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Suriname: 2007 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Suriname

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2007 Article IV consultation with Suriname, the following documents have been released and are included in this package:

- the staff report for the 2007 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on February 10, 2007, with the officials of Suriname on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 5, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its March 21, 2007 discussion of the staff report that concluded the Article IV consultation; and

- a statement by the Executive Director for Suriname.

The document listed below has been or will be separately released.

Statistical Appendix

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

SURINAME

Staff Report for the 2007 Article IV Consultation

Prepared by the Staff Representative for the 2007 Consultation with Suriname

Approved by Ranjit Teja and Michael T. Hadjimichael

March 5, 2007

Developments and focus. The economy is performing well, driven by high world commodity prices. Given the dependence on commodity prices, this streamlined Article IV consultation centered on steps to establish the credibility of the medium-term policy framework. Other important topics—such as monetary policy, local financial markets, and the investment climate—will be covered in future consultations.

Policy recommendations. The key staff recommendations cover the following:

- *Medium-term fiscal framework*. Annual budgets should be framed in an analysis of public debt sustainability, include a distinction between mineral revenues and the non-mineral deficit, and allow for some flexibility to respond to fluctuations in world commodity prices. Technical assistance is needed to develop such a framework.
- *Financial supervision*. There is a need for stronger safeguards against the risks from financial dollarization, more forceful action to resolve nonperforming loans, and more effective enforcement of the anti-money laundering law. The authorities noted they were monitoring the risks well, but may request an FSAP mission.
- *Exchange rate flexibility*. The exchange rate could be managed more flexibly over time, as demand policies gained credibility. The authorities noted that the current de facto exchange rate peg provided an important anchor for inflation expectations.

Past Fund advice. In the last Article IV, concluded on February 24, 2006, Directors commended the authorities for successful economic management, but urged them to strengthen policies, including by: (i) creating a stabilization fund to mitigate the effects of commodity price swings: (ii) re-orienting monetary policy to target base money with exchange rate flexibility; (iii) improving the investment climate, especially for the non-mining sector; and (iv) upgrading the quality of statistics. Much remains to be done in all these areas.

Background information. Suriname has accepted the obligations of Article VIII but the exchange arrangement gives rise to multiple currency practices. Except for monetary data, economic statistics remain inadequate for surveillance. Appendix I provides background on the consultation mission (January 29–February 7, 2007) and summarizes the appendixes posted in CyberDocs on the intranet.

Contents

I. BACKGROUND AND FOCUS

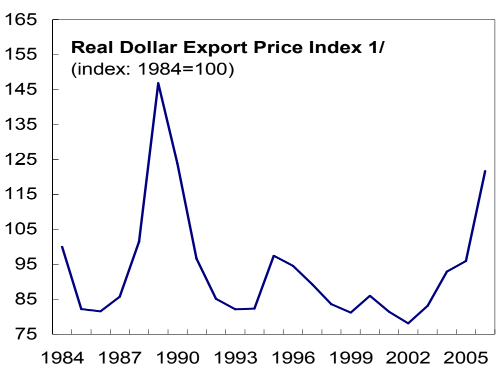
1. **Suriname's dependence on a few commodity exports makes it prone to substantial macroeconomic instability**. Exports of alumina, gold and oil exceed 50 percent of GDP and generate about one-fourth of the central government's revenues. The world prices of these commodities have moved together and exhibited large swings, and during the 1990s sharp price downturns led to sizable fiscal deficits, prompting external arrears, central bank financing and episodes of near-hyperinflation. The history of instability has undermined the credibility of policies and contributed to high financial dollarization.

Suriname: Commodity Revenues, 2006
(In percent unless otherwise indicated)

	Gold	Bauxite	Oil	Total
Share in exports	31.7	46.2	6.9	84.8
Share in government revenue and grants	2.8	11.0	13.0	26.8
Export revenue (percent of GDP)	20.9	30.4	4.6	55.9
Government revenue (percent of GDP)	0.8	3.2	3.7	7.7

Sources: Surinamese authorities; and staff estimates and projections.

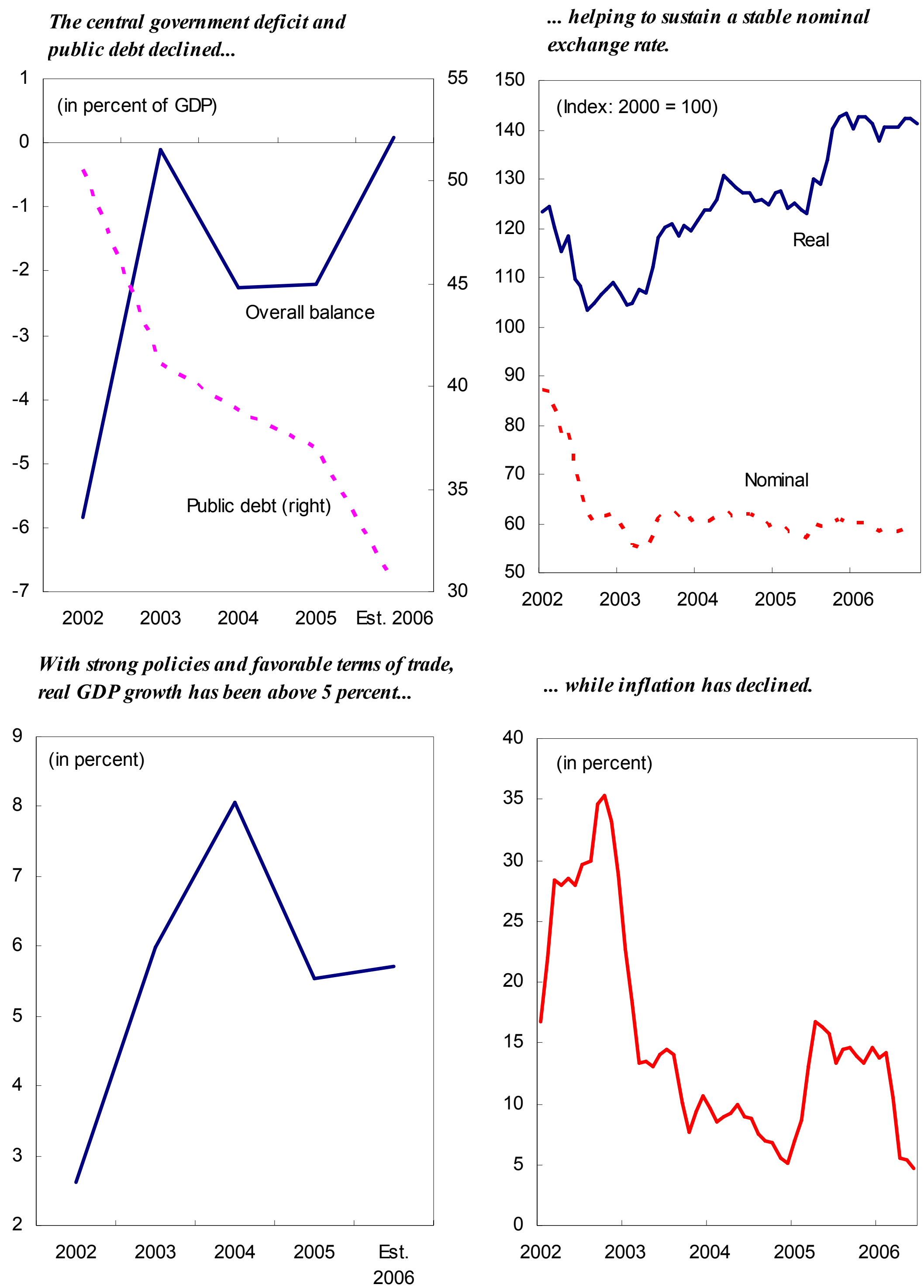
2. **In recent years, the authorities have made progress towards strengthening policies.** The central government deficit has declined sharply since 2002, benefiting from strong growth in mineral revenues due to a sharp gain in real export prices and the opening of a major new gold mine. Monetary policy has focused more on reducing inflation. Since 2003, the independence of the central bank has been strengthened, the foreign exchange markets are less fragmented and financial supervision has been improved. Backed by these policies, the exchange has remained stable since January 2004, providing an anchor for inflation expectations. These policies—supported by the improved terms of trade—appear to be paying off, with higher real economic growth, declining inflation and a significant decline in public debt as a share of GDP since 2002. (Table 1 and Figure 1).



Sources: Surinamese authorities; and staff calculations.
1/ U.S. wholesale price index used to deflate the nominal export price index of Suriname.

3. **However, the medium-term policy framework needs to be fortified to increase the economy's resilience to shocks.** There are still questions about whether fiscal policy would continue to resist pressures for spending or how it would respond when world commodity prices fall and revenues/royalties recede. The consultation therefore focused on measures to ensure that fiscal policy remains on a sustainable path throughout the cycle in commodity prices. It also explored steps to improve the financial system, which would reduce potential fiscal liabilities. Over time, the exchange rate could be managed more flexibly, as demand policies gain credibility and anchor inflation expectations. An agenda for Fund technical assistance to advance these reforms was developed.

Figure 1. Suriname: Selected Economic Indicators



Sources: Central Bank of Suriname; Information Notice System; and Fund staff estimates and projections.

II. Recent Developments

4. **The political situation has been stable**. In May 2005, President Venetiaan was re-elected for a second five-year term. His government draws support from a complex coalition of eight parties that has a slim majority in Parliament, making approval of legislation complicated. The 2006 budget, for example, was approved only in August 2006.

5. **In 2006, the economy performed better than expected, underpinned by favorable world commodity prices and higher gold production:**[1]

- Real GDP grew by almost 6 percent, led by strong growth in exports.
- Inflation fell below 5 percent during the year, down from 16 percent a year earlier, as the one-time effects of the liberalization of domestic fuel prices in 2005 dissipated.
- The external current account shifted to an estimated surplus of 5 percent of GDP, and net international reserves rose to US$265 million (two months of imports of goods and services and 95 percent of base money).

Suriname: Selected Macroeconomic Indicators

	2001	2002	2003	2004	2005	Est. 2006
Real GDP growth	6.8	2.6	6.0	8.1	5.5	5.8
Inflation, eop	4.9	28.4	13.1	9.1	15.8	4.7
External current account (in percent of GDP)	-15.2	-5.6	-10.8	-4.1	-10.8	5.0
NIR (in millions of U.S. dollars)	99.4	101.6	101.1	134.7	160.4	264.0
GIR (in months of imports)	3.5	1.9	1.4	1.7	1.4	2.0

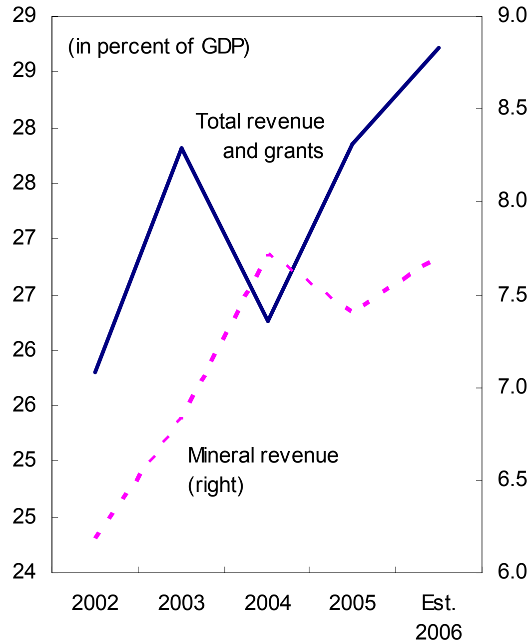
Source: Surinamese authorities.

