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PROGRAMME PLANNING

Country and intercountry programmes and projects

THIRD COUNTRY PROGRAMME FOR SURINAME*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
1987-1991	IPF for 1987-1991	1 540 000
	Other resources programmed	449 000
	Total	1 989 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. In 1981-1982, the real gross domestic product (GDP) of Suriname grew by rates averaging 5 per cent, despite falling external demand for bauxite and its derivatives (alumina and aluminium), the country's major exports. In part, this growth reflected increased Government outlays and expansionary fiscal policies which helped - temporarily at least - to prop up the growth of aggregate demand. However, the viability of these policies weakened markedly at the end of 1982 as a result of the decision of the Netherlands Government to suspend indefinitely its long-term development assistance programme to Suriname. These official grants, which in 1981-1982 averaged about 8.3 per cent of GDP, not only enabled the country to maintain a very high level of gross capital formation despite increasing dissavings by the Central Government, but also helped the Government to avert a serious deterioration in the current account of this balance of payments.
2. During the course of 1983, export receipts from bauxite/alumina fell sharply, by more than 16 per cent from the 1982 level. Real GDP declined by an estimated 3.1 per cent in 1983, the first decrease since Suriname achieved independence in 1975. Inflation slowed to 3.7 per cent in 1984 from 4.4 per cent in 1983. The unemployment figure, which was 7.5 per cent in 1979, is now 22 per cent, according to Government estimates. Unless more employment opportunities are created in the near future, this rate will continue to increase significantly.
3. Despite declining output, bauxite mining and its processing into alumina/aluminium continue to be the most important economic activities in Suriname and accounted for almost 10 per cent of GDP and 71 per cent of merchandise exports in 1983. To offset the fall in the overall volume of bauxite production between 1980 and 1983, more bauxite is now being processed into alumina, for sale to the United States and European Economic Community (EEC) countries. The increased production of alumina helped to prevent earnings from the mining sector from deteriorating even more rapidly than was already the case.
4. The agricultural sector ranks second in importance to the mining sector, both in terms of economic activity and foreign exchange earning power. The production and export of rice, bananas and oil palm, and the production for domestic consumption of sugar and citrus fruit, as well as a range of vegetables, have secured for the sector a contribution to GDP (at constant 1973 prices) of a little more than 9 per cent.
5. In confronting the shocks generated by the world recession that began in 1981, and the suspension of Dutch aid at the end of 1982, the Government attempted to maintain essential services and absorb unemployment. As a result, the current expenditures of the Government increased from 28.1 per cent of GDP in 1981 to 37.5 per cent in 1983. At the same time, after

averaging a relatively stable 25.8 per cent of GDP during 1981-1982, current revenue dropped to an estimated 21.8 per cent of GDP in 1983 resulting therefore in a large budget deficit. This decline in revenue largely reflected the smaller collections from customs duties and corporate income tax caused by the reduction in economic activity.

6. As a result of the trends in merchandise trade, the trade deficit of Suriname rose only slightly, from \$59 million in 1982 to \$83 million in 1983. It is estimated at \$31 million in 1984 mainly as the result of foreign exchange controls and stringent credit policies. In contrast, the net services deficit rose from \$86 million in 1981 to an estimated \$139 million in 1983. The growth in the services deficit, coupled with the suspension of Netherlands aid (which fell from a record level of \$97 million in 1982 to \$3 million in 1983), caused the current account deficit to increase from \$152 million in 1982 to \$164 million in 1983. Moreover, the widening current account deficits were not completely offset by increased capital flows. Consequently, after achieving an overall surplus of \$32 million in 1981, the balance of payments showed successively larger deficits of \$59 million in 1982 and \$83 million in 1983.

7. Since 1980, the purpose of the economic policies of Suriname has been to build an independent and stable economic structure geared to fulfilling the needs of its people and making optimum use of its resources. However, the continuing fall in bauxite exports, the suspension of Netherlands aid, an increasing budget deficit, and a continuing loss of net international reserves, forced the Government, in 1983, to adopt policies aimed at reversing this declining trend. Therefore, a policy of reducing imports, limiting the expansion of commercial bank credit, and extending the list of products subject to price control was adopted..

B. National development strategies

8. The economic situation in Suriname reflects the need for major adjustments in the economy to compensate for major losses in income and employment resulting from the downturn in the bauxite industry, the loss of foreign exchange due to Suriname's high import costs and low level of exports, and a growing imbalance between Government revenues and expenditures.

9. No national plan has been developed by the Government since the plan of action for the period 1983-1986. However, the Government has set as its development objectives: (a) increasing income; and (b) increasing employment.

