pengel International Airport at Zanderij, about 45 km south of Paramaribo, which is in fair condition. The route Paramaribo – Amsterdam is the main source of income for the Air transport sector. Air transport is an important mode of transport of goods and people to the region and to effectively establish regional integration, one of the main objectives of the CARICOM of which Suriname is a Member State. The connections by air are however not the most appropriate and a (integrated) transport/transportation policy and strategy should be developed to reach the objectives of one single market, regional integration and unity.

The domestic flights have their base at Zorg en Hoop airport and their destination is mainly the interior where 50 airstrips are present of which 18 are used intensively. Next to Surinam Airways some small private operators dominate this market. The domestic flights are an important mode of transportation for the gold sector.

At present the policy of the Government of Suriname is to further improve the air transport infrastructure, air traffic safety and to expand its regional and international air routes in accordance with the Standards and Recommendation Practices of the relevant Annexes to the Convention on International Civil Aviation of which Suriname is a signatory State. The national aviation legislation will be brought in conformity with the above mentioned and the Civil Aviation Safety Authority Suriname will be given tools to see to the fulfilment of these laws. The Civil Aviation act, with rules about the safety, was already presented to the National Assembly for approval.

The international context of the air transport sector is changing rapidly because of the globalisation process. Suriname has to develop adequate policies and strategies to respond to these changes e.g. an open sky policy.

Water transport

Within the water transport sector the following transport systems can be identified:
Sea transports, coastal navigation, Interior waterways and ferry services.

Sea transport is the main mode of transport of goods (import and export). The Harbours of Paramaribo, Smalkalden, Coermotibo/Moengo, Albina and Nw. Nickerie are the main ports for import and export of goods and produce and serving ocean-going vessels. Of these, only Paramaribo has significant installations for loading and unloading of ocean freighters. The harbour of Paramaribo is however not yet optimally equipped to handle containers (see table 2). A project financed by the EDF to upgrade the harbour is under preparation. Some of the operations are private sector owned such as the Esso bunkering facilities and the Suralco bauxite terminal. (see table 3) Due to the shallowness of the waterway, ships can not be loaded to their full capacity. Dredging of the river is needed to allow bigger vessels to enter the port so port usage can be increased.

Table 2. Amount of cargo handled at the Port Nieuwe Haven in 2000

Company	Cargo handled (freighttons)
Baank	40701
Bromet	36487
CSA	83544
Integra	142743
SSA	19445
VSH	142049
SCT	3547
NL	80

Table 3 Imported Freight via International Navigation by Harbour/Quay (*1,000 ton), 1990-1998

Year	Quay									
	Paramaribo		Smalkalden		Paranam		Nickerie		Total	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
1990	645	119	-	-	615	1,541	48	69	1,308	1,729
1991	675	74	-	-	562	1,480	57	63	1,294	1,617
1992	695	109	-	-	591	1,522	49	92	1,335	1,723
1993	629	84	-	-	604	1,417	32	94	1,265	1,595
1994	661	181	-	-	607	1,446	33	87	1,303	1,714
1995	567	254	1	-	571	1,571	28	101	1,167	1,926
1996	655	346	-	2	585	1,576	30	94	1,270	2,018
1997	676	388	-	6	589	1,642	42	99	1,307	2,137
1998	771	409	-	-	615	1,734	25	63	1,411	2,206

Source: Annual Statistics Traffic & Transport, 1999, ABS

However the other modes of water transport have lost importance in economic terms, they are still an important mode of transportation of people and goods (shipping of sand, crushed stones and timber is also done by inland water transport. Not to forget the bauxite transports from East Suriname to Paranam.)

It should be mentioned that the road system is being destroyed because there are no rules and regulations preventing the transportation of heavy loads on the roads. Transportation of heavy loads on water, which is environmentally friendly and cheaper transport, should be stimulated and a policy and strategy should be developed.

Railways

Suriname has two major railways. The first railway was constructed in the beginning of the 20th century and connected Paramaribo with the gold fields in the District of Sipaliwini. The railway has not been used for quite some time now. There are still some remains of the railway visible in the District of Para. A great deal of the railway has disappeared in the van Blommenstein hydraulic lake.
In 1995 the Ministry of Transport, Communication and Tourism rehabilitated part of the railway and some locomotives to provide tourist and citizens a nostalgic trip along the old railway route. The project did not last very long.
The other railway, which connects Apoera to the Bakhuysgebergte, was constructed in the period of 1975-1980 to exploit the bauxite reserves in the Bakhuysgebergte. The railway has never been used and has been neglected.