6. **In 2006, the central government registered a small overall surplus, as the non-mineral deficit fell sharply and mineral-related revenues rose (Table 2 and Figure 2)**. The improvement in the non-mineral balance reflected the effects of the liberalization of domestic fuel prices in 2005 as well as increases in selected excise taxes and a one-time dividend paid by the central bank. Also, total spending fell to 29 percent of GDP, as the government curtailed capital spending to make room for the full-year effect of increases in civil service wages and pensions adopted in late 2005 as well as the first half of a separate 13 percent wage increase negotiated in 2006. The overall surplus of the state oil enterprise (Staatsolie) rose to about 2.5 percent of GDP, reflecting higher world prices as well as liberalized domestic fuel prices. (Table 3). Public debt declined to 30 percent of GDP, including external arrears equivalent to 7 percent of GDP (Table 4).

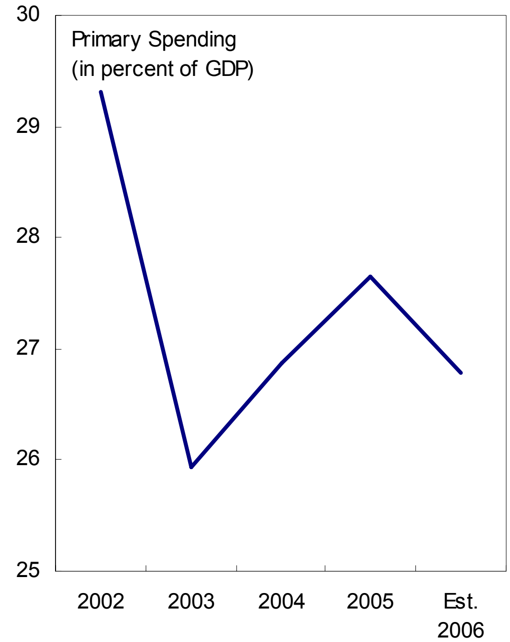
[1] Since the last Article IV consultation, the authorities raised their estimate of nominal GDP in the period 2002-2006 by 30 percent to reflect better measurement of the deflators for electricity, gas, transportation and mining. This revision did not affect their estimate of real GDP.

Figure 2. Suriname: Fiscal Indicators 1/

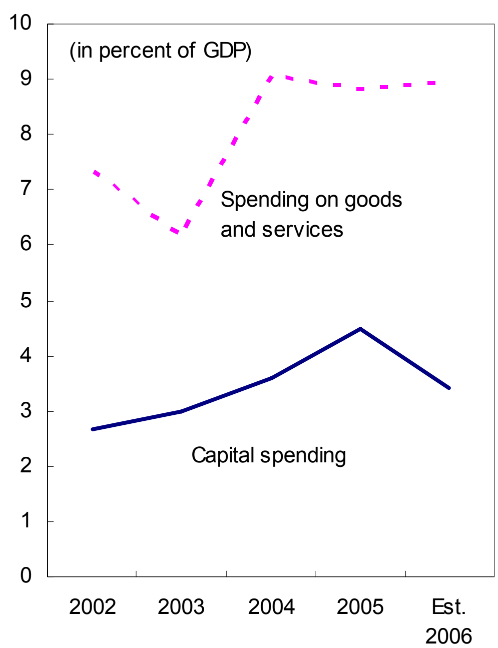
Revenue has grown rapidly, aided by high mineral-related receipts.



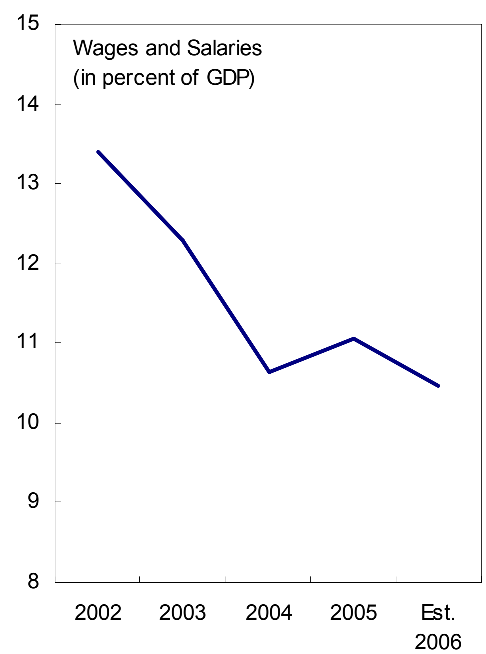
Primary spending has generally declined inrelation to GDP...



... reflecting control over purchases of goods and services and capital outlays, ...



... and the wage bill has declined in relation to GDP but is still very high.



Sources: Ministry of Finance; Central Bank of Suriname; and Fund staff estimates and projections.
1/ All indicators are for the central government, except for public debt, which includes all the public sector.

7. **Credit policy was tight (Table 5)**. Central bank net credit to the government declined by about 1 percent of GDP, helping to sterilize the gain in net international reserves. In 2005, the credibility of monetary policy was strengthened, as any official who exceeded the limit on the stock of central bank credit to government (10 percent of central government revenues, or about 3 percent of GDP) was made subject to stiff penalties. The Suriname dollar remained stable vis-à-vis the U.S. dollar, while the real effective exchange rate continued to appreciate.

8. **The banking system faces significant risks, with many nonperforming loans (12 percent of total loans) and high financial dollarization (56 percent of deposits).** The risk-weighted capital asset ratio increased to almost 12 percent by end-2006, but non-performing loans remained high, both as a share of total loans as well as bank capital, reflecting largely severe difficulties in the public banks (which account for about a fifth of banking system deposits). (Table 6). With high reserve requirements, the spread between lending and deposit interest rates remained high at about 8 percent on both domestic and foreign currency operations (Table 7). In January 2006, the central bank lowered the reserve requirement on domestic currency deposits from 30 percent to 27 percent, while keeping the requirement on foreign currency deposits at 33 1/3 percent, to make operations in domestic currency more advantageous than in foreign currency.

Suriname: Banking System Indicators
(In percent)

	2002	2003	2004	2005	2006
Capital adequacy	14.8	9.2	8.9	10.1	11.7
NPLs to gross loans	8.7	10.4	11.0	13.5	11.9
Earnings to assets	1.6	1.1	1.8	3.0	3.1
Liquid assets to total assets	29.5	38.1	34.3	31.1	21.1
Foreign currency loans to total loans	41.5	49.4	54.7	53.7	52.9
Foreign currency deposits to total deposits	47.4	55.5	56.6	57.2	56.3

Source: Central Bank of Suriname.

9. **The authorities intend to continue to normalize relations with creditors.** In 2006, the government settled arrears with several creditors and Standard and Poor raised Suriname's credit rating from B- to B. In 2007, they intend to fully repay arrears to Spain and will approach Brazil and the United States—the two largest creditors.

III. Policy Discussions

10. **Over the medium term, the authorities plan to continue to anchor inflation expectations with tight demand policies and a stable exchange rate peg.** This strategy enjoys broad support in the private sector and among donors, given the country's economic history. The authorities noted this would require keeping the central government deficit as low as possible, while preserving the safeguards against monetary financing of the government. However, they recognized that the private sector still needed to be convinced that these policies can be sustained, pointing to the need to strengthen economic policy institutions further. Staff added that inflation expectations were linked too closely to the stability of the exchange rate, which could lock policies into sustaining a peg for too long—a risky approach in a country with a volatile terms of trade and weak budgetary institutions.

For this reason, it would be crucial to establish the credibility of fiscal policy and improve financial supervision.

11. **Suriname's economic outlook is favorable, provided the government can sustain cautious demand policies.** In a baseline scenario drawing on the current WEO outlook for falling aluminum and oil prices and rising gold prices, staff projected that real GDP growth would ease in 2007 and then fall to 4 percent a year in 2008-2012, while annual inflation would decline to 4 percent (Tables 8 and 9). The external current account surplus would shift to a deficit in 2008-2012, while net international reserves would rise steadily. If the authorities limited the central government deficit to 0.5 percent of GDP, public debt would decline to about 25 percent of GDP by 2012.

Suriname: Medium-Term Adjustment Scenario

	2004	2005	2006	2007	2008	2010	2012
Real GDP growth (in percent)	8.1	5.5	5.8	5.3	4.0	4.0	4.0
Inflation (end of period in percent)	9.1	15.8	4.7	4.5	4.0	4.0	4.0
Primary fiscal balance (in percent of GDP)	-0.6	0.2	1.9	1.1	1.2	1.2	1.1
Overall fiscal balance (in percent of GDP)	-2.3	-2.2	0.1	-0.6	-0.5	-0.5	-0.5
External current account (in percent of GDP)	-4.1	-10.8	5.0	2.4	-1.7	-4.9	-8.4
Basic external balance (in percent of GDP) 1/	0.8	-7.5	14.2	10.8	8.9	5.9	2.2
Gross international reserves in months of imports	1.7	1.4	2.0	2.2	2.2	2.5	2.7
Public sector debt (in percent of GDP)	38.8	37.0	30.4	29.4	28.7	27.4	25.8
Of which: external debt, including arrears	25.4	21.6	18.5	17.2	16.3	15.3	15.5

Sources: Surinamese authorities; and staff estimates and projections.

1/ Current account balance plus FDI flows and grants.

12. **This outlook is subject to upside as well as downside risks**:

- On the upside, possible large-scale projects in the mining sector create the potential for substantial growth in investment in the next few years that could raise production, exports and budget revenues starting next decade. However, economic policies may need to compensate for demand pressures from these projects when and if they materialize, since their investments have a high import content.

- On the downside, the external environment could be worse than projected, and there could be growing uncertainty about the direction of economic policies as the 2010 elections approach. Staff estimates suggest that, if prices of alumina, gold and oil fall one standard deviation below the projected trend for 2008–12, public debt would rise by 9 percent of GDP, compared with the baseline, provided the government keeps the non-mineral deficit under control.

A. Medium-Term Fiscal Framework

13. **Several steps to bolster the credibility of fiscal policy were discussed, including:**

- *New budget framework*. Staff suggested that the government present its annual budgets in the context of a medium-term assessment of sustainability based on a trend path for commodity prices. This assessment should spell out the desired path for public debt and provide a clear justification for specific fiscal targets. A medium-term debt target of 25 percent of GDP when commodity prices were at trend would anchor continued fiscal discipline and provide a margin to run a deficit when commodity-based revenues are unusually low, while maintaining fiscal sustainability. While agreeing with this approach, the authorities noted that it would take time to build political support for for such a framework and suggested that technical assistance would help them begin to develop the necessary institutional capacity.