10. In order to reach these principal objectives, the most important development strategies will be: (a) the improvement of public administration; (b) increased agricultural production; (c) energy conservation, and development of energy alternatives; and (d) industrial diversification.

Public administration

11. In almost all developing countries, including Suriname, the lack of skilled personnel in the public sector immediately after attaining Independence has always been a serious problem. With the departure of former foreign personnel, the know-how and the ability to assume many responsibilities are missing. In order to meet these new responsibilities, Suriname is committed to strengthening its existing institutions by taking the necessary measures to train personnel required for various tasks. The extent of this upgrading of skills will apply to virtually every department of the Government. This will be a long-term effort involving the updating of techniques in management, organization, and administration, and the redeployment of skills in the public sector from one department to another or even to the private sector.

Agriculture

12. Agricultural exports increased from \$42.7 million in 1975 to \$72.4 million in 1983, an increase of almost 70 per cent. The sector has been organized in such a way that most of the export crops are being cultivated on large holdings. Government support to domestic agriculture has resulted in an improvement in the management of the smaller agricultural holdings. Shrimping continued to be an important earner of foreign exchange, but catches have decreased over the last four years due to possible over-fishing and change of migratory patterns. The production of rice, the major commodity, increased markedly from 172,000 tons in 1976 to 300,000 tons in 1984. Oil palm showed an increase from 6,600 tons in 1986 to 33,800 tons in 1984. Nevertheless, the agricultural sector is experiencing serious problems of maintaining production costs and productivity, which will have to be addressed to ensure continued growth.

Energy

13. Suriname uses 36 per cent of its foreign exchange for energy imports to supplement its limited, domestic supply. Therefore, one of the Government objectives is to reduce its dependency on foreign imports through increased domestic production, alternative sources of energy, and conservation. In this regard, the Government is now involved in a joint venture for offshore drilling in oil; is seeking ways to utilize solar energy, particularly in the hinterlands; and is exploring alternative sources, such as wood, to meet its domestic demand. Because of the high labour costs of growing sugar, gasohol is not a viable alternative. Concurrent with objectives is an energy pricing system which would facilitate the Government's rationalization of consumption levels, allocation of resources, income distribution, tariffs, uses of renewable sources of energy, local energy sources, and conservation.

Industry

14. To stimulate economic growth, Suriname requires industrial diversification to offset its loss of income through the decline in its

bauxite industry. Such diversification, however, requires scarce foreign exchange for the import of raw materials, which in turn entails delays for currency conversion upon application to the Foreign Exchange Control Board. The Chamber of Commerce encourages outside investors to invest in Suriname and the Government has provided tax incentives. Thus, efforts to improve the investment climate in Suriname, thereby promoting industrial development, is a major objective of the Government and would go far in generating income, increasing employment, and supplying foreign exchange.

Funding

15. External funding for these objectives is limited. At present, the EEC has an annual programme of approximately \$6 million, derived primarily from the funds allocated to Suriname under the Lomé III Convention (approximately \$20 million for the period 1986-1990), plus unspent funds from preceding conventions, totalling nearly \$16 million. EEC future assistance is expected to focus on projects related to generating foreign exchange, in particular: extension of rice acreage; improvement of production, drying and research; increased yields in the fishing industry; and the improvement of sectors related to import substitution such as energy and food items.

16. The Inter-American Development Bank (IDB) recently opened an office in Suriname and has conducted a water survey for the Suriname Water Company totalling \$1.5 million. Additionally, approval has been granted for a loan totalling \$8.5 million for the education sector: several libraries will be constructed, equipment purchased, and training provided. The Government is contributing \$1.5 million towards this activity. A loan of approximately \$8-10 million for construction of a hospital in Nickerie is under consideration. Training will be provided by the IDB under the loan agreement.

17. The Organization of American States (OAS) provides Suriname with nearly \$500,000 annually. Almost \$200,000 will be used in 1986-1987 for water management and water supply feasibility studies related to the loans from IDB. Other areas benefiting from OAS assistance include education, science and technology, and agriculture. Technical assistance is being provided in wood gasification, aquaculture and legume research.

18. Belgium aid in Suriname is nearly \$1.5 million annually for the financing of materials related to capital investments. It is expected that by early 1986, 7 geologists will be fielded to Suriname under Belgium aid for the purpose of assisting the Government in geological surveys of the coastal area.

19. UNDP assistance will total \$1.54 million during 1987-1991, and will complement in part some of the efforts made through these sources of external funding.

C. Technical co-operation priorities

20. To meet the objectives outlined in Section B, the overall technical assistance needs and priorities of the Government are as follows:

Public administration

21. Key personnel must be trained to strengthen the management and organization of existing Government departments. This is particularly important in view of the emigration of many Surinamese to Holland since independence in 1975, causing a brain-drain from the country. Other needs in this area are to strengthen the Government capacity for project development and evaluation; to train high-level professionals in the fields of management, economics and technology; and to train semi-skilled workers in agriculture and industry.