Transport in an institutional and policy context

The Ministry of Transport, Communication and Tourism is responsible for the policy formulation and management of the transport sector, while the ministry of Public Works is responsible for the construction of new infrastructure and the maintenance thereof.
The Road Authority, which has been established in 1995, falls under the jurisdiction of the ministry of Public Works and responsible for the maintenance of the primary roads and bridges.

The transport sector has been subject to various studies and reports in recent years:

- Masterplan for J.A. Pengel International Airport, ICAO, January 2000
- Feasibility Study for the creation of an Autonomous Airport Authority, ICAO, January 2000
- Beleidsnota's Ministerie TCT, OW, RO, HI, NH, SOZAVO
- Meerjaren ontwikkelingsprogramma 2001-2006
- Financiele Nota 2001
- Verkeer en Vervoerstatistieken , ABS
- National Accounts, ABS
- IDB reports
- Regeringsverklaring 2000- 2005
- CSS/9th EDF

ANNEX VIII

CSS-consultation and workshops

- Seminar implementation of the Cotonou Agreement 22nd-23rd March 2001
- CSS/9th EDF Consultations and Workshop 18th May 2001
- Lecture Cotonou Partnership Agreement within the Framework of the Upcoming EU-ACP Trade Negotiations – 26th July 2001

Seminar Implementing Cotonou on 22-23 March 2001

Institution
Cabinet of the President
EC staff members
NL Embassy
UNDP
OAS
IICA
Ministry of Foreign Affairs
Ministry for Planning & Developm. Co-operation
Ministry of Trade and Industry
Ministry for Agriculture, *Livestock and Fisheries*
Ministry for Justice and Police
Ministry of Transport, Communic. and Tourism
Ministry of Home Affairs
Ministry for Defence
Ministry of Finance
Directorate Culture
Central Bank of Suriname
Association of Bankers
NIKOS
NVB
Micro Project Board
NGO Forum
Association of Surinamese Manufacturers (ASFA)
Chamber of Commerce (KKF)
Association Surinamese Business community (VSB)
Moederbond
Labour Union federation C-47
OSAV
CLO
Federation of Farmers (FAL)
University Board
PAHO/WHO
SAIL *(Shrimps processing company)*
IMWO
Sujafi
Organisation voor Justice and Peace
Moiwana 86
Association of Rice Exporters
Rice Institute Suriname
Fishery Commission
Surland *(Banana company)*
Newspaper De West
Newspaper De Ware Tijd
Association of Economists
Surinamese Alcohol Company (SAB)
CEDA
European Commission Office

CSS/9th EDF consultations and workshop on 18th May 2001

Institution
Ministry for Planning + Dev. Coop.
Office European Commission
RAVAKSUR (Labour Union)
Ministry of Finance
Ministry of Education
Ministry of Internal Affairs
SBB (Forestry control)
Customs
Ministry for Justice & Police
Stichting Projecta
Central Bank
Ministry of Natural Resources
Court of Auditors
Port Authority
Bureau of Statistics (ABS)
Ministry of Public Works
Ministry for Health
Ministry for Labour
Ministry of Foreign Affairs
Forum NGO's
VSB (Surinamese business assoc.)
Ministry of Agriculture
BILLITON N.V.
Ministry for Trade
Ministry for Transport
St. Planbureau Suriname
Ministry of SocialAffairs
Accounting Office
KKF (Chamber of Commerce)
ASFA (Manufacturers Association)
NIMOS (Environment)
STPO (Trade promotion)
Bankers Association
NVB (Women Association)
Ministry for the Interior
IRIS (Religious organisations)
SURALCO
Staatsolie
Diagnos
European Commission Office

The consultants' team consisted of Huib Poot, Naomi Leefmans and Rene van Nes (all NEI) and Winston Ramautarsing (Proplan)

Lecture, on 26th July 2001 by Secretary-General of ACP, J.R. Goulongana: Cotonou Partnership agreement within the framework of the up-coming EU-ACP trade negotiations

Institution
Ministry of Foreign Affairs
Ministry for Justice and Police
Ministry of Trade and Industry
Ministry of Agriculture, Livestock and Fisheries
Cabinet of the President
The National Assembly (DNA) – Permanent Committee Foreign Countries
State Council
ASFA
KKF
VSB
Adek University
Technical University Eindhoven (NL)
NGO Forum
NIMOS (Environment Institute)
Surland (Banana company)
Sujafi N.V.
World Wide Promotion
Artex
Interdevcon
Proplan
European Commission Office