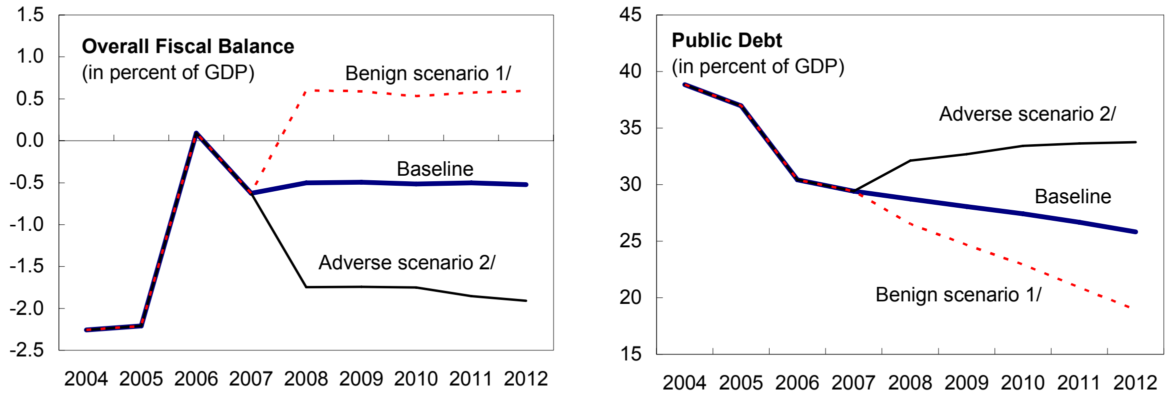
- *Distinguish mineral revenues from the non-mineral deficit in the annual budget*. Staff noted that several countries that depend heavily on commodities, such as oil, make this distinction, which highlights the direction and sustainability of fiscal policy. It can also ease pressures for spending caused by a reported surplus arising from sizable commodity-related revenues. In the baseline scenario, the government's non-mineral deficit would decline to 7 percent of GDP by 2012, as mineral-related revenues are projected to fall to 6½ percent of GDP**.** The authorities thought presenting this distinction could be useful, but commented that this might take time to implement, since it would require a change in the budget law.

Suriname: Fiscal Indicators
(In percent of GDP)

	2006	2007	2008	2009	2010	2011	2012
Overall fiscal balance	0.1	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5
Mineral revenue	7.7	8.1	8.1	7.7	7.3	7.0	6.6
Non-mineral overall balance	-7.6	-8.8	-8.6	-8.2	-7.9	-7.5	-7.1

Sources: Surinamese authorities; and staff estimates and projections.

- *Strengthen fiscal policy when commodity prices rise above the reference level*. If fiscal policy focused on a goal for the non-mineral deficit, increases (decreases) in mineral revenues could translate into a lower (higher) overall central government deficit, provided public debt were near 25 percent of GDP. The authorities expressed strong interest in setting up a revenue stabilization fund, as recommended in the 2006 Article IV Consultation. Staff noted that these funds could provide clear rules to safeguard overall fiscal surpluses and the accumulated financial assets. It stressed that these funds should be incorporated in a medium-term spending framework; avoid rigid accumulation rules and earmarking provisions; and be managed transparently, with external audits. It would important to use any accumulated deposits to settle any outstanding arrears.



Sources: Surinamese authorities; and staff estimates and projections.
1/ Mineral prices are 1 standard deviaition above WEO outlook.
2/ Mineral prices are 1 standard deviaition below WEO outlook.

- *Lower the legal ceiling on government debt.* The Government Debt Act (GDA) of 2002 caps total public debt at 60 percent of GDP—a target that made sense five years ago but could add to doubts about future fiscal policy now that public debt is half that figure. Staff suggested that a lower ceiling for total public debt of 40 to 45 percent of GDP would signal that public debt would not return to such high levels. At the same time, such a legal limit would leave room for prudent borrowing when commodity prices were well below trend and mineral-revenues were unusually low. The authorities noted that a reduction in the limit on total public debt, while possibly useful, would require Parliamentary approval. Their current policy is to seek external funds only for those projects that earn the resources to repay the loan. They also want to retain the legal subceiling in the GDA on domestic debt (15 percent of GDP) to help control spending.

- *Improve the composition of spending*. Staff commented that—to create room for more capital spending—it would be crucial to target subsidies (about 4 percent of GDP) more effectively, possibly by trimming the subsidies for electricity tariffs. Also at 12 percent of GDP the wage bill is high, reflecting the large civil service, and efforts are needed to trim the growth in the wage bill by shedding unproductive staff and curtailing the growth in wages and benefits. The authorities stressed that this issue was quite complex.

B. Financial Sector

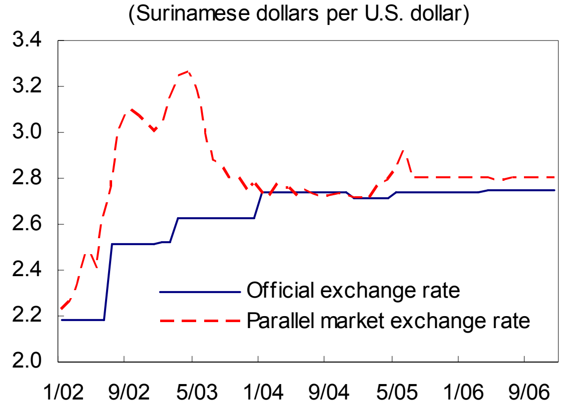
14. **The authorities believed that possible risks to the banking system were manageable.** They noted that most of the nonperforming loans were owed to the public banks and represented an overhang from difficulties several years ago. Now these banks operated on a commercial basis without transfers from the central government, and have begun to improve the quality of the loan portfolio. The central bank is monitoring the risks from financial dollarization and plans to introduce prudential regulations that limit banks' net open foreign currency positions. In January 2007, it lowered the reserve requirement on domestic currency deposits again to strengthen the incentives for local currency operations.

Staff raised questions about the strength of the public banks, which are still benefiting from regulatory forbearance. It also noted that an estimated 40 percent of foreign currency loans are made to borrowers without earnings in foreign currency and suggested that prudential regulations establish safeguards for the risks from currency mismatches in borrowers' balance sheets. There were also concerns about the effectiveness of the anti-money laundering law, as the unit in charge of monitoring suspicious financial transactions lacked sufficient resources. Staff encouraged the authorities to participate in the Financial Sector Assessment Program (FSAP) to strengthen the diagnosis and suggest recommendations. The authorities plan to give serious consideration to this option.

C. Exchange Rate Policy

15. **Over the next several years, the exchange rate could be managed more flexibly, as policies gained credibility**. Staff encouraged the authorities to quickly unify the official and commercial markets to remove the multiple currency practice.[2] With a unified market, the central bank could use foreign exchange intervention to accumulate net international reserves to build the reserve cushion to more comfortable levels. The authorities noted that they had taken some steps towards unification during 2006 by transferring some transactions from the official to the commercial market, which helped limit the pressures for appreciation of the commercial market exchange rate. They felt the dual system provided a useful policy signal to markets but stood ready to adjust the official exchange rate to respond to shifts in external conditions or if market conditions provided convincing signals of the need for change.

Evolution of Exchange Rates, 2002-06
(Surinamese dollars per U.S. dollar)



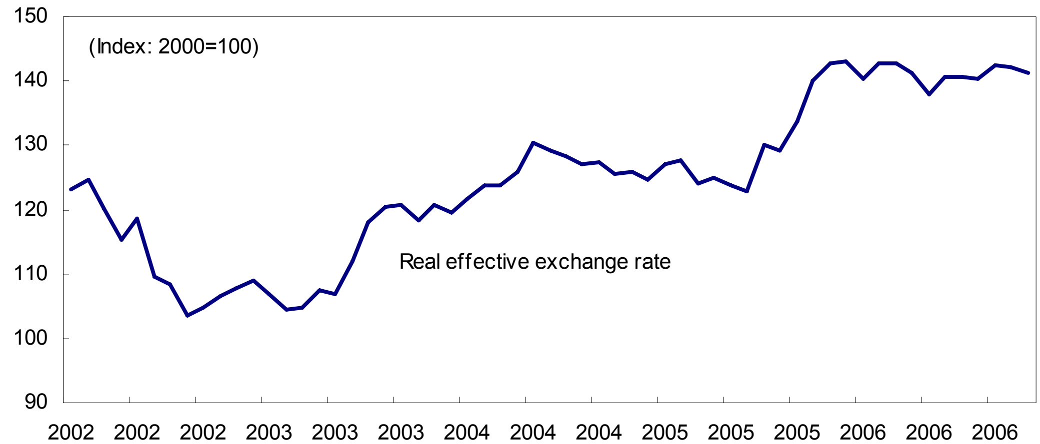
Sources: Central Bank of Suriname; General Bureau of Statistics; and IFS.

16. **The available information on the adequacy of the current level of the exchange rate points in different directions.** The external sector has strengthened, with reasonable growth in the volume of non-mineral exports since 2003, the emergence of an external current account surplus and gains in net international reserves—all suggesting scope for a possible strengthening of the currency (Figure 3). At the same time, other factors could lead to pressures in the opposite direction.

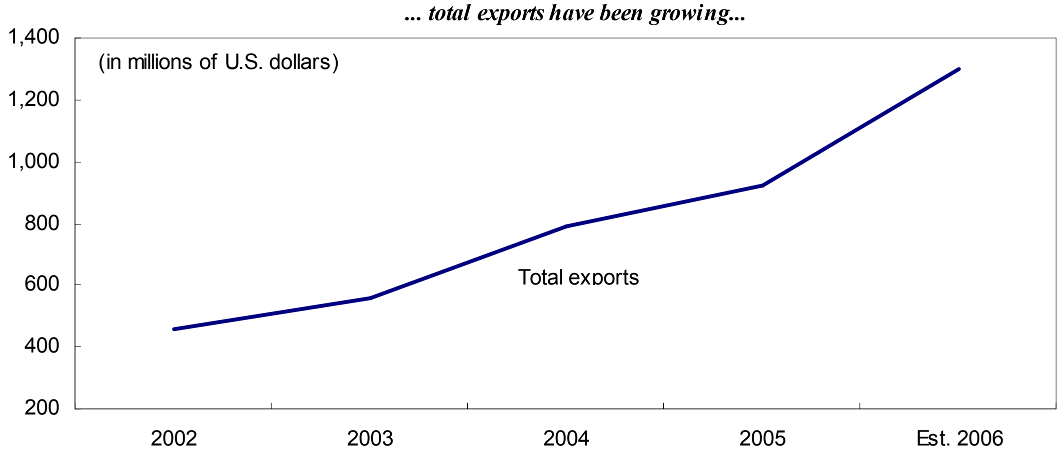
[2] Currently, the spread between the official and the commercial exchange rates is less than 2 percent. The multiple currency practices arise from the potential for the spread to exceed 2 percent and from the existence of a special exchange rate for imports of baby milk.