Agriculture

22. In the Government efforts to improve the living conditions of its people, and to increase employment and foreign exchange earnings, the role of agriculture becomes paramount. In this regard, there is a need for assistance in: (a) co-operatives development; (b) improving rice cultivation and handling; (c) strengthening agricultural planning capability; (d) rationalizing the mechanization services and developing a mechanization strategy; (e) assessing fish stocks; (f) activities in integrated aquaculture development; and (g) improving sheep and goat production.

Energy

23. Training and consultancy services are needed for the identification of: (a) ways to explore and develop local energy resources; and (b) methods for diversifying the energy sector to reduce imports. Such assistance will strengthen the Government capacity to promote and rationalize the national use of energy. Technical advice for the development and promotion of energy alternatives and conservation will also aid the Government in reducing the import costs of petroleum.

Industry

24. Training will be necessary for the computerization of project ideas, investment opportunities, and evaluation studies to assist the Government in indicating to the private sector possible areas for diversification. In this endeavour, advisory services are required to determine: (a) which areas of diversification will be the most cost-effective; and (b) the legislation necessary to promote an improved investment climate.

Funding

25. In meeting the requirements for these areas of technical assistance, the Government will depend primarily on the IPF resources of UNDP during 1987-1991

as well as other sources of funding within the United Nations system, in view of the limited aid Suriname receives from other external resources for technical assistance.

D. Aid co-ordination arrangements

26. Because of its small IPF, the Government of Suriname has looked to other sources of financing beyond the UNDP/IPF, but within the United Nations system, especially in view of the limited bilateral assistance available. In this regard, it has received assistance from FAO for a project on rice processing and marketing through FAO Technical Co-operation Programme (TCP). The Pan-American Health Organization (PAHO)/World Health Organization (WHO) has an office in Suriname which expects to deliver a programme totalling \$867,000 for 1986-1987, excluding inputs from regional and inter-country programmes. Areas in which PAHO has been assisting include epidemiological surveillance, food hygiene, health care, food and nutrition, and health plans. Advisers from PAHO, ILO, the United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Fund for Population Activities (UNFPA), ITU, UNIDO, UNDTCD, HABITAT, and Universal Postal Union (UPU) have frequently visited and provided advice to the Government during the present cycle.

Activities have taken place through technical co-operation among developing countries (TCDC), mainly with Brazil, and will continue during the remaining cycle with many other countries as well. With funds from the United Nations Development Fund for Women, a project concerning cervical cancer has begun. Another project is under consideration for integrated rural development involving FAO, the United Nations Childrens Fund (UNICEF), the United Nations Volunteers (UNV) and TCDC. In 1984 the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) completed a project involving gold exploration, with recommendations for follow-up investment presently under review by the Government. UNFPA is assisting two small projects in Suriname in family planning. Recently, a review mission of the master water plan was financed by PAHO/UNDP funds outside the IPF. FAO has used its own TCP funding for rice processing development and plans are underway for additional funds from TCP for other agricultural development activities. Suriname is an active participant in regional projects such as RLA/80/006, Programme for Animal Health Assistants; RLA/84/001, Agricultural Research Network; and RLA/82/014, Ocean Resources Development.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

27. Suriname did not officially submit a third cycle country programme (1982-1986) to the UNDP Governing Council in view of various political and

administrative changes in the Government. Consequently, the second cycle country programme (1977-1981) was extended through 1986 and projects were approved to coincide with the national plan of action (1983-1986).

28. The broad objectives of the Government when the second country programme was prepared were to: (a) increase the economic strength of Suriname (b) increase employment; (c) improve the standard of living; and (d) implement regional distribution of economic activities.

29. The following priority areas were identified for UNDP assistance:

(a) the development of agriculture to substitute imports with local products; (b) the introduction of educational policies and programmes to relate education to life and work; (c) the increased exploitation of forestry resources; (d) gold production geological/mining services; and (e) human resources development.

30. Total IPF funds available declined from \$2.7 million in 1979-1981 to \$1.7 million in 1982-1986. A number of projects were successfully implemented under the extended second-cycle programme. Among these were SUR/81/002, Housing Management, and SUR/82/006, National Accounts. The housing project produced studies for follow-up by the Government on matters related to low-cost housing especially with regard to financing, construction, renovation, and public policy, as well as to reorganization in the Government to strengthen its capacity in housing management. The project recommendations, however, have not been fully utilized because of changes in Government ministries; consequently, although the project was successful in producing its intended outputs, the results expected from the Government remain to be achieved.