Figure 3. Suriname: Competitiveness Indicators

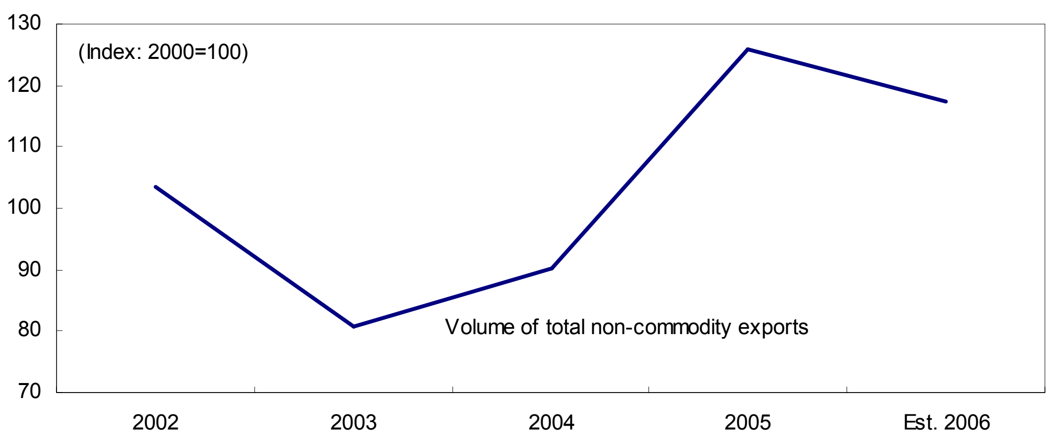
While the real effective exchange rate has appreciated...



... total exports have been growing...



... including the volume of non-mining exports...



D. Technical Assistance

17. A plan is being developed for the Fund to provide technical assistance to (i) design systems to manage public spending more efficiently; (ii) develop a macroeconomic medium-term fiscal framework, including the management of natural resource revenues possibly through a stabilization fund; and (iii) address data deficiencies and enhance statistical methodology. The Fund is already providing assistance, with the support of the Inter-American Development Bank (IDB), with tax legislation and the creation of a tax revenue authority (through the Legal Affairs Department) and in public financial management (through the Fiscal Affairs Department).

IV. Staff Appraisal

18. **Economic policies have made progress towards achieving macroeconomic stability, supported by a favorable external environment.** The policy strategy has centered on a steady decline in the central government deficit, which has cut public debt to 30 percent of GDP by end-2006, and a more credible limit on central bank credit to the government. Backed by the strong fiscal policy, the central bank has been able to keep the exchange rate stable. Aided by rising world commodity prices in recent years, real GDP has grown at a respectable pace, with falling inflation and increasing net international reserves.

19. **The authorities agree that this approach—while effective so far—needs to be strengthened.** A medium-term fiscal framework is an effective tool to withstand the political pressures for spending and manage the budgetary effects of fluctuations in world commodity prices. Revenue stabilization funds can be a useful supplement to such a framework, provided they are incorporated in the budget and managed with sufficient flexibility and full transparency. Staff agrees that arriving at a strong framework will take time and stands ready to provide technical assistance to begin to advance.

20. **There may be scope to make initial progress in several areas**. It may be possible to present the central government accounts with a distinction between mineral-related revenues and the non-mineral deficit. While any modification to the Government Debt Act may be complex, there could be benefits to lowering the ceiling on total public debt, while retaining the sublimit on domestic debt, to improve the credibility of fiscal policy over the medium term. The composition of spending is imbalanced, with a large wage bill and poorly targeted subsidies crowding out capital expenditure, and an effective civil service reform is a urgent priority.

21. **The recent steps to normalize relations with external creditors are welcome.** However, it will be crucial to settle the remaining arrears, which would improve Suriname's creditworthiness and reinforce the signal of fiscal discipline.

22. **The banking system risks could be managed more effectively.** Prudential regulations need to be strengthened to guard against the risks from currency mismatches and to limit banks' net open foreign exchange positions. The issue of high non-performing loans needs closer attention and, at a minimum, public banks should be able to operate profitably without recourse to regulatory forbearance. Also, there may be ways to enhance the

transparency of the financial sector and make the anti-money laundering law more effective. The authorities would benefit from participation in the FSAP.

23. **Over the next several years, it will be important to manage the exchange rate more flexibly as demand policies become more credible and financial supervision improves**. While inflation expectations are currently linked to the exchange rate, the government needs to convince the market that the success of the policy strategy actually depends on a strong fiscal policy backed by credible protections from excessive monetary financing of deficits—not a stable currency. By relying on effective demand policies to anchor expectations, the central bank will be in a better position to move to exchange rate flexibility. It is difficult to assess the current level of the exchange rate. The exchange rate regime would function more efficiently if the two markets were unified. Staff does not recommend approval of the multiple currency practices, since there is no plan for their removal.

24. **It is recommended that the next consultation with Suriname be held in 12-months.**

Table 1. Suriname: Selected Economic Indicators

	2002	2003	2004	2005	Est. 2006	Proj. 2007
(Annual percentage change, unless otherwise indicated)						
Real economy						
GDP at 1990 prices 1/	2.6	6.0	8.1	5.5	5.8	5.3
GDP current market prices 1/	52.3	30.5	23.4	19.0	19.5	6.0
Consumer prices (end of period)	28.4	13.1	9.1	15.8	4.7	4.5
Consumer prices (period average)	15.5	23.0	9.1	9.9	11.3	4.6
Exchange rate (Suriname dollars per U.S. dollar, end of period)	2.52	2.63	2.72	2.74	2.75	...
(In percent of GDP)						
National accounts						
Gross domestic investment	27.7	31.6	32.5	31.8	32.0	30.9
Private sector	25.0	28.6	28.9	27.3	28.6	27.3
Public sector	2.7	3.0	3.6	4.5	3.4	3.6
Gross national savings	22.2	20.8	28.4	20.9	36.9	33.4
Foreign savings	5.6	10.8	4.1	10.8	-5.0	-2.4
Central government						
Revenue and grants	25.8	27.8	26.3	27.8	28.7	29.1
Total expenditure	31.6	27.9	28.5	30.1	28.6	29.7
Interest	2.3	2.0	1.7	2.4	1.8	1.7
Overall balance	-5.8	-0.1	-2.3	-2.2	0.1	-0.6
Statistical discrepancy	0.3	1.3	0.8	1.5	0.8	0.0
Net domestic financing	8.2	0.2	2.3	0.1	-0.4	1.0
Net external financing	-2.7	-1.5	-0.8	0.6	-0.4	-0.4
(Annual change in percent of beginning-of-period broad money, unless otherwise indicated)						
Money and credit 2/						
Banking system net foreign assets	7.4	12.7	17.6	3.5	17.9	5.2
Banking system net domestic assets	25.1	3.8	15.1	8.8	3.3	6.9
Of which						
Public sector credit	21.6	-4.6	2.2	-0.1	-6.3	-0.2
Private sector credit	16.4	13.8	13.6	10.0	12.2	5.9
Broad money	32.3	15.9	28.5	11.7	21.1	12.3
Real credit to the private sector (annual percentage change)	24.1	24.3	21.9	8.1	21.8	7.8
Foreign currency deposits as share of broad money	39.4	47.2	48.8	49.2	48.4	48.1
(In percent of GDP, unless otherwise indicated)						
External sector 3/						
Current account	-5.6	-10.8	-4.1	-10.8	5.0	2.4
Merchandise exports, f.o.b.	49.0	50.2	58.5	52.3	65.8	59.7
Merchandise imports, f.o.b.	-44.2	-52.6	-47.1	-58.8	-61.4	-59.4
Capital and financial account	-1.8	-4.8	-2.1	0.8	-4.1	-3.7
Of which: central government net borrowing	-2.7	-1.5	-0.8	-0.4	-1.0	-0.4
Change in reserves (-=increase)	-0.2	0.0	-2.1	-1.6	-4.9	-1.6
Gross official reserves (in months of imports)	1.90	1.41	1.66	1.38	1.98	2.20
Total public debt	50.5	41.1	38.8	37.0	30.4	29.4
Domestic	13.8	10.8	13.4	15.4	12.0	12.2
External	36.7	30.3	25.4	21.6	18.5	17.2
Of which: arrears	9.2	8.5	8.2	7.9	7.2	6.9

Sources: National authorities; and Fund staff estimates and projections.

1/ GDP numbers include estimates of the informal sector.

2/ Post-2002 data are not comparable. Percentage changes in 2002 are calculated on basis of estimates for end-2002 data according to the old data classification.

3/ Based on amounts expressed in U.S. dollars.

Table 2. Suriname: Central Government Operations
(In percent of GDP)

					Est.	Projections					
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue and grants	**25.8**	**27.8**	**26.3**	**27.8**	**28.7**	**29.1**	**29.2**	**28.8**	**28.4**	**28.1**	**27.8**
Revenue	24.6	25.9	24.9	26.2	27.3	27.7	27.7	27.3	27.0	26.6	26.3
Direct taxes	9.2	9.3	10.3	11.1	10.5	10.8	10.7	10.4	10.2	9.9	9.6
Indirect taxes	12.4	13.0	11.5	10.4	11.6	11.6	11.6	11.5	11.4	11.3	11.3
Nontax revenue	3.1	3.6	3.1	4.6	5.2	5.4	5.4	5.4	5.4	5.4	5.4
Grants	1.2	1.9	1.4	1.7	1.4	1.4	1.5	1.5	1.5	1.5	1.5
Expenditure and net lending	**31.6**	**27.9**	**28.5**	**30.1**	**28.6**	**29.7**	**29.7**	**29.3**	**28.9**	**28.6**	**28.2**
Current expenditure	28.8	24.6	24.9	25.5	25.0	25.9	25.8	25.4	24.9	24.7	24.3
Wages and salaries	13.4	12.3	10.6	11.1	10.5	12.0	11.8	11.4	11.0	11.0	10.7
Goods and services	7.3	6.2	9.1	8.8	9.0	8.5	8.5	8.5	8.5	8.3	8.3
Subsidies and transfers	5.7	4.2	3.5	3.2	3.7	3.8	3.8	3.8	3.8	3.8	3.8
Interest	2.3	2.0	1.7	2.4	1.8	1.7	1.7	1.8	1.7	1.7	1.6
Domestic	1.3	1.1	1.0	1.7	1.2	1.2	1.1	1.0	0.9	0.9	0.8
External	1.0	0.9	0.7	0.8	0.7	0.5	0.6	0.7	0.8	0.8	0.8
Net lending	0.2	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Capital expenditure	2.7	3.0	3.6	4.5	3.4	3.6	3.7	3.7	3.8	3.8	3.8
Primary balance	**-3.5**	**1.9**	**-0.6**	**0.2**	**1.9**	**1.1**	**1.2**	**1.3**	**1.2**	**1.2**	**1.1**
Overall balance	**-5.8**	**-0.1**	**-2.3**	**-2.2**	**0.1**	**-0.6**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**
Statistical discrepancy	0.3	1.3	0.8	1.5	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Financing	**5.5**	**-1.3**	**1.4**	**0.8**	**-0.9**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**
Net domestic financing	8.2	0.2	2.3	0.1	-0.4	1.0	0.9	0.9	0.2	0.0	-0.5
Commercial banks	0.2	0.0	1.6	-0.2	0.4	0.7	0.6	0.4	0.4	0.4	0.3
Central bank	7.7	-0.3	0.7	0.1	-1.1	-0.7	-1.0	-0.5	-0.4	-0.4	-0.3
Other domestic private sector	0.3	0.5	0.0	0.2	0.2	1.0	1.4	1.0	0.2	0.0	-0.5
Net external financing	-2.7	-1.5	-0.8	0.6	-0.4	-0.4	-0.4	-0.4	0.3	0.5	1.0
Amortization	-2.8	-2.7	-1.6	-1.8	-1.9	-1.8	-1.8	-1.8	-3.8	-3.7	-4.0
Disbursements	0.1	1.3	0.8	2.4	1.5	1.4	1.4	1.4	4.1	4.2	5.0
Memorandum items:											
Non-mineral balance	-12.0	-6.9	-10.0	-9.6	-7.6	-8.8	-8.6	-8.2	-7.8	-7.5	-7.1
Mineral revenue	6.2	6.8	7.7	7.4	7.7	8.1	8.1	7.7	7.3	7.0	6.6

Sources: Ministry of Finance; Central Bank of Suriname; and Fund staff estimates.