31. SUR/82/006, National Accounts, is the most successful project in the programme at present. This is due to the successful motivation and training of the counterpart staff by a very capable expert. There is also a determination on the part of the Government to obtain national accounts data for its own planning and analytical purposes; thus, a computer was bought for the project and staff were trained to input data and analyse results. Overseas training of counterparts in order to upgrade their skills is now underway.

32. SUR/82/008, Assistance in Gold Mining, consisted of advisory services to the Government in monitoring a contractor's activities in gold exploration. In addition, assistance was given in field and laboratory work, and Government engineers were trained to analyse methods used in the contractor's monitoring exercises. The national counterparts are now using these techniques as a result of the project.

33. SUR/82/003, Social Security, has had the least success in the programme owing to problems among various groups regarding the need for consultations,

programme design, and implementation of a social security scheme. Thus, the project remains at the planning stage instead of moving into that of implementation, although the Government now seems ready to recommend Cabinet endorsement for the scheme of the project.

34. SUR/84/007, Meteorology, will in 1986 begin activities related to the upgrading of meteorological services in Suriname and the training of nationals in the latest techniques of weather forecasting.

35. During the extension through 1986 of the second cycle programme, United Nations agencies were actively involved, especially the International Labour Organisation (ILO), the United Nations Centre for Human Settlements (HABITAT), the United Nations Department of Technical Co-operation for Development (UNDTCD), the United Nations Industrial Development Organization (UNIDO), International Telecommunication Union (ITU), the Food and Agriculture Organization of the United Nations (FAO) and the World Meteorological Organization (WMO). They responded efficiently to Government requests through UNDP for assistance. Advisory services were provided in postal administration, energy, housing census, agriculture, statistics, and social security.

36. A constraint to the programme was the lack of a third cycle country programme. Overall, it would have been preferable to work within a current country programme framework rather than with an extension of the previous cycle. This would have had the advantage of allowing the allocation of resources by sector to be predetermined and a programme of priorities to be systematically implemented. It would also have facilitated the closer monitoring of programme objectives during the implementation stage for the purposes of comparison.

37. Therefore, having a fourth cycle country programme will remove some of these constraints and strengthen the capacity of the Government to utilize UNDP inputs more efficiently. Additionally, as the staff in the Planning Bureau become more knowledgeable on how to approach and utilize the potential of the United Nations system and to co-ordinate proposals within the Government, assistance can be expedited and be more comprehensive.

B. New programme proposal

38. To achieve the objectives of the Government, technical assistance will be required from UNDP for the following development objectives, identified by the Government in its consultations with UNDP: (a) strengthening of public administration; (b) increased agricultural production; (c) development of energy alternatives/conservation; and (d) industrial diversification.

Programmed reserve

52. No programmed reserve is envisaged at this time.

Approved projects to be continued

53. Approved projects expected to be continued into the fourth cycle for Suriname are: (a) SUR/81/002, Housing Management; and (b) SUR/84/007, Meteorology.

54. At present, these projects are budgeted into 1986 with \$72,974 for SUR/81/002 and \$185,000 for SUR/84/007. However, slippage has shifted 1985 inputs into 1986, and it is expected that there will be a further slippage into 1987.

55. The continuation of SUR/81/002 is the result of the need for follow-up consultancies related to low-cost housing, as recommended by the international expert who left in August 1984. In this regard, SUR/81/002 has the development objective of assisting the Government in solving its housing problems by strengthening and organizing institutions responsible for housing, especially the Ministry of Social Affairs.

56. There will be a continuation of activities for SUR/84/007 into 1987, in view of the 10-month delay in 1985 of delivery of meteorological equipment for training purposes. SUR/84/007 has the development objective of assisting the Government in establishing efficient meteorological services to contribute to better conservation, management and exploitation of the natural resources of the country.

C. Unprogrammed reserve

57. An unprogrammed reserve of 10 per cent of the fourth cycle IPF, i.e., \$154,000, is being earmarked in the next cycle to allow for new programme ideas or country priorities.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. <u>UNDP-administered sources</u>	\$	\$
Third cycle IPF balance	-	
Fourth cycle IPF	1 540 000	
Subtotal IPF		1 540 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	449 000	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Sub-total, UNDP non-IPF funds		449 000
 B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the programming exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u>1 989 000</u>

II. USE OF RESOURCES

Ongoing projects	125 000	
New project proposals	1 710 000	
Programmed reserve	-	
Subtotal, programmed resources		1 835 000
Unprogrammed reserve		<u>154 000</u>
 TOTAL USE OF RESOURCES		<u>1 989 000</u>