Table 3. Suriname: Operations of the State Oil Company 1/
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006
Revenues	**100.0**	**94.1**	**104.1**	**114.7**	**135.3**	**201.2**	**261.6**
Export	27.7	19.4	35.9	34.7	55.1	71.9	96.5
Suralco	62.4	53.9	56.9	74.3	74.5	115.0	143.9
Local	9.8	20.8	11.3	5.7	5.7	14.3	21.1
Expenditures	**50.0**	**57.1**	**66.8**	**61.6**	**75.6**	**96.0**	**97.0**
Current Expenditure	30.5	24.7	40.1	26.0	36.6	37.2	26.7
Capital expenditure	19.5	32.4	26.7	35.6	39.0	58.8	70.3
Crude operations	17.1	24.4	22.5	32.0	34.3	58.2	68.6
Refinery operations	2.4	8.0	4.2	3.6	2.5	0.6	1.7
Income before taxes	49.9	37.0	37.3	53.1	59.7	105.2	164.6
Income taxes	18.7	13.3	13.4	25.9	26.5	37.4	58.9
Dividend government	15.6	11.8	11.9	14.2	16.9	35.3	52.8
Savings before taxes	**69.5**	**69.4**	**64.0**	**88.7**	**98.7**	**164.0**	**234.9**
Overall surplus	**15.6**	**11.9**	**11.9**	**13.0**	**16.3**	**32.5**	**52.8**

Source: Surinamese authorities.

1/ Accrual basis.

Table 4. Suriname: External Arrears at end-December 2006
(In millions of U.S. dollars)

	Principal	Interest	Penalties	Total
Total	**90.5**	**22.4**	**35.2**	**148.1**
Brazil	52.6	16.9	18.1	87.6
United States	22.6	4.2	15.0	41.8
Spain	8.4	1.0	2.1	11.6
China	5.5	0.0	0.0	5.5
India	1.1	0.2	0.0	1.3
Other	0.2	0.0	0.0	0.3

Source: Suriname Debt Management Office.

Table 5. Suriname: Summary Accounts of the Banking System 1/

	2002	2003	2004	2005	Est. 2006	Proj. 2007
(In millions of Surinamese dollars)						
Net foreign assets	**598.5**	**751.7**	**997.5**	**1,064.9**	**1,454.4**	**1,590.3**
Net international reserves	255.4	265.5	365.7	439.6	725.2	825.6
Net other foreign assets	343.1	486.2	631.8	625.3	729.2	764.7
Net domestic assets	**680.2**	**726.1**	**936.5**	**1,107.3**	**1,178.1**	**1,360.5**
Net claims on the public sector	269.6	213.9	245.1	243.7	106.8	101.7
Central government (net)	305.4	296.2	388.8	386.1	346.8	342.8
Rest of the public sector (net)	-35.8	-82.3	-143.7	-142.4	-240.1	-241.1
Credit to the private sector	409.9	576.2	765.8	958.3	1,222.8	1,377.5
Claims on other financial institutions	0.0	0.0	0.0	0.0	0.0	0.0
Net unclassified assets	41.2	23.2	49.4	46.5	22.5	64.1
Official capital and surplus	-40.6	-87.1	-123.8	-141.3	-174.0	-182.7
Liabilities to the private sector	**1,278.8**	**1,477.8**	**1,934.0**	**2,172.2**	**2,632.5**	**2,950.8**
Broad money	1,203.7	1,395.7	1,794.1	2,003.3	2,425.3	2,722.9
Monetary liabilities	505.8	498.2	618.3	664.7	853.5	958.3
Currency in circulation	203.8	209.0	246.9	278.9	341.5	371.8
Demand deposits	302.0	289.2	371.5	385.8	512.0	586.4
Quasi-money (including gold certificates)	224.0	238.7	299.9	352.3	399.2	454.3
Foreign currency deposits	474.0	658.7	875.8	986.3	1,172.7	1,310.3
Other liabilities	75.0	82.2	139.9	168.9	207.2	227.9
(Percent changes, unless indicated otherwise)						
Liabilities to the private sector	30.5	15.6	30.9	12.3	21.2	12.1
Broad money	32.3	15.9	28.5	11.7	21.1	12.3
Money	38.0	-1.5	24.1	7.5	28.4	12.3
Quasi-money	17.2	6.6	25.6	17.5	13.3	13.8
Foreign currency deposits	34.2	39.0	33.0	12.6	18.9	11.7
Net domestic assets of the banking sector	45.7	6.7	29.0	18.2	6.4	15.5
Credit to the public sector	186.6	-20.7	14.6	-0.5	-10.2	-1.2
Credit to the private sector	59.3	40.5	32.9	25.1	27.6	12.6
Liabilities to the private sector (percent of GDP)	58.0	44.7	47.4	44.7	45.4	48.0
(Changes in Surinamese dollars as a percent of liabilities of the previous period)						
Net foreign assets of the banking sector	6.9	12.0	16.6	3.5	17.9	5.2
Central bank international reserves	3.7	0.8	6.8	3.8	13.1	3.8
Other net foreign assets	3.2	11.2	9.9	-0.3	4.8	1.3
Net domestic assets of the banking sector	23.6	3.6	14.2	8.8	3.3	6.9
Credit to the public sector	20.2	-4.4	2.1	-0.1	-6.3	-0.2
Credit to the private sector	15.4	13.0	12.8	10.0	12.2	5.9
Liabilities to the private sector	30.5	15.6	30.9	12.3	21.2	12.1
Memorandum items:						
Deposit dollarization ratio (percent) 2/	47.4	55.5	56.6	57.2	56.3	55.7
Credit dollarization ratio (percent) 3/	41.5	49.4	54.7	50.1	52.9	52.4
Domestic currency interest rate spread (percentage per annum)	12.9	12.5	11.0	8.9	9.0	...
Lending rate	21.3	21.0	19.1	16.8	15.6	...
Deposit rate	8.4	8.5	8.1	7.9	6.6	...
Foreign currency interest rate spread (percentage per annum)	8.4	6.9	7.7	7.7	7.5	...
Lending rate	10.2	9.2	9.4	9.9	9.8	...
Deposit rate	1.8	2.3	1.7	2.2	2.3	...
Reserve requirement for domestic deposits (percent)	35.0	35.0	30.0	30.0	27.0	27.0
Effective reserve requirement for domestic deposits (percent) 4/	30.6	31.0	24.4	22.7	18.3	15.3
Reserve requirement for foreign currency deposits (percent)	17.5	17.5	22.5	33.3	33.3	33.3

Sources: Central Bank of Suriname; and Fund staff estimates and projections.

1/ For commercial banks data, a new data compilation method in line with the *Monetary and Financial Statistics Manual* was adopted from May 2002. Percentage changes in 2002 over 2001 are calculated on basis of estimates for end-2002 data as according to the old methodology.

2/ Foreign currency deposits in percent of total commercial bank deposits.

3/ Foreign currency credit in percent of total private sector credit by commercial banks.

4/ Excludes commercial bank use of required reserves for mortgage lending

Table 6. Suriname: Financial System Structure and Banking System Soundness Indicators 1/

	2002	2003	2004	2005	2006
Number					
Banks	8	8	8	9	9
Large banks	3	3	3	3	3
Small banks	5	5	5	6	6
Reporting non-bank financial institutions					
Pension funds 2/	31	22	22	24	…
Insurance companies	10	10	10	8	…
Credit unions and cooperatives	16	8	9	6	…
Concentration: Banks 3/	2	2	2	3	…
(In percent of total)					
Assets	100.0	100.0	100.0	100.0	…
Banks	67.7	68.9	79.3	68.1	…
Large banks	57.3	58.3	66.8	57.1	…
Small banks	10.4	10.7	12.4	11.0	…
Pension funds	23.3	21.8	10.2	21.6	…
Insurance companies	7.7	7.7	8.3	8.3	…
Credit unions and cooperatives	1.4	1.6	2.2	2.0	…
Deposits					
Banks	100.0	100.0	100.0	100.0	100.0
Large banks	84.3	78.5	78.3	78.4	78.2
Small banks	15.7	21.5	21.7	21.6	21.8
(In percent)					
Capital Adequacy 4/					
Regulatory capital to risk-weighted assets (*)	14.8	9.2	8.9	10.1	11.7
Regulatory Tier I capital to risk-weighted assets (*)	8.6	7.2	6.6	8.1	9.7
Capital (net worth) to assets	6.0	4.2	4.3	5.0	5.5
Asset composition					
Sectoral distribution of loans to total loans (*)					
Agriculture	7.0	5.0	6.0	5.1	4.8
Manufacturing	8.0	10.7	10.9	9.6	9.1
Commerce	34.1	31.6	32.2	32.9	30.9
Housing construction	11.5	11.4	11.8	14.4	15.0
Other	39.4	41.3	39.1	38.0	40.2
Asset quality					
Foreign currency loans to total loans	41.5	49.4	54.7	49.6	52.5
NPLs to gross loans (*)	8.7	10.4	11.0	13.5	11.9
NPLs net of provisions to capital (*)	14.7	48.1	53.7	80.2	65.1
Large exposures to capital (*)	33.7	133.9	63.1	55.7	80.7
Earnings and Profitability					
ROA (*)	1.6	1.1	1.8	3.0	3.1
ROE (*)	27.0	22.9	35.5	40.8	44.2
Interest margin to gross income (*)	66.9	64.7	65.1	73.0	73.5
Noninterest expenses to gross income (*)	68.9	72.0	65.7	63.0	61.6
Personnel expenses to noninterest expenses	58.7	56.4	57.6	59.6	59.2
Trading and fee income to total income	33.1	35.3	34.9	31.0	32.2
Spread between reference loan and deposit rates	12.9	12.5	11.0	10.5	10.8
Liquidity					
Liquid assets to total assets (*)	29.5	38.1	34.3	31.1	21.1
Liquid assets to total short-term liabilities (*)	66.9	64.3	56.4	52.8	54.3
FX liabilities to total liabilities	42.7	49.3	50.6	48.6	50.7

Sources: Central Bank of Suriname, Supervision Department; and Fund staff estimates.

(*) Included in the "core set" of financial soundness indicators identified by the IMF's Executive Board.
1/ Indicators refer to banks, which comprise about 68 percent of financial system assets at end-2005.
2/ For 2003 staff estimate.
3/ Number of institutions with 57 percent or more of total financial system assets.
4/ Decline in 2003 partly reflects the implementation of new prudential regulation standards.

Table 7. Suriname: Reserve Requirements on Domestic and Foreign Currency Deposits 1/
(In percent)

	Date of implementation										
Bank	7-Aug-02	12-Feb-03	14-Jul-04	21-Jul-04	20-Oct-04	3-Nov-04	1-Feb-05	30-Nov-05	6-Jan-06	1-Aug-06	1-Jan-07
Domestic currency 2/											
DSB, RBTT, HKB, SPSB, FNB	35.0	--	--	32.5	30.0	--	--	--	27.0	27.0	25.0
VCB	--	--	12.5	--	13.0	--	--	--	--	--	
LBB	--	--	5.0	--	6.0	--	--	--	--	--	
Foreign currency 3/											
DSB, RBTT, HKB, SPSB, LBB, VCB	--	17.5	--	--	--	22.5	33.3	--	--	--	--
Memorandum items:											
Low-interest mortgages (in percent of deposits, average for the system) 2/	--	--	1.4	1.4	2.5	3.0	4.1	7.3	7.5	8.6	9.0

Source: Central Bank of Suriname.

1/ Reserve requirements on domestic currency deposits were first instituted on May 15, 2001. Reserve requirements on foreign currency deposits were first instituted on February 12, 2003.

2/ On February 12, 2004 the central bank introduced a regulation allowing up to 7 percent of the reserve requirement on domestic currency deposits to finance low-interest mortga
As of January 2007, 10 percent of this reserve requirement is allowed to finance low-interest mortgages.

3/ Reserve requirement on foreign currency deposits are remunerated and can be held abroad at correspondent banks.

Table 8. Suriname: Medium-Term Outlook

	Est.	Projections					
	2006	2007	2008	2009	2010	2011	2012
(Annual percentage change, unless otherwise indicated)							
Real economy							
GDP at 1990 prices 1/	5.8	5.3	4.0	4.0	4.0	4.0	4.0
GDP current market prices 1/	19.5	6.0	6.0	6.0	6.0	6.0	6.0
Consumer prices (period average)	11.3	4.6	4.2	4.0	4.0	4.0	4.0
(In percent of GDP)							
National accounts							
Gross domestic investment	32.0	30.9	30.9	32.1	33.1	33.8	34.4
Private sector	28.6	27.3	27.2	28.4	29.3	30.0	30.6
Public sector	3.4	3.6	3.7	3.7	3.8	3.8	3.8
Gross national savings	36.9	33.4	29.2	28.8	28.2	27.5	25.9
Foreign savings	-5.0	-2.4	1.7	3.3	4.9	6.3	8.4
Central government							
Revenue and grants	28.7	29.1	29.2	28.8	28.4	28.1	27.8
Total expenditure	28.6	29.7	29.7	29.3	28.9	28.6	28.2
o/w Interest	1.8	1.7	1.7	1.8	1.7	1.7	1.6
Overall balance	**0.1**	**-0.6**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**
Of which: Non-mineral balance	*-7.6*	*-8.8*	*-8.6*	*-8.2*	*-7.8*	*-7.5*	*-7.1*
Net domestic financing	-0.4	0.9	0.9	0.9	0.2	0.0	-0.5
Net external financing	-0.4	-0.4	-0.4	-0.4	0.3	0.5	1.0
Total public debt 3/	**30.4**	**29.4**	**28.7**	**28.1**	**27.4**	**26.7**	**25.8**
(In percent of GDP, unless otherwise indicated)							
External sector 2/							
Current account	5.0	2.4	-1.7	-3.3	-4.9	-6.3	-8.4
Merchandise exports, f.o.b.	65.8	59.7	56.1	54.1	52.3	51.0	49.6
Merchandise imports, f.o.b.	-61.4	-59.4	-60.2	-60.2	-60.3	-60.7	-61.2
Current account + grants + FDI	14.2	10.8	8.9	7.5	5.9	4.4	2.2
Capital and financial account	-4.1	-3.7	-0.9	0.8	2.3	4.0	6.3
Of *which*: central government net borrowing	-1.0	-0.4	-0.4	-0.4	0.3	0.5	1.0
Change in reserves (- = increase)	-4.9	-1.6	-1.1	-1.3	-1.4	-1.5	-1.6
Gross international reserves (in months of imports)	2.0	2.2	2.2	2.4	2.5	2.6	2.7

Source: National authorities, and Fund staff estimates and projections.

1/ GDP numbers include estimates of the informal sector.
2/ Based on amounts expressed in U.S. dollars.
3/ Includes arrears.

Table 9. Suriname: Balance of Payments
(In millions of U.S. dollars)

					Est.	Projections					
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current account	**-60**	**-137**	**-61**	**-193**	**105**	**55**	**-39**	**-81**	**-125**	**-168**	**-233**
Trade balance	53	-30	170	-116	94	6	-97	-149	-204	-257	-321
Exports, f.o.b.	529	639	874	929	1391	1333	1315	1321	1329	1350	1367
Of which : alumina, gold, and petroleum	396	511	732	838	1180	1043	1028	1033	1037	1044	1046
Imports, f.o.b.	-477	-669	-703	-1045	-1297	-1327	-1412	-1470	-1533	-1607	-1688
Services, net	-128	-133	-130	-148	-53	-62	-67	-65	-63	-62	-62
Exports	39	60	141	204	243	250	264	280	297	315	334
Imports	-166	-192	-271	-352	-296	-312	-332	-345	-360	-377	-396
Income, net	-44	-49	-163	-40	-47	-49	-49	-49	-50	-50	-61
Private sector	-33	-34	-140	-33	-38	-38	-37	-37	-37	-38	-38
Public sector	-11	-15	-23	-7	-9	-11	-12	-12	-12	-12	-23
Of which : NFPS interest	-11	-15	-9	-7	-9	-11	-12	-12	-12	-12	-23
Current transfers, net	59	75	61	111	111	159	175	183	192	201	211
Capital and financial account	**-20**	**-61**	**-32**	**13**	**-86**	**-82**	**64**	**112**	**160**	**208**	**276**
Capital account (public sector grants)	**16**	**24**	**35**	**31**	**33**	**66**	**86**	**93**	**100**	**101**	**102**
Financial account	**-36**	**-85**	**-67**	**-18**	**-119**	**-148**	**-21**	**19**	**60**	**107**	**174**
Public sector	-29	-18	-12	-7	-22	-9	-10	-10	8	13	28
Disbursements	1	16	12	26	18	32	34	35	103	110	138
Amortization	-30	-35	-24	-32	-40	-41	-43	-45	-95	-97	-110
Private sector	-6	-67	-55	-11	-97	-138	-12	29	52	93	147
Foreign direct investment	74	76	37	28	164	121	163	171	175	183	193
Other	67	9	-18	-37	67	-259	-174	-142	-123	-89	-46
Errors and omissions	**82**	**197**	**124**	**208**	**84**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**2**	**-1**	**31**	**29**	**103**	**-27**	**26**	**31**	**35**	**40**	**43**
Financing	**-2**	**1**	**-31**	**-29**	**-103**	**-36**	**-26**	**-31**	**-35**	**-40**	**-43**
NFA of the central bank (- = increase)	-2	1	-31	-29	-103	-36	-26	-31	-35	-40	-43
Memorandum items:											
Current account as percent of GDP	-5.6	-10.8	-4.1	-10.8	5.0	2.4	-1.7	-3.3	-4.9	-6.3	-8.4
Including grants and FDI	2.7	-2.9	0.8	-7.5	14.2	10.8	8.9	7.5	5.9	4.4	2.2
GDP in current US dollars	1,079.9	1,271.0	1,493.1	1,777.5	2,112.4	2,234.4	2,346.6	2,442.6	2,542.9	2,647.8	2,757.3
Stock of gross international reserves	101.6	101.1	135	160	263	300	325	356	391	431	474
in months of imports of goods and services	1.9	1.4	1.7	1.4	2.0	2.2	2.2	2.4	2.5	2.6	2.7

Sources: Surinamese authorities; and Fund staff estimates and projections.

APPENDIX I: BACKGROUND AND SUMMARY OF APPENDIXES

Discussions. The 2007 Article IV consultation discussions were held in Paramaribo during January 29-February 7, 2007. The mission met with Minister of Finance Humprey Hildenberg, Central Bank Governor Andre Telting, other senior officials and representatives of the private sector and the donor community. The team comprised R. Rennhack (head), L. Abrego, H. Kamil, and M. Torrres (all WHD). Ms. Florestal (OED) participated in the discussions.

Fund relations. Suriname has never had a Fund-supported program, and has no outstanding obligations to the Fund. Suriname has accepted the obligations of Article VIII, Sections 2,3 and 4. The central bank uses an official exchange rate of SRD 2.75 per U.S. dollar for government external debt service and tax and dividend receipts from the oil, alumina and gold companies. There is also a special rate of SRD 1.4 for baby milk powder imports. All other transactions take place in the commercial market at a different exchange rate, which typically trades at SRD 2.7 to 2.8 per U.S. dollar.

Statistical Issues. The quality and timeliness of economic statistics has improved somewhat over the past several years, but data provision is still inadequate for surveillance purposes. There are no national income accounts from the expenditure side and no labor statistics. The reporting of the information for the central government suffers from several shortcomings and there is little systematic information on the fiscal operations of the 120 or so public enterprises. With regard to the balance of payments, data on services and capital inflows are weak, giving rise to large errors and omissions. The monetary accounts are of good quality and are published in IFS.

INTERNATIONAL MONETARY FUND

SURINAME

Staff Report for the 2007 Article IV Consultation—Informational Annex

Prepared by the Western Hemisphere Department

March 5, 2007

Contents Page

ANNEX I. SURINAME: FUND RELATIONS

(As of January 31, 2007)

Membership Status:
Joined: April 27, 1978
Status: Article VIII

A. Financial Relations

General resources account:	**SDR Million**	**Percent of Quota**
Quota	92.10	100.00
Fund holdings of currency	85.98	93.35
Reserve position in the Fund	6.12	6.65

SDR department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	7.75	100.00
Holdings	0.84	10.82

Outstanding purchases and loans: None

Latest financial arrangements: None

Projected payments to the Fund: (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2006	**2007**	**2008**	**2009**	**2010**
Principal	0.00	0.00	0.00	0.00	0.00
Charges/Interest	0.29	0.29	0.29	0.29	0.29
Total	**0.29**	**0.29**	**0.29**	**0.29**	**0.29**

B. Nonfinancial Relations with the Authorities

Exchange rate arrangements

The national currency is the Surinamese dollar (SRD), which replaced the Surinamese guilder in January 2004 at a conversion rate of 1,000 guilders per SRD. The central bank uses an official exchange rate of SRD 2.75 per U.S. dollar for government debt service and tax payments by mining companies and a special rate of SRD 1.4 per U.S. dollar for baby milk powder imports. Most transactions take place at a commercial bank/cambio rate. In June 2004, the central bank removed the ceiling and the floor on this rate, which had previously been set at SRD 2.8 and 2.6 per U.S. dollar respectively. Since then, the commercial bank/cambio rate has traded between SRD 2.85 and 2.71 per U.S. dollar.

Last Article IV consultation

The last Article IV consultation was concluded by the Executive Board on February 24, 2006 (IMF Country Report No. 06/135). Suriname is on the standard 12-month consultation cycle.

Participation in the GDDS

In July 2004, the IMF officially announced Suriname's formal participation in the General Data Dissemination System (GDDS).

Technical assistance since 2004

FAD

- A mission is planned to provide assistance in public financial management.

LEG

- Missions in November 2006 and January 2007 provided advice on tax legislation.

STA:

- A follow-up mission from the Money and Banking Division of the Statistical Department visited Suriname in February 2005 to address issues on reporting of commercial banks' data.

- GDDS mission visited Suriname in March of 2004 to assist authorities in preparing their meta-data.

Consents and acceptances: Quota increase approved.

Resident Representative: None.

ANNEX II. SURINAME: STATISTICAL ISSUES

The statistical information provided by Suriname can generally be considered inadequate for surveillance purposes. While the quality and timeliness of economic statistics has improved somewhat over the past two years, there are still serious shortcomings in the areas of the expenditure breakdown of national accounts, informal sector activity, and data on external services and capital inflows. These statistical inadequacies significantly hinder staff's analysis and hampers the development of a reliable quantitative medium-term policy framework. In particular,

- **Real sector.** Poor collection and presentation methodologies and long delays in the provision of data compound the lack of data on the informal sector and seriously undermine the accuracy of GDP estimates. As an expenditure breakdown of national accounts is unavailable, the estimate of saving and investment balances relies largely on balance of payments data, rendering problematic the estimation of private investment.

- **Fiscal sector.** A substantial amount of additional information on government finance statistics is needed to derive an accurate and timely picture of the fiscal position.

- **External sector.** While trade data are relatively reliable, data on services and capital inflows suffer from poor compilation systems. Estimates of the components of the financial account (especially, private external debt) also need to be strengthened.

- **External users' needs.** In general, little is done to determine and meet external users' needs. Users do not have access to readily available sources and methods, and there are no advanced release calendars to make the data more easily accessible.

In general, institutional arrangements need to be strengthened to facilitate improved reporting as well as collaboration between the Central Bank, the Bureau of Statistics, the Ministry of Finance, the Ministry of Planning and the Debt Management Office, and to avoid duplication of data production efforts and some inconsistencies across institutions.

Overview

The quality and timeliness of economic statistics in Suriname has improved somewhat over the past two years. The authorities have worked with STA to improve national accounts, monetary, and balance of payments statistics. Suriname started participating in the GDDS in June 2004, and its metadata are posted on the IMF's Dissemination Standards Bulletin Board (DSBB). These metadata, which provide information on Suriname's statistical practices as well as plans for improvement, now need to be updated.

During the last mission in 2007, staff could attest to several improvements in the accuracy and methodological soundness of statistics in Suriname, as well as enhanced coordination across different institutions. For example, the newly created Suriname Debt Management

Office (which started operations in 2004), has improved the quality of public debt data (though problems still remain in the compilation of internal and external debt). To address some of the weaknesses in the production of sectoral GDP data, the Bureau of Statistics (BoS) authorities have initiated a census of economic activities, including in its coverage tourism, financial businesses, and transport and communications. Finally, the Ministry of Planning (in charge of GDP estimates for the current year and GDP forecasts) has aligned its methodologies to the one used by BoS.

Notwithstanding recent efforts by Surinamese authorities to improve the quality of macroeconomic statistics compiled and disseminated, important weaknesses remain to be addressed, as detailed below.

Real sector

The latest national accounts data cover the reference period of 2002. Preliminary estimates for 2003 became available in late-2004, but without any details on informal sector activity. Some efforts have been made to improve the GDP data by production approach. The constant price series were rebased to 1990 and the estimates in the different economic sectors are now based on indicator variables. However, indicators of sectoral activities still suffer from poor response rates to questionnaires.

A lack of timely, reliable source data on price indices for tourism services, transportation and communication and bauxite production adversely affects production-based GDP estimates in nominal terms, and lead to frequent and substantial revisions of nominal GDP data. An analysis of revision patterns are generally absent or are not disseminated. For example, staff was given no advanced notice of major changes in the methodology to calculate sectoral GDP deflators, which lead to a revision of 30% in nominal GDP in 2005 with respect figures reported in the previous staff report.

There are no national accounts by expenditure approach and no consistent labor statistics. There is also no reconciliation between the national accounts and the balance of payments data. The development of a supply and use table would lead to better estimates for all sectors of the economy.

The methodology used to compile the consumer price index (CPI) is sound. The production and dissemination of the consumer price index (CPI) was disrupted by the temporary cessation of work by the General Statistics Bureau (ABS) due to a fire (June 2003–March 2004). The absence of data collection and processing has impeded publication of monthly or annual figures for 2003 and beginning 2004.

Fiscal sector

The only public sector finance statistics available are those for the central government. A substantial amount of additional information is needed to derive an accurate picture of the fiscal accounts. With respect to revenue, data are collected on a cash basis by the Inland

Revenue Department and the Non-tax Revenue Division. There is a Central Paymaster Department that also provides revenue and expenditure data on a cash basis, which is used by the Central Bank of Suriname (CBvS) to furnish a statement of central government operations, (produced daily, weekly, and monthly) and these, in turn, are the basis for the liquidity report on revenue and expenditure prepared by the Ministry of Finance (MoF). Some capital expenditure items are recorded by the Central Paymaster, but the majority seem to be recorded only at the ministerial level. As there are also no centralized records for receipts of external grants, capital expenditure has to be inferred from partial donor information.

As the estimates for revenue and expenditure components can differ significantly among the MoF, the Treasury department, the CBvS, and the Central Paymaster data, the authorities have begun the process of streamlining the system of fiscal reporting, improving the reconciliation process and standardizing the reporting format. There is a pressing need for standardization of expenditure by economic classification and more coordination between the MoF and other ministries for GFS compilation and reporting, as well as between the MoF and the central bank. Since 1986, no data on central government operations have been published in the IFS. and no data are reported for publication in the Government Finance Statistics Yearbook (GFSY).

For the rest of the public sector, the collection of comprehensive and consistent financial data remains a challenge. The Netherlands has recently provided technical assistance in this area. The actual number of public enterprises remains unknown, and is estimated to amount to 120 companies, but some are dormant, others are social associations (for the blind, handicapped, etc.) and many of them are small enterprises.1 Most of these enterprises do not produce accounts on a timely basis and their impact on fiscal operations, domestic credit and employment is not known with any certainty.

Statistics on public external debt and external payment arrears suffer from non-transparent reporting procedures across ministries. However, the startup of the Suriname Debt Management Office in 2004 has helped centralize the flow and quality of data.

Financial sector

An STA mission visited Suriname in January 2001 to advise on the country's reporting format on monetary data, to help prepare a template for more transparent accounting of the assets and liabilities of the CBvS, and to advise on ways to prepare and promote a faster and more accurate dissemination of monetary data. In response to the mission's recommendations, data on central bank activities are reported with lags of less than a month since mid-2001. The quality of the accounts makes them suitable for publication in IFS.

[1] See a list of public enterprises in the accompanying Statistical Appendix paper.

To address remaining difficulties with the reporting of commercial banks' data, STA missions visited Suriname in September 2001 and February 2005. The missions helped design new report forms to allow a proper sectorization of the accounts. The quality and periodicity of the reported data has improved significantly as a result of these missions and the time-lag was reduced to two months.

Suriname migrated to the new standardized report forms (SRFs) early in 2006, and its data are being published in the quarterly *IFS Supplement* since its first issue in September 2006.

External sector

During October 2002, a STA technical assistance mission assessed progress in improving balance of payments compilation consistent with the Balance of Payments Manual Fifth Edition (BMP5), and to design new survey and reporting formats that would allow for detailed BPM5 classifications. A GDDS mission that visited Suriname in March 2004 found that little progress had been made in implementing the recommendations, although a proposed revision to the CBvS Act on compulsory reporting of statistical information to the CBvS was approved by Parliament on May 20, 2005.

Quarterly aggregate balance of payments estimates and annual balance of payments data are disseminated by the central bank in its national publications. The balance of payments data are prepared on a cash basis. While trade data are relatively reliable, data on services and capital inflows suffer from poor compilation systems and poor procedures of reconciliation, which result in a substantial errors and omissions category. For example, STA missions have assessed the method for calculating FDI as incorrect and that new FDI (new investments from gold and bauxite companies) have not been captured. In this sense, the scope, classification, and basis for recording foreign direct investment could be made more transparent and better aligned with current international methodologies.

Lags in the compilation of merchandise trade data from the BoS limit the timeliness of quarterly estimates of the external current account balance produced by the Central Bank. As a result, the CBvS uses data from the banking system on firms' foreign exchange contracts, which differs from the Customs Union data used by ABS. As a result, export and import data compiled by these two institutions run the risk of data inconsistencies.

Finally, there are some discrepancies between the data reported by the central bank and those reported by the debt management office, particularly with respect to gross external disbursements and amortization of the central government. The Central Bank should expand its current debt reporting system to include comprehensive coverage of external loans and debt of the entire public sector, as well as publicly guaranteed debt.

Suriname: Table of Common Indicators Required for Surveillance

As of February 20, 2007

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of publication[6]
Exchange Rates	1/07	2/07	D	M	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]					
Reserve/Base Money	12/06	1/07	D	Monthly Less than 1 month lag	Q
Broad Money	12/06	2/07	M	Monthly 2 month lag	Q
Central Bank Balance Sheet	12/06	1/07	D	Monthly Less than 1 month lag	W
Consolidated Balance Sheet of the Banking System	12/06	2/07			
Interest Rates[2]	12/06	1/07	M	Monthly 2 month lag	Q
Consumer Price Index	04/06	07/06	M	Monthly Less than 1 month lag	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]					
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government					
Stocks of Central Government and Central Government-Guaranteed Debt[5]					
External Current Account Balance	Q4/05	06/06	Q	Q	A
Exports and Imports of Goods and Services	Q1/05	10/05			
GDP/GNP	2004	04/06	A	A	A
Gross External Debt					

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

INTERNATIONAL MONETARY FUND
Public Information Notice
EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 07/56
FOR IMMEDIATE RELEASE
May 21, 2007

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2007 Article IV Consultation with Suriname

On March 21, 2007, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Suriname.[1]

Background

Aided by favorable external conditions and an improvement in macroeconomic management, Suriname's economic performance has improved in recent years. Since 2002, the central government deficit has declined sharply, leading to a substantial decrease in public debt as a share of GDP. Monetary policy has focused on reducing inflation, while the central bank has become more independent. Backed by these policies, the exchange rate has remained stable since early 2004. As a result, real economic growth has averaged about 5 percent a year, while inflation has declined.

In 2006 macroeconomic performance was better than anticipated, benefiting from a continued favorable external environment. Real GDP is estimated to have grown by almost 6 percent, led by strong growth in exports and private investment. End-year inflation declined to below 5 percent from 16 percent in 2005, aided by tight credit policy by the central bank and a stable exchange rate. The external current account recorded a surplus of 5 percent of GDP, reflecting high international prices for alumina, gold, and oil. Net international reserves rose sharply, reaching two months imports of goods and services.

The central government recorded a small overall surplus in 2006, supported by strong growth in mineral-related revenues. The non-mineral deficit (the total deficit net of

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

mineral-related revenues) declined by 2 percentage points to 7½ percent of GDP, reflecting both higher revenues and lower expenditure. Revenue collections were boosted by the liberalization of domestic fuel prices in late 2005, increases in selected excise taxes and a one-time dividend paid by the central bank. The lower expenditure resulted from a decline in capital spending in relation to GDP. Public debt declined to 30 percent of GDP by end-2006.

In the financial sector, deposits and credit to the private sector grew rapidly in 2006, while banking system soundness indicators (capital adequacy, nonperforming loans, and profitability) improved. However, nonperforming loans remained relatively high at 12 percent of total loans, reflecting mainly difficulties in state-owned banks. Financial dollarization remains high, with the share of deposits and loans in foreign currency exceeding 50 percent. The spread between lending and deposits rates remained significant at about 8 percentage points both for domestic and foreign currency transactions, owing partly to high reserve requirements. The central bank has been reducing the reserve requirement on domestic currency deposits to encourage intermediation in local currency.

The outlook for 2007 looks broadly positive. Real GDP is projected to expand by 5¼ percent, driven mainly by the non-mining sector, while inflation is expected to fall slightly to 4½ percent. The surplus in the external current account would decline to about 2½ percent of GDP owing to lower world commodity prices, but international reserves would still rise, helped by tight credit conditions by the central bank. The central government's overall balance would deteriorate somewhat compared to 2006, reflecting strong growth in the wage bill. However, public debt would continue to decline.

Executive Board Assessment

Executive Directors commended the authorities for the improvement in economic policies in recent years, which—combined with the rise in export prices—contributed to stronger economic performance in 2006. Directors particularly welcomed the authorities' commitment to keep strong policies in place.

Directors supported the authorities' policy stance and underscored that the key challenge in the period ahead is to enhance policy credibility by strengthening Suriname's medium-term policy framework. In particular, an explicit assessment of fiscal sustainability at the time the budget is considered would help manage spending pressures, especially in the face of volatile mineral-related revenues. In this context, Directors considered that a revenue stabilization fund would be a useful supplement, provided it is well-integrated into the budget and managed in an efficient and transparent fashion. Directors recommended distinguishing between mineral revenues and the non-mineral deficit in annual budgets to help assess fiscal sustainability. They also cautioned against crowding out capital spending and called for improved targeting of subsidies. Directors welcomed the continued decline in public debt and in this context most directors encouraged the authorities to reduce the ceiling on total public debt, while maintaining the ceiling on domestic debt unchanged to strengthen credibility in the medium-term fiscal policy framework.

Directors welcomed the improvement in banking soundness indicators. However, stronger prudential regulations would help manage the risks from the high financial dollarization and Directors suggested taking steps to deal with the high level of non-performing loans, including by improving management of state-owned banks. Directors also called on the authorities to strengthen the enforcement of legal provisions on anti-money laundering, and encouraged them to participate in the Financial Sector Assessment Program.

Directors encouraged the authorities to continue steps to unify the exchange rate. They emphasized that over time inflation expectations could be anchored by credible demand management, and recommended improving the monetary policy framework and increasing exchange rate flexibility in coming years.

Directors underscored the need to diversify the economy to sustain growth and mitigate its vulnerability to shocks. In this context, they welcomed the introduction of a new investment law and encouraged authorities to advance on the long-overdue civil service reform, with emphasis on reducing the size and improving the efficiency of the public sector.

Directors also urged the authorities to normalize relations with external creditors by settling existing arrears, which would improve Suriname's creditworthiness.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case. The staff report (use the free Adobe Acrobat Reader to view this pdf file) for the 2007 Article IV Consultation with Suriname is also available.

Suriname: Selected Economic Indicators

	2003	2004	2005	Est. 2006	Proj. 2007
(Annual percentage change, unless otherwise indicated)					
Real economy					
GDP at 1990 prices 1/	6.0	8.1	5.5	5.8	5.3
GDP current market prices 1/	30.5	23.4	19.0	19.5	6.0
Consumer prices (end of period)	13.1	9.1	15.8	4.7	4.5
(In percent of GDP)					
National accounts					
Gross domestic investment	31.6	32.5	31.8	32.0	30.9
Gross national savings	20.8	28.4	20.9	36.9	33.4
Foreign savings	10.8	4.1	10.8	-5.0	-2.4
Central government					
Revenue and grants	27.8	26.3	27.8	28.7	29.1
Total expenditure	27.9	28.5	30.1	28.6	29.7
Overall balance	-0.1	-2.3	-2.2	0.1	-0.6
(Annual percentage change)					
Money and credit					
Banking system net domestic assets	6.7	29.0	18.2	6.4	15.5
Of which:					
Public sector credit	-20.7	14.6	-0.5	-56.2	-4.8
Private sector credit	40.5	32.9	25.1	27.6	12.6
Money and quasi-money (M2) 2/	15.9	28.5	11.7	21.1	12.3
(In percent of GDP, unless otherwise indicated)					
External sector 3/					
Current account	-10.8	-4.1	-10.8	5.0	2.4
Merchandise exports, f.o.b.	50.2	58.5	52.3	65.8	59.7
Merchandise imports, f.o.b.	-52.6	-47.1	-58.8	-61.4	-59.4
Capital and financial account	-4.8	-2.1	0.8	-4.1	-3.7
Of *which*: central government net borrowing	-1.5	-0.8	-0.4	-1.0	-0.4
Change in reserves (-=increase)	0.0	-2.1	-1.6	-4.9	-1.6
Gross official reserves (in months of imports)	1.41	1.66	1.38	1.98	2.20
Total public debt	41.1	38.8	37.0	30.4	29.4
Of which: External 4/	30.3	25.4	21.6	18.5	17.2

Sources: National authorities; and IMF staff estimates and projections.
1/ GDP numbers include estimates of the informal sector.
2/ Includes foreign currency deposits held by residents.
3/ Based on amounts expressed in U.S. dollars.
4/ Includes public external payments arrears.

Statement by Eduardo Loyo, Executive Director for Suriname and Ketleen Florestal, Advisor to Executive Director March 21, 2007

1. On behalf of the Surinamese authorities and of our chair, we would like to thank the new mission chief and his team for a very engaging and useful dialogue during the last Article IV Consultation. We welcome the focus of the streamlined consultations, as well as staff's candid assessment and accurate reproduction of the authorities' points of view. We also take this opportunity to thank Management for the assistance being provided to strengthen public financial management, tax legislation, and tax administration in Suriname. The Fund's technical support, whether through formal TA or on the occasion of Article IV missions, is highly valued by the Surinamese authorities.

2. The past year has been good for the Surinamese economy and the outlook is also favorable for the near and medium terms. Growth reached 5.8 percent in 2006 and is expected to remain above 5 percent in 2007. Inflation, after last year's hike caused by the liberalization of domestic fuel prices, fell by more than two thirds to 4.7 percent, and the CBvS projects that it will stay within the 4 to 6 percent range in the medium term. The external position was reinforced with gross international reserves now covering two months of imports and the external current account ending 2006 with a significant surplus of 5 percent of GDP. The external position is also expected to stay strong in 2007.

3. The successful outcomes are imputable not only to a favorable external environment, in the form of high prices of export commodities, but also to prudent macroeconomic management. Fiscal discipline and cautious monetary and exchange rate policies allowed the fiscal balance to be brought to a surplus and public debt to be reduced by 6.6 percent of GDP – of which almost half corresponds to reduction of external debt – while the exchange rate remained stable. Furthermore, Suriname has normalized its relationship with most bilateral creditors by eliminating payment arrears and is engaged in discussions with the creditors on the two main bilateral arrears still outstanding. Recognizing Suriname's high growth prospects and its efforts to clear arrears, in December 2006, Standard and Poor's upgraded Suriname's long-term foreign currency sovereign credit rating from a B- to a B.

4. There is no doubt that confidence in the economy has been boosted. Nevertheless, the high degree of concentration of activities in the mineral sectors, capacity constraints, and the weakness of certain institutional levers in the public sector are challenges that still need to be conquered. Some diversification of Suriname's export base has been achieved in recent years, but Suriname's mineral resources will remain the major source of fiscal revenue and foreign exchange for some years to come. Investments envisaged for the near term in the extractive industries (bauxite, gold and oil) are very large in relation to the size of the economy and will for the most part be financed by foreign capital. While they are indeed an opportunity to jumpstart the economy, enabling Suriname to fulfill its growth potential, the

authorities recognize the need to be cautious to prevent natural resources from turning into a "rich man's curse". Putting in place effective investment strategies and efficient allocation mechanisms for the use of the incomes from these large-scale investments is a priority for the Surinamese government, whose chief concerns include ensuring fiscal sustainability and an equitable sharing of benefits.

5. While there is widespread public recognition of the value of the macroeconomic stability attained in recent years, the government is under mounting pressure to produce a significant improvement in the well-being of the population, particularly in light of the much vaunted wealth of the country in terms of natural resources and the occasion at hand to unlock such wealth. Thus, one of the several challenges the authorities face is that of finding the appropriate mix of fiscal, monetary and social policies, in order to safeguard internal and external balance while yielding significant sustainable growth and a reduction in poverty. In this regard, the authorities look forward to the Fund's assistance in setting up a revenue stabilization fund, and thank the mission for its prompt provision of basic information on some successfully managed funds around the world. The establishment of the stabilization fund is of utmost priority and perfectly in line with the efforts of the authorities to enhance the credibility and sustainability of fiscal policy. The Fund's support in designing the overall fiscal framework within which this stabilization fund would be integrated is also being sought. Such a framework would facilitate the construction of budgets that are more efficient policy tools with realistic expenditure targets based on reliable revenue projections and prioritized objectives.

6. While it is the authorities' hope to carry forward the aforementioned projects in the very near future, they are cognizant of the primary importance of broad political consensus on the timing and sequencing of reforms, in order to obtain legislative approval and general social acceptance. The limited availability of qualified human resources has also turned out to be a binding constraint against which the authorities will have to press in their reform efforts. The reliability of the statistical database is another key element for the successful implementation of a revamped macroeconomic framework, including a revenue stabilization fund as one of its elements. As staff notes in the report, despite notable improvements over recent years, important weaknesses remain in the statistical area. Accordingly, the Surinamese authorities are looking forward to the assistance they will receive from the IMF to address the remaining statistical deficiencies and to shorten data production delays.

7. To conclude, we offer a few comments on two issues staff touched upon in the report, namely dollarization and exchange rate policy. On financial dollarization, it is important to note that the reserve requirement on domestic deposits has been progressively lowered since last year, thus increasing the spread between reserve requirements on liabilities in domestic currency versus those in foreign currency. It is the authorities' expectation that this measure will help dampen dollarization until more permanent prudential norms are adopted. On exchange rate policy, it is worth underscoring that several steps have been taken towards the unification of the private and official markets. The latest include the purchase of petroleum

products through the private market, which practically reduces transactions at the official rate to government payments only. Nonetheless, the CBvS has no immediate plan to discontinue the publication of the official exchange rate as it remains persuaded that the published rate provides a credible and tested anchor to inflation expectations, which has served Suriname well in spite of the progressive strengthening of domestic demand management policies. The authorities also point out the fact that the CBvS, while not legally mandated to observe a ceiling on the spread between the market and official rates, has in practice generally kept the spread below 2 percent, which is evidence that the existing system has not caused material distortions in the foreign exchange market.